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SPEECHES

*Strengthening the Banking Supervision through Risk-Based Approach: Laying the Stepping Stones**

K. C. Chakrabarty

The learned Non-executive directors on the Boards of various commercial banks; Shri A. K. Garg, CGM, CAFRAL; colleagues from the Reserve Bank of India; ladies and gentlemen. It is a pleasure and privilege for me to be amongst you this morning at the inaugural session of this conference organised by CAFRAL, with the objective of enabling non-executive directors of commercial banks to effectively perform their responsibilities as members of Bank Boards. As non-executive directors, all of you can play important role in ensuring that a sound risk management ethos gets percolated from the top management right up to the line staff in the field and that a healthy compliance culture evolves within your respective organisations. I am happy to note that the conference has brought together directors with expertise in a variety of fields such as finance, accountancy, legal, administration, social service, *etc.* I hope this conference aids and assists you all in effectively discharging the challenging role of non-executive directors in banks.

Introduction

2. In the light of the global financial crisis and the recent developments in the Indian financial system, the focus is squarely on the ability of banks and supervisors to understand risks inherent in banking business and to institutionalise an appropriate architecture for effectively managing these risks. The need for a robust supervisory framework for monitoring the risk levels in banks' operations has been duly recognised by financial sector policymakers across the globe, more so in the wake of the Financial Crisis. Accordingly, measures to strengthen supervisory oversight of banks have been at the core of the reform process that has been since set in motion. In India, one important initiative being taken by the Reserve Bank is the phased migration to a Risk-Based Supervision (RBS) model, which seeks to address several of the present concerns regarding the supervisor's and banks' ability to identify and manage the key risks in banks' operations. Therefore, today I would like to share my thoughts on the Risk Based Supervision that we are rolling out for select banks from the current supervisory cycle. I hope that we would be able to count on all of you to work towards ensuring that your respective organisations are fully geared up for the successful launch of this initiative.

3. Let me confess that I have a vested interest in coming here and I will explain why. Some of you may be aware that I chaired a High Level Steering Committee (HLSC) which reviewed the supervisory processes for commercial banks last year. Let me also share that this Committee included an academician, some of the seasoned practicing and retired commercial bankers and the regulator. The Committee, *inter alia*, unanimously recommended a shift to a risk-based approach for supervision of commercial banks in India, so as to ensure that the incipient risks could be proactively identified both at the individual institution level and at the systemic level, and measures could be initiated to address them. The Committee also made several other significant recommendations aimed at improving the supervisory processes in respect of commercial banks.

4. Let me remind you that risk based supervision is nothing new. Several jurisdictions across the globe have adopted variations of the risk based approach in their supervisory practices with different degrees of success. The veterans amongst you would recall that Reserve Bank of India too had attempted to bring in some semblance of a risk based approach to supervision about

* Address by Dr. K. C. Chakrabarty, Deputy Governor, Reserve Bank of India at the Inaugural Session of the Conference of non-Executive directors on the Boards of Commercial Banks, organised by CAFRAL in Mumbai on May 13, 2013.

a decade back. However, we had to rest that attempt. Several reasons may be attributed to why our attempt to usher in risk based supervision had suffered a setback. Though I would not attempt a post mortem of why RBS had failed to take off, let me share that our internal assessments showed that the banking system was not really ready for the introduction of RBS when we first attempted it in 2003-04. The primitive risk management systems at banks, low levels of technology, inadequate human resource capabilities and above all, lack of patronage from the Board and Top Management were amongst the primary reasons that led to stalling of the project in our maiden attempt.

5. Let me also share that before accepting the HLSC's recommendations, there was a lot of circumspection and internal debate on whether the ground realities had actually improved and whether the time was ripe for attempting a re-introduction of RBS. A lot of positive developments have happened in the Indian banking sector since 2003-04 and improved technology has been the bedrock of these developments. Core banking solution has been implemented across all banks, which has, in turn, facilitated data availability, consistency and improved quality of MIS. The regulatory push in the form of Basel II guidelines and the competitive market forces have also compelled the banks to invest in improving their risk assessment and risk management capabilities. Today, the frontline staff as well as the Top Management is definitely much more conscious about the risks that their banks face and are sanguine about their abilities to manage them. Despite these positive developments, let me admit that a whole lot still needs to be done – both at the level of the supervised entities and at our level in the Reserve Bank. It is in the face of these challenges that the Board for Financial Supervision has decided to tread with caution and approved the roll out of RBS in a phased manner. As I mentioned earlier, as the Chairman of the HLSC and a resolute supporter of the risk based approach, I have a vested interest in successful roll out of RBS and that is why I immediately agreed to the invitation from the Director, CAFRAL to address this august group, which, I firmly believe, can act as the catalyst for ensuring the successful roll out of RBS.

Supervisory Perspectives

6. Having set the context, let me step back and reflect on some of the fundamental issues that need to be understood and appreciated not only by the supervised entities but also the regulatory and supervisory community, for ensuring a vibrant banking sector. I would also share my perspectives on what I consider as essential pre-requisites for the success of risk-based supervision and our expectations from the banks.

7. Before I venture any further, let me clarify upfront that no amount of regulation or supervision can save an institution if the Board/Top Management is not sensitive enough about what is good for their bank. The Board and Senior Management are the first line of defense at the banks and we, as supervisors, place a lot of faith in them to identify, manage and mitigate risks in banks' day-to-day affairs. Therefore, I would emphasise that ensuring readiness of the banks for the success of RBS is a management function. In my remarks today, I would reflect on some of the necessary preconditions that must be met for the successful transition to a risk-based approach to supervision.

8. It is important at this stage to understand and clearly appreciate some of the fundamental concepts of supervision like – what is supervision, what it seeks to achieve and what are the attributes of a good supervisor? Unless all of us – the bank management, the internal auditors and the supervisors clearly appreciate these basic tenets of supervision and their respective responsibilities, we would not be able to make any meaningful progress in our endeavour to transit to RBS. Banks, as you all know, occupy a pre-eminent place in any financial system by virtue of the role they play in spurring economic growth by undertaking maturity and liquidity transformation and supporting the critical payment systems. The transformation role that the banks play, coupled with

the volatility of financial markets, increased competition and diversification, exposes them to a variety of risks. The need to keep a tab on these risks is more exacerbated as the banks not only use public funds, they also receive some protection in the form of depositor guarantees and the possibility of liquidity support. Thus, need for identifying risks and finding ways and means to mitigate them is not only significant from the perspective of safety and soundness of individual institutions but also from a systemic stability perspective. These objectives are sought to be achieved by subjecting banks to some form of regulation and supervision.

9. When I pose a simple question to my supervisory staff on what is supervision, invariably I get a common response – monitoring of compliance to regulations by the regulated entities. That brings me to our first fundamental question – what is supervision and how is it different from regulation? As you all would have noticed, Regulation and Supervision are quite interchangeably used in most literature. This is more so because, ideally, they seek to serve the same objective – protecting depositors and promoting financial stability. However, there is a wide difference between the two functions. 'Regulation' is synonymous with laying down the rules and norms for doing business by all the market players and, therefore, is uniformly applicable to all market participants. 'Supervision', on the other hand, is the process through which the rules and norms are enforced at individual entity level. Thus, on a very broad level, the difference between the two is that while regulation is applicable to the system as a whole, supervision is entity-specific, with the intensity of supervision being proportional to the perceived risk levels. By making this point, I am trying to underline that supervision is more contextual rather than being generic. Here, I would like to emphasise that it is essential to have clarity on the demarcation of the roles and remits of regulation and supervision. In the absence of this, both regulation and supervision are likely to get diluted and weakened, which would have an adverse impact on the strength and resilience of the financial sector.

10. Let me now turn to the second issue of what supervision seeks to achieve?

As I mentioned a little while earlier, the basic function of the supervisor is to enforce the rules and norms laid down by the regulator. There is a marked difference between merely monitoring whether the entities are adhering to the regulations and actually making sure that the regulated entities adhere to them in practice. The job of the supervisor is to ensure that the entities necessarily comply with whatever mitigation plan is given to them. The supervisor should ask questions of the supervised entities even when the going seems good, let alone during bad times. Not only ask questions, but to also effectively intervene. No doubt, this is an arduous task as the supervisors would be seen and treated like party poopers, but that is precisely the role that they ought to play. I believe many of the supervisors, in the lead up to the crisis, simply failed to enforce the regulations and instead, relied too heavily on the merits of the efficient market hypothesis or the bank managements' inner conscience. All of you, as non-executive directors, have important roles to play. You need to ask questions when the going seems good. You must focus on specific issues and seek precise clarification. You would also need to ensure that there is an appropriate internal mechanism which makes certain that the directions given by the Board are properly implemented down the line.

11. That brings me to the third question – what are the attributes of a good supervisor? When could supervision be considered effective? An IMF Staff Position Note[1] has very lucidly explained five attributes of a good supervisor. The note mentions that Good Supervision has to be intrusive. This does not mean being involved with the day to day affairs of the bank or micro-managing things. It, essentially, means

1 IMF Staff Position Note SPN/ 10/ 08 dated May 18, 2010 on The Making of Good Supervision: Learning to say "No"

knowing the bank, its institutional structure and its risk profile very intrinsically. Listing the other attributes of a Good Supervisor, the note mentions that supervision has to be sceptical but proactive, implying that the supervisor should not take things for granted. The note also mentions that good supervision should be comprehensive- meaning that the supervisors need to look holistically at the entire banking group on a consolidated basis. In fact, many of the supervisory failings have been on account of a lack of understanding of the risks at the periphery – in perceptibly low risk subsidiaries or low risk business verticals. The paper further mentions being 'adaptive' and 'conclusive' as two other attributes of a good supervisor. These refer to the need for being alert to the developments, both within the bank as well as on the macroeconomic front, and quickly re-evaluating the risk profile of the institution. By being 'conclusive' means that supervisors need to take their findings to logical conclusion through further probing or deliberations and discussions. Let me add that all these attributes of a good supervisor are also relevant and important in your conduct as non-executive directors. Adherence to these principles would mean that you are able to take informed decisions and ensure that these are properly implemented.

12. On top of these attributes, the IMF note also identifies two features that signify good supervision. First, having the ability to act; and second, having the will to act. While the ability to act is judged in terms of the legal authority and the necessary resources, the willingness to act is judged in terms of having a clear and unambiguous mandate, operational independence, accountability, a healthy relationship with the industry, *etc.*

13. Having seen the key attributes of a good supervisor, it is necessary that our approach focuses on assimilating these virtues into our supervisory practices. The growing convolution in the financial market place is reflected in changes in the structure of banking groups and increasing complexity of products and services that are being offered by the market players. There has been a virtual explosion in the number of market players and the products and services on offer, which has complicated the turf for the supervisors. It is, therefore, pertinent that the supervisors are able to identify the institutions that pose the biggest risk to the supervisory objectives and whose failure would have the maximum impact on financial stability. To achieve the above objective, it is imperative that the supervisor is able to assess and zero in on the real sources of risks facing individual institutions and develop appropriate risk mitigation plans. The ability to conduct a proactive assessment of the major risks and to supervise them based on the probability of the risks crystallising and the impact the likely failure of the bank might have on the financial system, is the hallmark of a risk based approach to supervision. Post crisis, there has been a shift towards RBS, away from the erstwhile CAMELS approach, which uses a backward looking methodology and transaction testing model. The RBS, on the contrary, is forward looking as it seeks to assess the risk buildup in a more dynamic manner. It focuses on the twin objectives of examining whether the supervised entity follows the regulatory prescriptions and whether its internal risk management practices are in line with regulatory expectations.

Pre-requisites for the success of Risk-Based Supervision

Effective Risk Management System

14. At the core of supervisory monitoring under RBS is an assessment of the quality of a bank's procedures for evaluating, monitoring and managing risk, and of the bank's internal models for determining economic capital. These models link capital to risk-taking and help banking organisations compare risks and returns across diverse business lines and locations. Since under the RBS supervisors, essentially, rely on the inputs provided by banks' risk management systems, the RBS can only be as effective as banks' risk management systems.

15. It is, indeed, true that the risk management challenge for banks has been steadily growing over the last two to three decades. This can be attributed to several developments in the financial sector like deregulation of financial markets, banks' diversifying into newer business lines such as providing custodial services, securities underwriting and corporate advisory services, growing inter-connectedness of the financial system, emergence and growth of complex financial products, *etc.* For the success of RBS, it is imperative that, as part of their risk management framework, banks are oriented towards identifying the path and passage of risks and towards pricing such risks appropriately. I would like to add that as non-executive directors you must focus on identifying the specific areas in the bank which pose greater risks and devote more time and energy to those areas.

Need for an effective Management Information System

16. That, however, tempts me to pose some more very basic, but interesting questions. We are talking about identification of risk, their management and mitigation. But how many banks today can tell me the number of products and services they offer at their branches? Also, do they have an idea of the number of customers they have? I am not talking about number of accounts here. The difference between the two is that an account is a ledger page while the customer is a live individual. Can the banks tell me how many products or services each customer of theirs uses? If you don't have such basic information, what kind of a risk management system can you develop? Unless you have a fair idea of the number of products, number of customers, number of products and services per customer, cost of providing each product/service, returns from providing each product/service and risk involved in each product/ service, how do you decide on which activities are remunerative and which are not? How do you decide on your product promotion and pricing strategies unless this information is readily available? Why have certain products when there is no demand for them? After all, there is a cost attached to product promotion. As banks are perceived to be offering identical products and services, how does the Board/Top Management set about differentiating their bank from others, unless they have such basic granular details?

17. Under RBS, it is essential for the banks to have the capability and infrastructure to support a robust and reliable MIS architecture, with data integrity. A data warehouse wherein data flow from the transactional system without manual intervention and is capable of generating various MIS reports on all major activities of the bank (including activity-wise/segment–wise analysis) is one of the prerequisites for effective risk management. In the absence of a reliable MIS, it would be a near impossible task for the bank management to get a true and fair picture of the quality of assets, earnings, *etc.*

Risk-based pricing of products and services

18. Risk-based pricing means determining loan pricing based on the expected loan risk. Typically, a borrower's credit risk is used to determine whether a loan application should be accepted or declined. The same risk level could be used to determine the optimal pricing. This, essentially, translates to higher interest rate for a borrower with higher risk and a lower rate for a lower risk borrower. Most large banks with suitable risk management and measurement architecture normally have some form of risk-based pricing strategies based on a measure of probability of default. This is, often, not apparent in small or medium-sized banks due to lack of strategy, process and technology to drive consistent results across various loan portfolios. Banks without a formal risk-based pricing approach, typically, use a flat-rate pricing model. The inherent problem with flat-rate pricing is that the bank will end up having a higher share of lower credit quality loans since the higher credit quality borrowers can obtain better pricing at other banks (*i.e.,* those offering risk-based pricing).

19. Banks are required to maintain capital to cover the risks they assume. As capital always comes at a cost, they need to have a differentiated risk-based framework for pricing of products and services. This involves costing, a quantitative assessment of revenue streams from each segment, activity, product and service, and an efficient Transfer Pricing Mechanism which would determine capital allocation. Each business unit in the enterprise would have to aim at being a profit centre within the overall risk-return framework. In essence, it would mean accountability for profit tempered by the discipline of risk–return, within a deeply embedded culture of good governance, the tone of which is set by the bank's Top Management. From a business perspective, pricing of assets should be non-discriminatory and in line with risk rating of the customer. A lower rated customer should not get a better price than a higher rated customer.

20. In the context of risk-return trade off, I want to flag another issue. It is common knowledge that where return is more, risk is more. However, in our anxiety to make quick bucks or what we colloquially call 'a search for yield', we very often tend to forget this basic tenet of finance. There can be no defense for the bank management who chose to finance the sub-prime borrowers in the USA. I am not sure why the Boards did not question the strategy of the management while this business was growing manifold and banks were able to make huge profits by repackaging these mortgages as AAA securities through structured deals. I have a very practical suggestion for the distinguished group present here: seek a detailed analysis of the income stream. Banks ought to conduct a thorough assessment of the products, services, activities or business streams that are most profitable as this is where the maximum risk must be lurking. The path and passage of risk can be truly understood only through a scrupulous income analysis.

21. A risk management framework is incomplete without an effective system of internal controls and methodologies. As I mentioned earlier, the bank managements and, especially, the bank Boards form the first line of defense for risk management. Unless the bank's management is geared to internalise and institutionalise a risk and control culture, any attempts to increase the resilience of banks can meet only limited success. In fact, the recent instance where a media outfit has brought out an expose on alleged irregular practices at bank branches is a clear instance of failure on the part of bank managements and Boards to institutionalise an effective risk control framework and compliance culture across the organisation, right up to the level of the front office staff. The management has a critical role to play in getting the right balance between the business units and risk management, both in times of stress and in good times, when there is a tendency for misaligned incentives to emerge.

Role of Auditors and Risk focused Internal Audit

22. The global financial crisis has underscored the need for financial statements to contain information that is absolutely unbiased and reliable so as to provide transparency to all the stakeholders. High quality financial reporting is of critical importance to prudential regulators and this has been emphasised by the Basel Committee on Banking Supervision (BCBS) in the Guiding Principles enunciated by it in August 2009. Transparency in financial statements is a pre-condition for financial stability and it is the lack of transparency that allowed the building up of huge risks in the on and off balance sheet positions of many financial institutions during the global financial crisis. In this context, the role of auditors becomes very crucial in ensuring that the financial statements reflect a true and fair picture of the affairs of the entity and that they declare the appropriate risk profile as required by certain accounting standards. For *e.g.*, IFRS7 on "Financial Instruments: Disclosures" requires detailed disclosures on credit risk, liquidity risk, market risk, *etc.*

23. The recent report of the Enhanced Disclosure Task Force of the Financial Stability Board prescribes seven fundamental principles for risk disclosures:

i. Disclosures should be clear, balanced and understandable;

ii. Disclosures should be comprehensive and include all of the bank's key activities and risks;

iii. Disclosures should present relevant information;

iv. Disclosures should reflect how the bank manages its risks;

v. Disclosures should be consistent over time;

vi. Disclosures should be comparable among banks and

vii. Disclosures should be provided on a timely basis.

24. Going forward, these principles, when implemented, will improve the quality and transparency of banks' disclosures, especially the risk disclosures. Since, RBS will depend on these inputs, the audit profession has a significant role in the smooth migration to RBS. Besides, banks should strive to implement a framework for Risk-Based Internal Audit. Yet another pre-requisite for the successful implementation of RBS is greater coordination between banking supervisors and external auditors. Also, the Audit Committee of the Board has a crucial role to play in ensuring that a sound internal control framework and audit system is in place within banks. The formation of a strong Audit Committee would help meet this objective.

Role of the Board

25. In recent times, regulatory changes across the globe have increased the oversight responsibilities of the Boards in many areas, including risk management. Increased shareholder activism is another significant factor forcing the Boards to pay more attention to issues such as governance and risk management. The Board should ensure that the risk management policies, processes and systems are implemented effectively at all levels in the organisation. Boards of banks are expected to have greater involvement in the migration to Risk-Based Supervisory System by streamlining the Information System at the banks and putting in place a proper risk-based internal audit system. The non-executive directors on the Boards of these institutions have a critical role in evolving strategic focus at the Board level for facilitating RBS in their respective institutions.

HR Issues

26. As we understand, unskilled and untrained manpower contributes in a major way to operational risk in the banks. Therefore, identification and training of a set of core officials in the bank assumes greater significance in the launching of RBS and taking it forward. Simultaneously, the top management in the bank should be adequately sensitised, not only to the nuances of RBS, but also to the benefits that may accrue to the bank from proper management of its risks.

Allocation of Supervisory Resources and Capacity Building among supervisors

27. One of the biggest impediments in implementation of RBS is the mindset of not only the bankers but also the supervisors. Regulators/Supervisors, by nature, are orthodox and bringing about a change in their mindset is a precursor to successful implementation of RBS. Under RBS, there is a need to target the energy and expertise of the supervisors to areas where they will make the greatest difference. Targeting entails accepting that not all firms are equal and that all instances of firm failures may not impact the stability of the financial system in similar ways or to the same extent. The risk profiling of the firms based on their size, complexity, interconnectedness, *etc* will determine the allocation of scarce supervisory resources.

Conclusion

28. The roll out of RBS framework is a huge challenge for all the stakeholders in the banking system. The forward looking element that is normally associated with any RBS framework also brings along with it a good deal of subjectivity into the assessment process. In the

ultimate analysis, everything boils down to the supervisor's judgement – how objectively he makes a subjective assessment; how objectively he differentiates between two firms on the basis of risk, *etc.* On our part, we are taking numerous internal initiatives to ensure that we develop the requisite supervisory skills and resources to migrate to the RBS approach. I hope that with the whole-hearted support and commitment from the banks' Boards and their Top Management, we would be able to successfully and effectively roll out RBS for Indian banks. As we all know, the failure on the part of supervisors to make judgement calls on issues related to risks in the supervised entities led to the financial crisis. Let us hope that RBS, with its innate linkages to subjectivity and qualitative judgment, will enable the supervisors to interpret and intervene at the right time and prevent another crisis, at least, in the near future.

29. In summary, I must remind you that RBI and the banks are equal-stake partners in this exercise. In order to ensure that our banking system remains healthy and vibrant, we have to collectively work hard and make sure that the RBS process is rolled out smoothly. It is in the banks' own interests to ensure the success of the risk based supervision process as it not only helps them identify incipient risks in a timely manner and prepare mitigation plans; it also reduces their supervisory and compliance burden. I hope all of you would ruminate on the merits of RBS for your respective institutions and for the financial system and would ensure that your banks are ready to embark on this important journey that we begin now.

I thank CAFRAL for inviting me to share my thoughts today and I wish the Conference all success. Thank you all for your attention.

*Indian Financial Markets: Fuelling the Growth of the Indian Economy**

Harun R. Khan

Dr. Arvind Mayaram, Secretary, Department of Economic Affairs, Ministry of Finance, Mr. S. Gopalakrishnan, President, Confederation of Indian Industry (CII), Mr. Jignesh Shah, Chairman, CII National Committee on Financial Markets, Mr. Chandrajit Banerjee, Director General, CII, distinguished delegates. Let me start by complimenting CII for selecting *Indian Financial Markets: Fuelling the Growth of the Indian Economy* as the theme of the session. It is now well known that a well-developed financial sector plays an important role in economic growth. As John Hicks observed, the technology that made industrial revolution in England possible was in existence for a long time before it was commercially exploited; it had to wait till the financial sector developed well enough to make the necessary resources available[1]. But it has to be recognised that while absence of a robust financial sector can retard growth, financial development on its own cannot secure growth. Finance thus is a necessary but not a sufficient condition for economic growth.

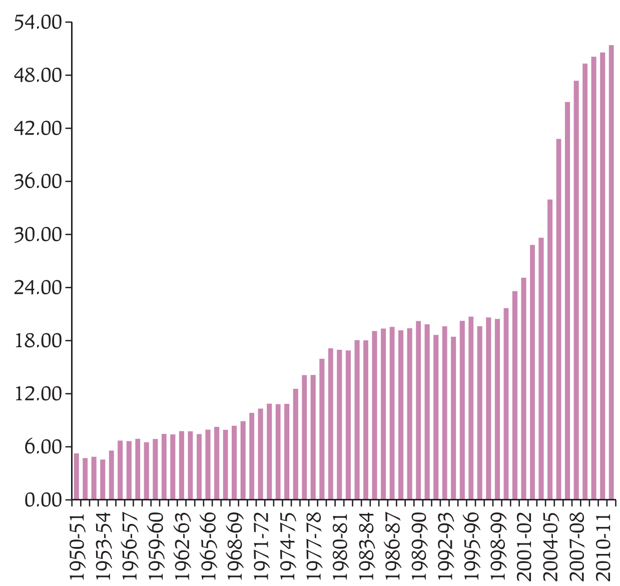
2. In India, we have traversed a long way since the economic reforms started in the early 1990's. The reforms of the early 90's were focused on three pillars – Liberalisation, Privatisation and Globalisation (LPG). The financial sector has also undergone significant changes during the period to not only to support the rapid growth but also to do so without disruptive episodes. Let me briefly mention some of these changes, if only to stress that our confidence to meet future challenges is based on the bedrock of past achievements. I am deliberately not touching upon the issues relating to capital markets as they are not my areas of competence.

Bank-based financial sector of India

3. Indian financial sector has traditionally been bank based. The banking sector has so far played a seminal role in supporting economic growth in India. The assets of the banking sector have expanded nearly 11 times from ₹7.5 trillion at end-March 1998 to ₹83 trillion at end-March 2012. The non-food credit has expanded by more than 14 times from ₹3.1 trillion 1998 to ₹45.30 trillion during the same period. The credit to GDP ratio which stood at about five per cent in 1950-51 improved to about 25 per cent in 2000-01 and further to about 52 per cent at the end of 2011-12 (Chart 1).

The pre-emption by way of Statutory Liquidity Ratio (SLR) has declined considerably from 38.5 per cent in 1991 to 23.0 per cent of the Net Demand & Time Liabilities (NDTL) in 2013 (Chart 2). All the while, the banking sector has been robust, meeting all prudential standards as per best international practice. During the recent global financial crisis and slowdown in the global and domestic economy, the Indian banking sector has proved to be resilient. There are, however, issues

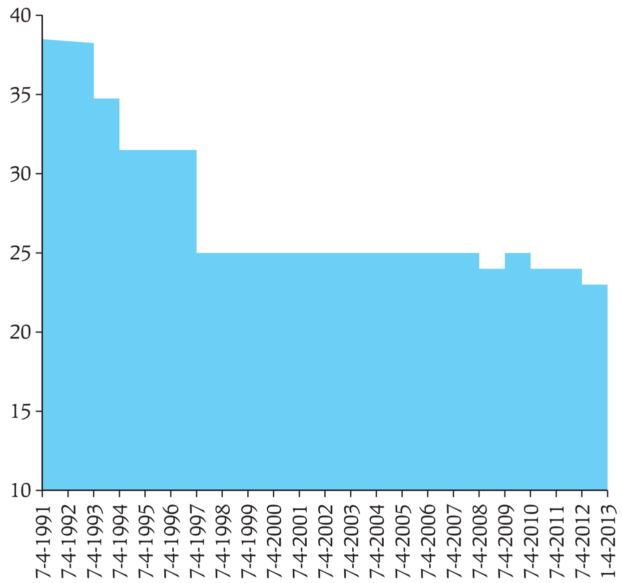
Chart 1: Bank credit as percentage of GDP



* Address delivered by Harun R. Khan, Deputy Governor, Reserve Bank of India at the inaugural session of the conference on Indian Financial Markets: Fuelling the Growth of the Indian Economy organised by the Confederation of Indian Industry at the ADB Annual Conference on May 4, 2013 at Greater NOIDA, Delhi NCR. The speaker acknowledges the contributions of Shri Himansu Mohanty & Shri Surajit Bose of the Reserve Bank of India in preparation of the address.

1 Hicks, John, A theory of economic history (1969)

Chart 2: Movement in Statutory Liquidity Ratio



relating to liquidity, asset quality, capital adequacy in the context of Basel III and earnings which have surfaced in the recent past mainly due to economic slowdown and have to be tackled expeditiously for continued resilience of the Indian banking system.

The Indian Financial Markets

4. The Indian financial markets have also grown considerably. The market capitalisation of the equity market (National Stock Exchange) has grown from approximately ₹6.5 trillion in 2000-01 to approximately ₹60 trillion in 2009-10 and further to approximately ₹61 trillion in 2011-12. The total corporate debt outstanding which stood at ₹7.9 trillion in June 2010, has grown to ₹12.9 trillion in March 2013. The outstanding CPs has grown from ₹575 million in 2003 to ₹11 billion in 2013. Similarly, outstanding CDs has grown from ₹91 million in March 2003 to ₹39 billion as on March 22, 2013. Notwithstanding the impressive growth of the debt markets, there is a great deal still to be done. I shall shortly return to this.

Debt Markets

Government Bond Market

5. With a large section of population underprivileged, the welfare commitments of the Indian state have to be supported by a large government borrowing program. The outstanding marketable government debt has grown from ₹4.3 trillion in 2000-01 to ₹29.9 trillion in 2012-13. The size of the annual borrowing of the central government through dated securities has grown from ₹1.0 trillion to ₹5.6 trillion during this period. It is no mean achievement to manage such large issuances in a non-disruptive manner in the post Fiscal Responsibility & Budget Management (FRBM) regime and declining SLR. A large number of initiatives have been taken over the years, such as, the Primary Dealer (PD) system, Delivery vs Payment (DVP), centralised clearing, anonymous dealing system based on order matching, floating rate bonds, STRIPS, Inflation Index Bonds (IIBs), *etc.* The liquidity in the secondary market has also increased significantly from a daily average trading volume of ₹9 billion in February 2002 to ₹344 billion in March, 2013. The development of the debt and the derivatives market in India needs to be seen from the perspective of a central bank and a financial sector regulator which has a mandate to facilitate development of debt markets of the country.

Corporate bond market

6. The need for development of the debt market has assumed some urgency in recent times for several reasons. A vibrant debt market plays an important role in enabling the newcomers to bring their ideas and enterprise to fruition. The impending large scale expenditure for improving our infrastructure critically depends on the debt market. It is difficult for the public sector to finance development of a world-class infrastructure of the magnitude envisaged because of its other commitments and the limitations imposed by fiscal prudence. Though the banking sector has been playing an active role in infrastructure finance, there are limitations imposed by Asset Liability Mismatch (ALM) mismatch, exposure norms, and de-risking the financial system to provide stability to the financial system.

Developing a vibrant bond market

7. A vibrant corporate bond market provides an alternative to conventional bank finances, thereby providing the corporates an additional avenue for raising resources and reducing reliance on bank finance. A robust corporate bond market also ensures lower dependency and therefore vulnerability of foreign currency sources of funds. A vibrant market will also help in matching the investment needs of savers with the borrowing needs of the corporates. A well-developed debt market enables efficient pricing of risk, promotes product innovations and leads to greater financial stability. Further, mobilisation of long-term funding for the infrastructure sector critically depends on a deep and liquid debt market with a large set of diverse and sophisticated investors and a wide array of instruments not only to provide vehicles of investment but also to manage the risk entailed. In a developed bond market, banks, who would require long-term funds in the context of Basel III requirements, would also be able to raise resources easily.

8. Development of government and corporate debt market may be approached within a framework of seven key components, *viz.*, *Issuers, Investors, Intermediaries, Infrastructure, Innovation, Incentives and Instruments* – what I have called a *7i framework.* Sovereign securities dominate the fixed income markets almost everywhere. In India too, the central and state governments remain the main issuers. The large supply of securities, due to enhanced borrowings, has enabled creation of benchmark securities with sufficient outstanding stock and issuances across the yield curve. The issuances across the risk-free yield curve in turn, have provided benchmarks for valuation of other bonds/financial assets and benefitted the corporate bond market. Fiscal consolidation efforts of the Government of India and the State Governments enhance the quality of the issuers. In the field of corporate bonds besides financial sector entities, large well rated non-finance companies have also been issuers. The traditional investor base for G-Sec in India comprised banks, provident funds and insurance companies with a dominance of domestic investors and limited foreign participation. In the corporate debt market, investor base is mostly confined to banks, insurance companies, provident funds, PDs and pension funds. An approach of gradual opening of the domestic bond market to the foreign investors has been adopted in India keeping in view the macro-economic risks involved in providing unfettered access to them. Intermediaries play an important role in development of the market by facilitating the transactions, providing value-added services and increasing efficacy of the processes. In India, the major intermediaries are the PDs, industry associations like Fixed Income Money Market & Derivatives Association/ Primary Dealers Association of India, Gilt Mutual Funds and the Infrastructure Development Funds (IDFs). Infrastructure plays an important role in development of markets and want of an efficient, transparent and robust infrastructure can keep market participants away on one extreme or cause market crisis on the other. India can boast of being one of the few emerging countries with such a state of the art financial market infrastructure for the G-Sec market. A state-of-the-art primary issuance process with electronic bidding and fast processing capabilities, dematerialised depository system, DvP mode of settlement, electronic trading platforms (Negotiated Dealing Systems and Negotiated Dealing Systems-Order Matching) and a separate Central Counter Party in the Clearing Corporation of India Ltd. (CCIL) for guaranteed settlement are among the steps that have been taken by the Reserve Bank over the years towards this end. Financial innovation is an essential feature in the history of development of financial markets. Innovations that are motivated by the need to match the needs of the investor and the issuer or made possible by advancement in technology or knowledge are essential for evolution of financial markets. Incentives play a significant role in shaping the development, stability and functioning of the financial markets. The Reserve Bank has been trying to align incentives by regulation and supervision though regulation itself may have created unintended

incentives/disincentives as in the case of requirement regarding Held to Maturity (HTM) dispensation. In the process of development of new instruments, the Reserve Bank's endeavour has been to ensure calibrated and orderly development of the markets with emphasis on prudent risk management and promotion of financial stability.

9. Within the limited scope of its engagement with the corporate debt segment as the Securities and Exchange Board of India (SEBI) being the main regulator of this segment, Reserve Bank has taken steps, such as, introducing Credit Default Swaps (CDS) to manage credit risk, repo in corporate bonds to enable funding of positions, limited market making role for the Primary Dealers, providing a pooling account facilities to the clearing corporations of the exchanges to settle the trades in the books of the Reserve Bank of India, *etc.* There has been a demand for increased direct or indirect support from the banking sector for expanding the corporate debt market. The Reserve Bank views such proposals with caution because of the prudential concern for the health of the banking sector as well as the fact that the intention is to generate incremental resources and not redistribute the existing ones. As we know banks are already substantially exposed to the infrastructure sector. Hence, demand for credit enhancement by banks has to be seen in the context of the fact that it would only increase their exposure. Further, credit enhancement by banks will not lead to development of a real 'corporate' bond market. Credit enhancements by way of partial guarantees by multilateral institutions, such as, the Asian Development Bank is likely to attract investments from insurance and pension funds in the infrastructure sector and lower the cost of funds for companies. Such credit enhancement measures outside the banking system could be the way out.

Foreign exchange market

Current Account Deficit & Capital Flows

10. In the context of foreign exchange market, one of the most talked about issue is the rising current account deficit (CAD). In recent times, CAD has been increasing and reached a historic high of 6.7 per cent during the quarter October-December, 2012. It is of course not sustainable in the long run. Therefore, a structural shift in the composition of our trade account – increasing exports and curtailing non-productive imports, such as, gold – is imperative. What needs to be emphasised is that the current account deficit has so far been successfully financed without any drawdown on our foreign exchange reserves. This has been possible with sustained capital inflows, which though not as buoyant as in the pre-crisis days, has still been impressive. Nevertheless capital inflows cannot be taken for granted and there is a need to create the enabling conditions to attract and retain long-term foreign capital. The urgency now comes from two sources: the need to bridge the current account deficit and the need to provide resources – particularly of the long term type – for infrastructure and other investment needs.

Capital account management

11. In the Indian context, management of capital account has been challenging. So far, the approach of the Reserve Bank of India has been that of cautious gradualism, informed by the experience of other developing countries in Latin America and East Asia who perhaps liberalised their capital account too soon and too fast. Yet, it should be recognised that as far as the real sector is concerned, the capital account is substantially open with regard to sourcing debt and equity from abroad as well as exploiting investment opportunity abroad. The restrictions in capital account are pronounced as far as the financial sector is concerned. The policy caution is motivated by apprehensions of sudden cessation or reversal of flows, which some influential commentators believe to be unfounded. Even within the constraints imposed by a gradualist approach, the Reserve Bank and the Government of India have taken several steps that include progressive increase in investment limits for Foreign Institutional Investors (FIIs) in government and corporate debt, introduction of Qualified Foreign Investor (QFIs) as a separate investor class, *etc.*

Exchange rate volatility

12. Talking about the external sector, I would like to briefly touch upon the issue of Rupee volatility, because next perhaps only to the stock indices, sharp movements in the Rupee usually agitate market participants, including those who have no direct exposure (Chart 3).

13. In this context it must be recognised that in the post-Bretton Woods era, most currencies have had their own episodes of volatility and particularly in the past few years during and after the crisis, exchange rate volatility has become a way of life. Stance of the Reserve Bank of India has been not to target any band or level for the exchange rate, thereby enabling Indian Rupee to move as per the market fundamentals but being ready to intervene to curb excessive volatility. Second, the Reserve Bank of India, over the years, has introduced a wide array of hedging instruments which can be used by the real sector to deal with volatility in the exchange rate. If on the other hand, businesses are unwilling to pay the cost of hedging (which is directly proportional to the degree of volatility) and intend to take a view on the exchange rate rather than concentrating on their own line of business, they must be fully aware of the consequences.

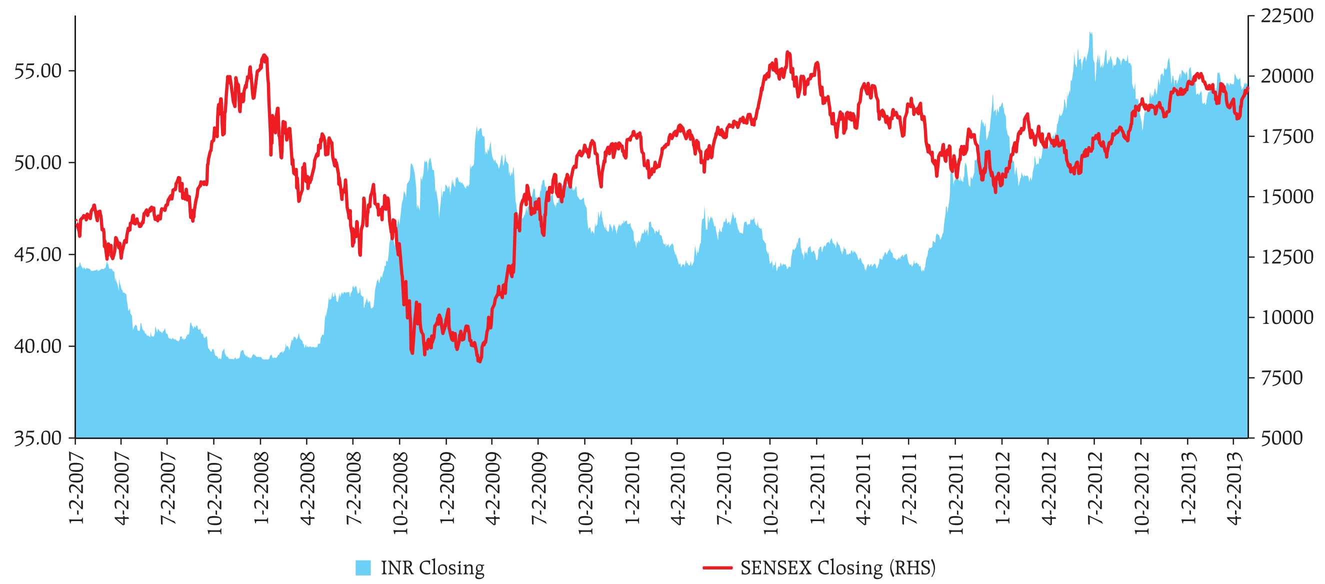
Issues in liquidity management

14. At this particular point in time, Reserve Bank of India does not see paucity of resources constraining economic growth, particularly in view of the fact that banks are holding about ₹3.5 trillion of government debt in excess of the mandated limit. During the first half of the year 2012-13, average net liquidity injection under the daily liquidity adjustment facility (LAF) stood at ₹730 billion which increased to more than ₹1 trillion during the second half. To alleviate liquidity pressures during the year, the Reserve Bank has lowered the Cash Reserve Ratio (CRR) by 75 bps and the SLR by 100 bps besides additional liquidity injection of more than ₹1.5 trillion through the open market operations (OMOs). The Reserve Bank remains alive to the requirements in time to come and will appropriately manage liquidity to ensure adequate crdit flow to the productive sectors of the economy.

Financial Inclusion

15. Let me now turn to an area of weakness of the Indian financial system – lack of depth of financial inclusion – that needs to be addressed with alacrity. Taking cognizance of the extent of the problem and

Chart 3: Movement of Indian Rupee and Sensex



recognising importance of financial inclusion based on the principle of equity and inclusive growth with stability, the Reserve Bank of India has initiated a number of policies. In its recent Annual Monetary Policy 2013-14, the Reserve Bank has extended the Lead Bank Scheme to the metropolitan districts of the country. Extension of the scheme to these areas is expected to provide an institutional mechanism for co-ordination between government authorities and banks for reaching doorstep banking to the financial excluded population. To further improve the banking penetration through alternate channels, the Reserve Bank of India has permitted non-bank entities to set-up White Label ATMs (WLAs), to operate as Business Correspondents and to facilitate large scale use of electronic banking and alternate delivery channels. Under the new bank license policy of the Reserve Bank, new entities are expected to enhance the banking penetration in India. These measures are also expected to provide platforms for launching innovative processes, partnerships and products for ensuring a deeper financial sector with a focus on sustainable financial inclusion. Enriched access to the financial sector is expected to enable the marginal population to deal better with uncertainties, enhance their productivity and bring them to the mainstream of the growth process.

Concluding thoughts

16. In conclusion, I would like to mention that the role of financial markets in the process of a country's economic development needs no emphasis. At the same time, as the recent crisis has shown, financial markets can be the epicenter of crises that derail the growth process itself and unleash great misery. Thus, in countries like India, where financial markets are yet to achieve the size and sophistication as those of the more developed countries, perhaps there is merit in adopting a cautious approach to financial development.

17. That said, I wish to emphasise that the Reserve Bank remains committed to ensure availability of funding for all productive endeavour across the spectrum of economic activities. Though the banking sector has done a great job so far in this regard, financial markets have to play an increasingly important role in generating incremental funding, particularly for expansion of the infrastructure sector. This explains the regulatory push towards the development of the corporate bond market as an adjunct to the bank-dominated financial system of India. Importance of the banking sector in the Indian financial system, however, remains critical. The agenda to make the financial sector responsive yet resilient has to include improving liquidity in the G-Sec market across the tenor, create a liquid yield curve to provide a basis for pricing private debt, further development of the corporate bond market, expanding the set of products and participants in the derivative market to provide adequate hedging options for credit, interest rate and forex risks, particularly at the long end and gradual capital account liberalisation within the framework of financial and macro-economic stability.

18. It may be noted that the role of the financial sector as well as its regulators is only enabling. Ultimately, the enterprise and entrepreneurship in the real sector should be unshackled to exploit and implement opportunities and ideas. As Joan Robinson remarked, economic growth creates demand for financial instruments, and, where enterprise leads, finance follows[2].

Thank you for your attention.

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[2] Robinson, Joan, 'The Generalisation of the General Theory,' in The Rate of Interest, and Other Essays. (1952). These remarks were made to deemphasise the role of the financial sector, but there is a great deal of truth in the remarks in so far as the nexus between the real and the financial sectors is concerned.

*Perspectives on Banking in India**

Deepak Mohanty

I thank Shri Rajiv Mundhra, President Indian Chamber of Commerce (ICC) and Shri Rajeev Singh, Director General ICC for the opportunity to be a part of this distinguished panel. The ICC is making an important contribution to the development of banking by bringing together the experience and expertise from the banking industry, corporate sector and financial regulators through its banking summits year after year. In this year's Summit too, I see a judicious mix of expertise from the relevant areas to deliberate on the Indian banking.

The decade of the 2000s was eventful for the Indian economy. We saw acceleration in GDP growth: with India recording its highest average annual output growth of 8.7 per cent during the period 2004-08. This was accompanied by a sharp increase in savings and investment. At the same time, we had to contend with the fallout of the global financial crisis, the adverse impact of which has been persisting. Economic growth has slowed down over the last two years and inflation remained above the tolerable level, though there has been significant moderation in the first month of the current financial year, 2013-14. These developments have had an impact on banking.

Against this economic background, I examine the performance of the Indian banking sector over the last 12 years as finance is inexorably linked with economic progress. I will then touch upon financial inclusion, with a particular reference to the eastern-region, as it is a major plank of the Reserve Bank's current policy thrust. I will conclude with some thoughts on challenges for the banking sector in the way forward.

* Speech by Shri Deepak Mohanty, Executive Director, Reserve Bank of India, delivered at the 5th Indian Chamber of Commerce Banking Summit at Kolkata on May 18, 2013. The assistance provided by Smt. Rekha Misra and Smt. Pallavi Chavan in preparation of the speech is acknowledged.

Finance and Growth

Economic literature establishes a positive association between financial development and growth. In the 1960s and 1970s, the pioneering work by Raymond Goldsmith, Mckinnon and Shaw underlined the importance of financial liberalisation to step up savings and investments in an economy, and thereby economic growth.[1] More recent studies, carrying forward the earlier work have reinforced our understanding of the ways in which finance could exercise a positive influence on economic growth across time and across countries.[2] Even the recent global financial crisis, the causes of which are complex as they are, does not negate the view that financial development commensurate with the requirements of the real economy is essential for sustained economic growth.[3] This is particularly important for a developing economy like ours where the reach of the formal financial sector is still inadequate. Let me now turn to banking in India.

Ours is a bank dominated financial sector: commercial banks account for over 60 per cent of the total assets of the financial system comprising banks, insurance companies, non-banking financial companies, cooperatives, mutual funds and other smaller financial entities.[4] Banking expansion as reflected in the growth of total assets of banks was rapid till the intensification of the global financial crisis which affected the Indian

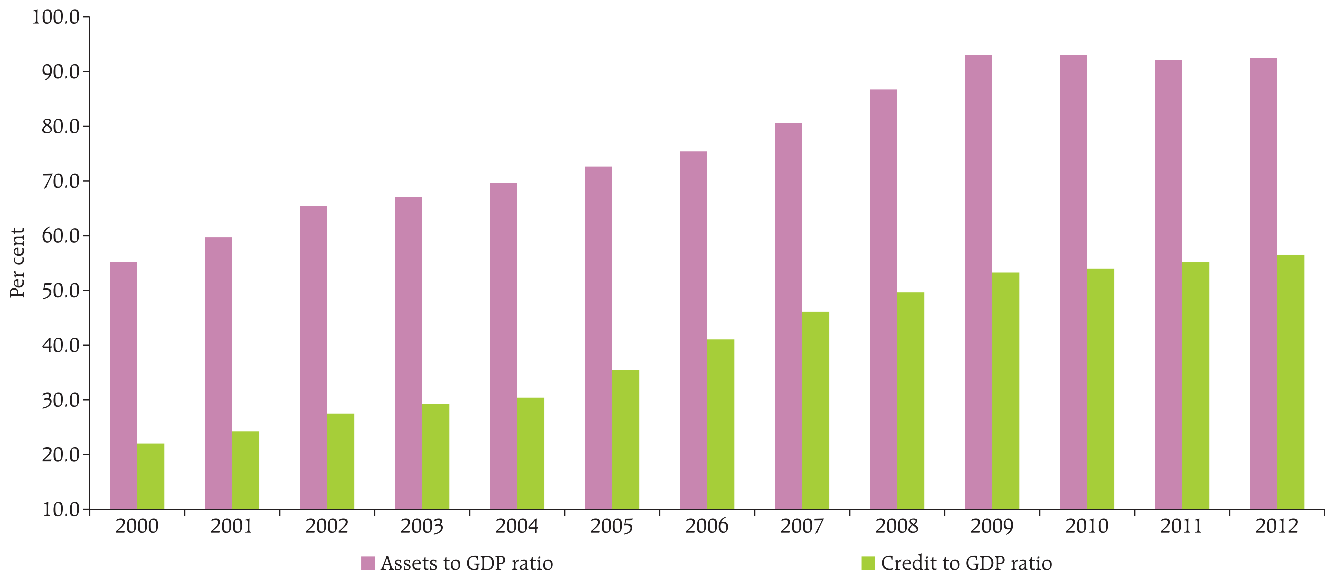
[1] Mckinnon, R. I. (1973), "Money and Capital in Economic Development", Washington D. C., Brookings Institution; Shaw, E. S. (1973), *Financial Deepening in Economic Development*, New York, Oxford University Press.

[2] See Levine, Ross, Norman Loayza, and Thorsten Beck (2000), "Financial Intermediation and Growth: Causality and Causes", Journal of Monetary Economics, Volume 46, Issue 1 and also, Demirguc-Kunt, Asli and Ross Levine (2004) (eds.), *Financial Structure and Economic Growth: A Cross-Country Comparison of Banks, Markets and Development*, MIT Press.

[3] While lessons are still being distilled from the crisis, the IMF assigned a central role to failure of risk management and weaknesses in regulation and supervision besides the global pattern of low interest rates and a build-up of leverage (World Economic Outlook, April 2009, IMF).

[4] Reserve Bank of India (2012), *RBI Annual Report - 2011-12*, Mumbai.

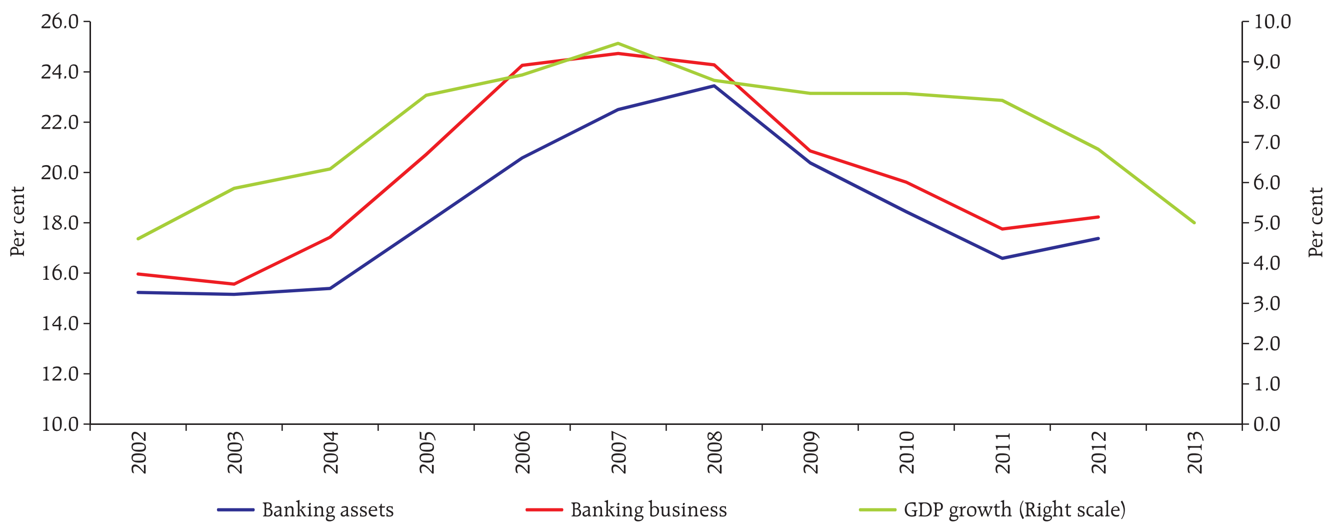
Chart 1: The expansion of banking assets moderated since global financial crisis



economy through trade, finance and confidence channels. Bank assets as a percentage of gross domestic product (GDP) rose from 60 per cent in 2000-01 to 93 per cent by 2008-09, but there after it has plateaued. Bank credit to GDP ratio more than doubled from 24 per cent to 53 per cent during this period but has remained around that level in the following years (Chart 1).

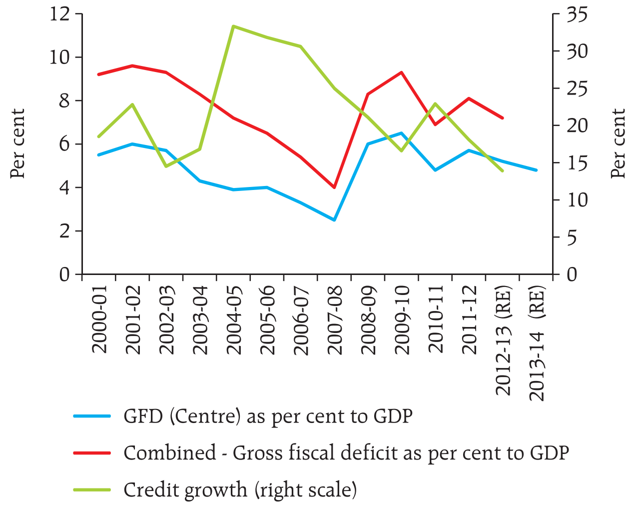
The growth of the banking sector was influenced by the performance of the economy, reflected in a co-movement between the growth in banking business and real GDP growth (Chart 2). It is noteworthy that the period up to 2007-08 was also a period of fiscal consolidation, with combined fiscal deficit of the centre and the states falling from over 9 per cent of GDP in early 2000s to 4 per cent by 2007-08 (Chart 3). The

Chart 2: Banking sector expanded commensurate with economic growth



Note: Figures are three year moving averages, Banking business refers to credit plus deposits.
Source: Handbook of Statistics on Indian Economy, Statistical Tables.

Chart 3: Fiscal consolidation in the pre-crisis period helped expansion of credit to the commercial sector



consequent reduction in government borrowing requirement opened up the space for expansion of credit to the commercial sector in a non-inflationary manner.

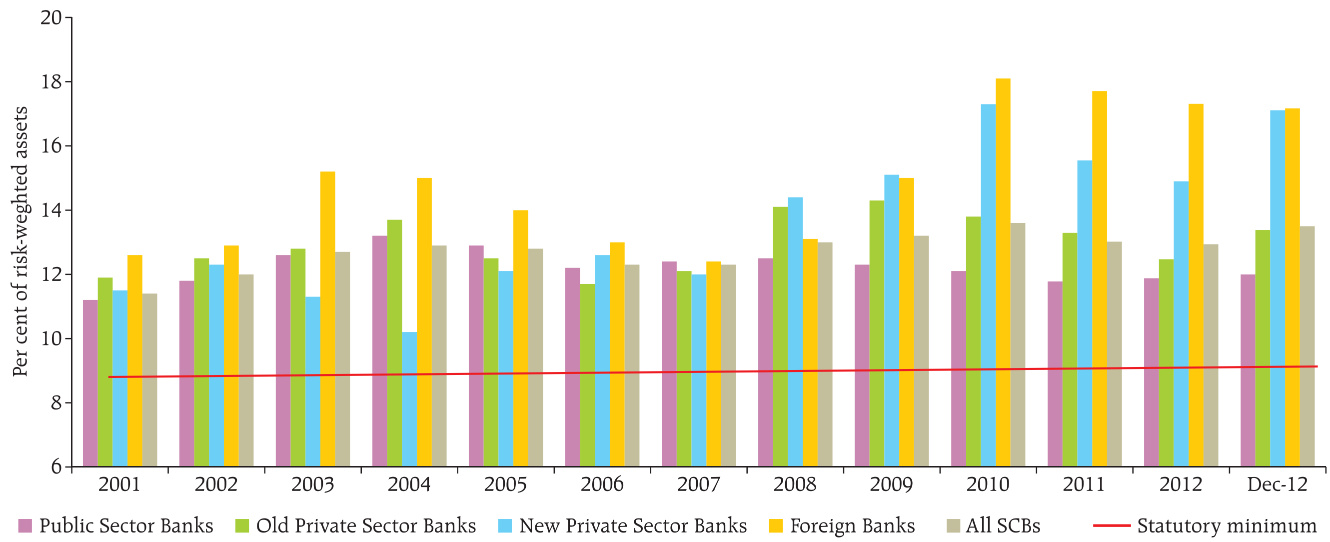
While the financial expansion has slowed down in the post-crisis period, the Indian banking sector has shown remarkable resilience and stability. During the global financial crisis, the timely recourse to counter-cyclical prudential and monetary policy measures helped the banking sector in transiting through this challenging period largely unscathed.

Most of the indicators of soundness bear out the stability of the Indian banking sector. The capital to risk-weighted assets ratio (CRAR) at the aggregate and bank group-levels have remained above the statutory minimum requirement of 9 per cent and international norm of minimum 8 per cent since 2001 (Chart 4).

There was a steady improvement in the asset quality through the 2000s. For instance the gross non-performing assets (NPAs) as per cent of gross advances had declined from 12.0 per cent in 2000-01 to 2.4 per cent in 2007-08. Thereafter it has increased to 3.7 per cent by December 2012, first with higher NPAs in foreign and private sector banks and more recently in public sector banks (Chart 5).

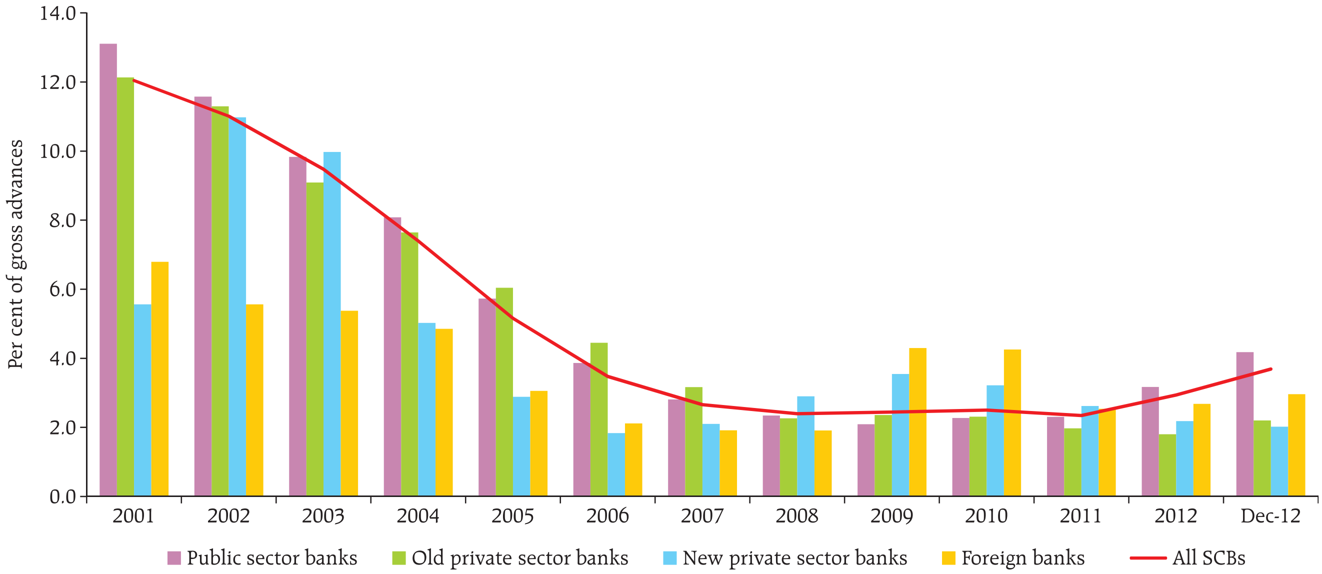
While Indian banks compare well with many other advanced and emerging economies including BRICS in terms of NPA and CRAR, there is considerable scope for improvement (Table 1).

Chart 4: Bank capital remains above the statutory minimum



Source: Report on Trend and Progress of Banking in India, various issues, Macroeconomic and Monetary Developments 2012-13.

Chart 5: NPAs have increased since 2011 after a steady decline in the 2000s



Banking Efficiency

It has been a key objective of financial sector reforms to improve the efficiency and profitability of the banking sector. In this regard, the interest rate structure has been fully deregulated. The statutory pre-emptions of bank resources through statutory liquidity ratio (SLR) and cash reserve ratio (CRR) have been substantially reduced. Banks' access to central bank liquidity through export credit refinance, marginal standing facility (MSF) and liquidity adjustment facility (LAF) has been enhanced. Furthermore, branch licensing norms have been relaxed and prudential norms have been strengthened. In addition, banks have increasingly adopted technology and accorded greater focus to human resource management. These changes have helped improve efficiency as borne out by various indicators.

The profitability of the Indian banking sector has been maintained at about 1.0 per cent in terms of Return on Assets (RoA), even in the post-crisis period. The banks have also shown significant improvement in other efficiency indicators such as cost to income ratio, business per employee and business per branch. However, net interest margin (NIM) has gone up indicating deterioration in allocative efficiency (Table 2). Let me now turn to financial inclusion with a particular reference to the eastern-region.

Table 1: Indicators of financial soundness, 2012

Sr. No.	Country	Gross NPAs as % of gross advances	CRAR (%)
	Select advanced countries		
1	Germany	3.0*	17.9
2	Japan	2.4	14.2
3	UK	4.0	15.7
4	USA	3.9	15.3
	BRICS		
5	Brazil	3.5	16.7
6	Russia	6.0	13.7
7	*India*	*3.6*	13.6
8	China	1.0	12.9
9	South Africa	4.0	15.8
	EMEs		
10	Indonesia	1.8	17.3
11	Korea	1.6	14.1
12	Mexico	2.4	16.0
13	Turkey	2.7	17.9

CRAR: Capital to risk-weighted assets ratio.
*: Data pertains to 2011.
Source: IMF, Financial Soundness Indicators.

Table 2: Select parameters of banking sector efficiency

Year-ended March	Return on assets (%)	Net Interest Margin (%)	Cost-income ratio (%)	Business per employee (₹ lakh)*	Business per branch (₹ lakh)*
2001	0.54	3.1	25.9	2.1	34.7
2002	0.82	2.8	22.3	2.5	39.5
2003	1.05	2.9	22.1	2.8	43.0
2004	1.21	3.1	23.7	3.1	47.7
2005	0.97	3.1	26.1	3.5	53.6
2006	0.96	3.0	26.8	4.1	62.6
2007	1.00	2.9	24.0	4.6	68.6
2008	1.10	2.6	21.0	5.6	79.8
2009	1.10	2.6	19.2	6.5	90.1
2010	1.01	2.5	20.2	7.1	92.1
2011	1.06	2.9	21.6	7.7	99.5
2012	1.05	2.9	18.5	8.3	99.3

* At 2004-05 prices

Note: NIM refers to net interest income as per cent of average total assets. RoA refers to net profits as per cent of average total assets. Cost to income ratio is worked out as operating costs as per cent of total income.

Source: Statistical Tables relating to Banks in India, various issues; Basic Statistical Returns of Scheduled Commercial Banks in India, RBI.

Financial Inclusion

In order to sustain a higher economic growth, it is important to bring the excluded segment of the society into the fold of the formal financial sector. In recognition of this, the Reserve Bank has taken a number of steps to take formal banking to doorsteps of habitations with population over 2000 through the business correspondent (BC) model where the BCs provide basic banking functions acting as agents of banks. Simultaneously, a number of initiatives such as incentivisation of branch authorisation scheme for banks to open branches in unbanked centres, simplification of Know Your Customer (KYC) norms, technological interventions and financial literacy-oriented programmes to increase awareness have been taken. While the initial impact of these initiatives has been positive, it has created a huge potential for expansion in banking business once the level of activity is scaled up and government social benefit transfers increasingly take place through the banking sector.

While we have our own data source to gauge financial inclusion, the Census of India provides useful information on access to banking. It shows that about 59 per cent of households had access to banking services in 2011 as compared with only 35 per cent in 2001. Increase in access for the eastern-region has also gone up significantly from about 29 per cent in 2001 to 47 per cent in 2011, though the region still lags behind the all-India average (Table 3).

In 2001, the all-India average population per bank branch was 15,600, which has fallen steadily to 12,500 by 2012 again suggesting an increased penetration of the branch network. For the eastern-region population per branch has declined from 19,500 in 2001 to 17,300 in 2012. While the eastern region has witnessed an increase in banking outreach since 2001, its average has remained lower than the all-India average underlining considerable scope for expansion.

Table 3: Indicators of banking access

Item	All-India			Eastern-region		
	2001	2011	2012	2001	2011	2012
Households availing banking services (in per cent)	35.2	58.7	–	28.8	47.3	–
Population per bank branch ('000)	15.6	13.3	12.5	19.5	18.1	17.3
No. of accounts per 1000 Population (credit)	51	100	106	37	54	54
No. of accounts per 1000 population (all deposits)	416	669	734	321	476	540
No. of accounts per 1000 population (savings deposits)	272	516	571	202	367	423
Per capita credit outstanding (₹ '000)	5.2	33.7	39.1	2.0	12.1	13.9
Per capita total deposits (₹ '000)	9.2	44.5	49.4	5.5	22.8	26.5

Source:RBI (for number of deposits accounts, credit accounts, credit outstanding, and deposits outstanding); Office of the Registrar General and Census Commissioner of India for population and households' data.

Conclusion

Let me conclude with some thoughts on the challenges ahead.

First, weakening asset quality is an immediate concern for the banking sector. This is more so as the banks' credit composition in the recent years has changed towards longer term assets such as infrastructure and housing. While improvement in macroeconomic policy environment and expected revival in economic growth should help mitigate risks to some extent, banks would have to make concerted efforts to improve asset quality.

Second, while on many efficiency parameters, Indian banks compare favourably to their global peers, the net interest margin (NIM) remains relatively high. The banks need to further enhance their productivity so that the intermediation cost between depositors and borrowers is minimised. This, coupled with containment of NPAs, will help improve monetary transmission.

Third, as the Indian economy reverts to its high growth path, the demand for credit will go up. The consequent expansion of the banking sector will require more capital. Additionally, as the Basel III norms are made applicable, the capital requirements would increase further. The preliminary assessment by the Reserve Bank made in June 2012 showed a comfortable position of Indian banks at the aggregate level to meet the higher capital norms. As per the broad estimates from the Reserve Bank, public sector banks would require a common equity of ₹1.4-1.5 trillion in addition to ₹2.65-2.75 trillion as non-equity capital to meet the full Basel III norms by 2018. Banks, therefore, need to design appropriate strategies for meeting these capital norms.

Fourth, a key factor that accentuated the global financial crisis was excessive leverage. While the Indian banking system is currently moderately leveraged, according to the guidelines issued by the Reserve Bank, banks should strive to maintain a minimum Tier I leverage ratio of 4.5 per cent pending the final proposal of the Basel Committee. It would be prudent for banks not to dilute their leverage position in the interim period.[5]

Fifth, there are proposals for expansion of the banking sector with new entrants. The Reserve Bank has already invited applications for new banks. Further, as indicated in the annual policy statement of May 2013, the Reserve Bank is preparing a policy discussion paper on banking structure in India which would be placed in the public domain. The expansion of the banking sector commensurate with the growth of the economy would not only enhance competition but also facilitate financial inclusion.

With these remarks, I wish the conference all success.

Thank you.

[5] Subbarao D. (2012), "Basel III in International and Indian Contexts Ten Questions We Should Know the Answers For", Inaugural Address delivered at the Annual FICCI - IBA Banking Conference, Mumbai.

*Evolving Regulations and Emerging Market Challenges – The Indian Context**

G. Padmanabhan

It is a pleasure to once again address the practitioners of foreign exchange at this Seminar organised by the Foreign Exchange Dealers Association of India in the beautiful city state of Singapore. Let us hope that the events that follow in the Indian forex market would be largely different from the events that followed after my last address in this city. The issues that you have flagged for discussion are very topical and therefore I shall comment on each of them.

A. Global regulatory changes affecting forex markets

2. In the aftermath of the 2007-2008 global financial crisis, the regulatory landscape of the financial markets around the world is going through significant changes. The repeal of the Glass-Steagall Act that separated investment banking from commercial banking in the USA in 1999 is considered by many as a major reason that precipitated the global financial crisis. Accordingly, several jurisdictions around the world including the US have either already taken or have proposed to initiate steps to construct a firewall between consumer and investment banking. The important initiatives in this direction are the Volker Rule under the Dodd-Frank Act of the USA (Section 619 of the Act), the Independent Commission on Banking (ICB) in the UK, headed by Sir John Vickers and the High-level Expert Group (HLEG) on reforming the structure of the EU banking sector, chaired by Erkki Liikanen. All three models recommend separation between deposit-taking activities and trading/investment bank functions. Whilst each regime advocates a ring-fence model, they offer slightly different approaches. Let me amplify.

3. Volcker Rule restricts deposit-taking banks from engaging in proprietary trading, prohibiting them from engaging in more complex activities that are prone to conflicts of interest, in order to safeguard the core of the banking system, *i.e.,* commercial or traditional banking (deposit taking and lending). The rule prohibits any banking entity from engaging as principal in short-term trading in securities, derivatives, or commodity futures, *i.e.,* activities that may not be compatible with the risk profile of the banking entities, but allows exemptions for market-making, hedging, trading in US government securities, and other activities (Note that the US Government securities have been accorded a special status here !). There is a concern that it would be a challenging task to separate proprietary trades from permissible trades. Under the Volcker Rule the reporting and compliance regime is expected to assume greater significance. The rule applies to all US banks and bank-holding companies and all foreign bank-holding companies with US subsidiaries or branches. The Volcker Rule prescriptions can affect the operations of the US banks operating in India as they are active players as market makers in domestic foreign exchange market, Government securities market and interest rate swap market. Very clearly, this rule if and when operationalised (in the present form), will change the entire depth and breadth of the Indian markets. An important fall-out of this rule could well be the decline in liquidity in these markets and the resultant cost escalation for market participants.

4. The ICB or Vickers report has recommended ring-fencing of retail bank operations of large UK banks into separate legal subsidiaries. It suggests that only mandated services (and the related ancillary services) of acceptance of deposits from and providing of overdraft to individuals and SMEs can be offered by the ring-fenced entity. UK government in response to the Vickers report released a white paper in June 2012 for consultation on how it plans to implement the

* Keynote address by Shri G. Padmanabhan, Executive Director, Reserve Bank of India at the 8th Annual Conference of the Foreign Exchange Dealers' Association of India held in Singapore on May 24, 2013. Assistance provided by Shri G Mahalingam, Shri Rakesh Tripathy, Shri Anand Prakash and Shri Sirin Kumar is gratefully acknowledged.

recommendations/in which it has proposed, *inter alia*, that the ring-fenced banks would not be allowed to originate, trade, lend or make markets in derivatives except for managing their balance sheet risks. It has, however, also proposed that simple derivative products may be offered by the ring-fenced banks to their customers subject to certain conditions. It seems that Indian banks operating in UK and UK banks having branches in India will be impacted.

5. Adopting a slightly different approach, the HLEG (Liikanen report) has advocated separating out the trading activities beyond a threshold on a stand-alone basis from the deposit-taking bank. It proposes to do that by assigning proprietary trading and other significant trading activities to a separate legal entity in the same banking group without giving up the universal banking model that has remained a unique feature of European banking system. The idea is to prevent the bank deposits that carry some sort of guarantee from supporting risky trading activities.

6. In a nutshell, while Vickers and Liikanen allow for the ring-fenced entities to be separate and independent parts of the same group, the Volcker Rule disallows proprietary trading anywhere within a group which includes a deposit-taking bank. There are also differences of approach in terms of the range of activities that can be undertaken by and between the ring-fenced entities.

7. The crisis also brought to the forefront some of the issues associated with the OTC derivatives that were hitherto on the backburner. It was believed that the complexity and opacity of the OTC products were the root cause of the crisis since they facilitated excessive risk taking by the market participants. Lack of adequate infrastructure for clearing and settlement and lack of information on risk concentration residing with counterparties are also factors believed to have led to aggravating the crisis. There is a growing consensus amongst regulators as well as market participants that there has to be a Central Counterparty (CCP) mechanism for clearing and settlement of OTC derivative transactions as well as mandated reporting of OTC derivatives trades to designated trade repositories. A well-regulated, supervised and sufficiently capitalised CCP mechanism for clearing and settlement of OTC derivatives can reduce interconnectedness between financial entities to a large extent. Moreover, the problem of excessive risk-taking can be addressed through imposition of appropriate margins and collaterals. G-20 leaders in 2009 had agreed on the reform agenda for OTC derivative contracts like, increasing standardisation, promoting trading on exchanges or electronic trading platforms, moving to central clearing, reporting to trade repositories and higher capital requirements for non-centrally cleared contracts. However, keeping in view that the above steps will cause the risks to become concentrated in the CCP, the Committee on Payment and Settlement Systems (CPSS) and the International Organisation of Securities Commissions (IOSCO) set out the Principles of Financial market infrastructures (PFMI) in April 2012 for addressing risks related to systemically important financial infrastructures, including the CCPs.

8. How has the world moved as regards the implementation of the recommendations of the various Committees? The deadline for implementing OTC Derivatives market reforms was December 2012. Various jurisdictions are in different stages of implementation of the reform recommendations. Delays in adopting legislative and regulatory frameworks are contributing to regulatory uncertainty which is further compounded by the potential for conflicts, inconsistencies, duplication and gaps in the application of jurisdictions' rules to cross-border activity. The fifth progress report on implementation of the OTC derivatives market reform, published by the Financial Stability Board (FSB) in April 2013, has reported that, EU, Japan and the USA, which account for the largest volumes of OTC derivatives activity, are among the most advanced in implementing legislative and regulatory reforms, with several key regulatory measures either already enforced or likely to be in force by mid-2013. The recent guidelines issued regarding

reforms in the OTC derivatives segment by the EU include the Markets in Financial Instruments Directive (MiFID-II), Markets in Financial Instruments Regulation (MiFIR) and European Market Infrastructure Regulation (EMIR). A number of other jurisdictions have reported that they expect regulatory measures related to trade reporting to come into force over the course of this year, and a few jurisdictions expect clearing requirements to come into force in 2013–2014. Many jurisdictions have adopted rules to implement the Basel III capital framework for banks, including higher capital requirements for non-centrally cleared transactions.

9. The new regulatory requirements may have a substantial impact on the work flow for the market participants including the end users. These regulations also have exceptions for some category of participants and products. The end users must determine what is necessary to comply with the regulations from which they are not exempted. They must meet certain criteria in order to qualify for available exemptions and will need to be aware of the activities that could prevent them from qualifying for the exceptions in the future. Depending on the extent to which the end users engage in OTC derivatives, the costs associated with preparing for the above could be significant. Some of these initiatives have also raised concerns about the possibilities of extra territorial regulatory jurisdiction leading to regulatory clashes and disruptions for market participants. Further, as Annat Admati & Martin Hellwig point out ('The Bankers New Clothes' -2013) and I quote, ''these proposals presume that concerns about depositors and the payment systems are, or, should be, the major reason for governmental interventions to banking.....This approach has two weaknesses..First, protection of depositors and the payment system is not the only reason that might induce governments to bail out banks. Second, commercial banking activities can also be a source of risks that cause banks to fail unless they are bailed out''

10. In summary, the common theme of all the proposals in the pipeline is one of putting sand in the wheels of the market. This is a far cry from the situation of the pre-crisis days, when pundits advocated complete freedom for markets in order to improve the resource allocation efficiency. It is perhaps very appropriate for all of us to remind ourselves, in foras like these, how changes could be swift and far-reaching that we may barely have time to react to!

B. Internationalisation of Renminbi and India

11. Now let me turn to the second issue, *i.e.*, internationalisation of Chinese currency Renminbi (RMB). India and China are two of the largest and fastest growing economies in the world. Notwithstanding the recent slowdown in these two economies, primarily on account of weak global economic environment, the prospects of both these economies in the medium to long-run are still considered bright.

12. Given a choice, I am sure, most of the countries would like to see their currencies as an international currency as the benefits far outweigh the associated risks[1]. While the benefits could be in terms of reduced transaction costs, seigniorage, macro-economic flexibility in terms of ability to finance external payment deficits in own currency, the associated reputational gain, *etc.*, the costs involved could be in form of sharp appreciation of currency as the currency gains recognition as an international currency that can also be used as a preferred reserve currency by the monetary authorities, and constraints on domestic monetary policy implementation.

13. However, internationalisation of currency is easier said than done. Even the US Dollar had to wait for almost three decades after the World War II till the collapse of the Bretton-Woods agreement before attaining the status it enjoys today as the mostly widely accepted international currency. There are certain well-accepted pre-requisites for a currency to attain the status of an international currency. Chinn and Frankel (2005) developed a list of functions of an international

1 The Benefits and costs of an international currency: Getting the calculus right; Benjamin J. Cohen, June 2011

currency. According to them, an international currency has to be capable of playing roles of store of value, medium of exchange and unit of account for both residents and non-residents alike. More specifically, it should be possible of being used for private purpose for trade and financial transaction invoicing. Moreover, there should be freedom for non-residents to hold financial assets/liabilities in that currency and tradable balances in that currency at offshore locations . From an official/institutional perspective, it should be possible to hold official reserves in that currency, use it as a vehicle currency for foreign exchange intervention and anchor currency for pegging. Therefore, an international currency has to be essentially a freely convertible currency with ability to attract significant volumes of international trades across regions by way of invoicing. In addition, the currency has to possess a greater degree of stability in its exchange rate determined by the market forces and a deep and liquid market with availability of wide range of hedging products. Needless to add, it would also require to be supported by an an efficient banking system and world class market infrastructure. Going by the above characteristics of an international currency, one can argue that perhaps US Dollar and Euro are the only two currencies which can be truly considered as international currency at present, notwithstanding the recent debt related problems being faced by some of the major and peripheral Eurozone countries. As compared to the share of US Dollar and Euro that together account for almost three-fourth of global trade invoicing, the share of other major currencies as well as Chinese and Indian currencies is quite small.

14. Having stated the above, it needs to be recognised that in recent times, Chinese authorities have taken a number of steps aimed at internationalising RMB. Without going into the details of all these measures, I would briefly touch upon some of the major ones. As we understand, RMB is being used in trade and other current account transactions with Vietnam, Laos, Myanmar, the Central Asian states, Russia, and so forth. The development of offshore market and currency internationalisation go hand in hand. In this regard, China has taken a number of steps towards developing an offshore market for RMB in Hong Kong which is an international financial centre. The active offshore deliverable RMB market in Hong Kong provides services such as international trade settlement in RMB, financing, RMB denominated bond issuance, *etc.* After the implementation of the pilot programme of cross-border trade settlement in RMB in 1999, there has been a rapid growth in cross-border RMB settlement volumes in Hong Kong. China has also undertaken a number of measures pertaining to the development of onshore market. This includes the widening of the RMB's daily trading band against the US dollar from half per cent to one per cent above and below the reference rate in mid April 2012. This was motivated by the growing ability of the domestic participants to manage exchange rate movements and reflected the desire to accommodate greater flexibility in the exchange rate in the future. The People's Bank of China (PBOC) has entered into a series of bilateral currency swap agreements whereby the PBOC and other central banks (over 20 in number) have agreed to exchange the RMB with the respective counterparty currencies.

15. The size of the Indian economy of around US$ 1.8 trillion is one of the largest in the region and despite some moderation in the growth in the past couple of years, it is still one of the fastest growing countries in the world. The value of the Indian rupee is market-determined without being pegged to any currency. India's foreign exchange reserves are amongst the largest in the region. All these factors make the Indian rupee a natural candidate for being considered for greater internationalisation, especially greater use of rupee for trade invoicing. Comparisons are bound to be made between Renminbi and Indian Rupee on the issue of Internationalisation.

16. Indian Rupee is not fully convertible at this stage. While the current account has been made fully convertible, we have consciously followed a calibrated approach towards capital account convertibility. Despite

showing increasing trends during last few years, India still accounts for a very small proportion of the global foreign exchange market turnover. Though Rupee invoicing is permitted under extant FEMA regulations, almost the entire bulk of international trade in India continues to be denominated in the US dollars (the share of dollar invoicing in exports and imports during quarter ended December 2012 stood at 90 per cent and 83.6 per cent, respectively). We also need to recognise other structural bottlenecks that come in the way of transforming Mumbai as an international financial centre similar to Hong Kong.

17. It is also important to understand that unlike China, which runs large current account surpluses, India has generally been a current account deficit country. In view of the large current account deficit, the exchange rate of the rupee is susceptible to the debilitating influence of large capital movements, especially during crisis periods. Our accumulated reserves are in a sense 'borrowed' reserves and not 'earned' reserves in true sense. The sense of self-insurance by having enough reserves can often prove to be misplaced, especially, during times of sudden reversal of capital flows. This does not mean that we should not aspire to see the Rupee as an international currency. The growing importance of India in world economic affairs has also led to the talks of Indian Rupee as an international currency. According to an IMF Staff Discussion Note on *'Internationalisation of Emerging Market Currencies: A Balance between Risks and Rewards'* (October 2011), the Indian rupee, the Brazilian Real, the Chinese RMB, the Russian Rouble and the South African Rand have been identified as the key emerging market (EM) currencies with potential for internationalisation. According to the IMF's note, all these economies have significant regional importance and economic weight and, despite severe data limitations, there is evidence that the use of these EM currencies in international transactions has increased markedly in the past few years.

18. In order to promote Rupee invoicing for trade related transactions, the Reserve Bank of India has taken several steps in recent times. Non-resident importers and exporters have been allowed to hedge their currency risk in respect of exports from and imports to India, invoiced in Indian Rupees by availing the facility either directly from authorised dealer banks in India or through their banks located in their country. But our efforts to promote invoicing in the domestic currency have met with limited success so far.

19. Currently, India has a bilateral swap arrangement with Japan which enables both countries to swap their local currencies (*i.e.*, either Japanese yen or Indian rupee) against US dollar for an amount up to US$ 15 billion. However, unlike the Bilateral Swap Arrangements (BSAs) entered into by China with EMEs, where the use of dollar has been precluded, the arrangement between India and Japan envisages the use of US dollar for swap transactions. We are also focussing on select low risk but macro-economically beneficial areas, such as, progressive use of Indian Rupee in trades with select trade partners.

20. The Reserve Bank of India shall continue its endeavours towards internationalisation of the rupee in a careful and gradual manner. I would urge the esteemed panel and other participants to discuss on China's progress so far and takeaways from the same from India's point of view as also other measures that could be initiated within the overall regulatory framework currently in place. At the same time, if there is scope for further relaxation in the existing facilities, the Reserve Bank of India can certainly consider that as well. Let me now turn to the last part of my address, the derivatives market development in the Indian context.

C. Market Development in India – Forex Derivative Segment

21. The economic liberalisation that started in the early nineties facilitated the introduction of derivative products based on interest rates and foreign exchange in India. While the migration to a market-determined exchange rate regime and current account convertibility

allowed increased integration between domestic and international markets, it also exposed domestic markets and the end-users to a greater degree of volatility. In order to manage the currency risk, it was felt necessary to make a menu of derivative products available to the end-users. Accordingly, the Reserve Bank of India introduced a wide array of hedging instruments. To begin with, products traded over the counter were introduced followed by the exchange traded futures and options. Apart from the conventional hedging products, cost reduction structures had also been permitted in the Indian market. As far as OTC derivative products are concerned, the fundamental requirement of existence of an underlying commercial transaction for entering into a OTC derivative contract, both on current and capital account, has been put in place and the banks have been given the responsibility to satisfy themselves about the genuineness of the underlying exposure through verification of documentary evidence while offering such derivative products.

22. Keeping in view the developments in the domestic and international financial markets, the extant guidelines on OTC foreign exchange derivatives were revised in December 2010. The revised guidelines laid more emphasis on the suitability and appropriateness aspects of the products being offered. As certain instances of miss-selling surfaced, the Reserve Bank of India restricted cost reduction structures to be offered only to corporates who possessed minimum prescribed net worth and followed accounting standards AS 30/32. In addition, the corporates buying such products were required to have a well laid down risk management policy that clearly included, *inter-alia*, guidelines on risk identification, management and control, prudent accounting and disclosure norms. The rationale for putting in place such restrictions was to limit offering of such products to only those corporates who understood the nature of the risks inherent while entering into such transactions.

23. Another issue of concern to us is the extent of unhedged forex exposures in the corporate balance sheets. Though hedging is not mandatory for a corporate, however, keeping in view the potential adverse impact of large unhedged exposures on financing banks' balance sheets and the financial system, especially in times of excessive volatility, banks have been advised to evaluate the risks arising out of unhedged foreign currency exposure of the corporates and price them in the credit risk premium while extending fund based and non-fund based credit facilities to them. Banks have also been advised to consider stipulating a limit on unhedged position of corporates on the basis of policy approved by the Board of the banks. The above measures need to be strengthened by requiring the corporates to put in place a risk management policy for their unhedged forex exposures. We have observed that despite our repeated efforts to sensitise both banks and corporates on the matter, adequate measures have not been put in place. It was therefore decided to increase the risk weights and provisioning requirements on banks' exposures to corporates on account of the corporates' unhedged forex exposure positions.

24. Another related issue that banks and corporates have discussed with us is the non-availability of long-term hedging products to the corporates. While OTC forward market is liquid enough up to one year, the exchange traded market, which I would come back to, is liquid only in the near month segment. If the interest rate parity holds good, forward rate should reflect the interest rate differentials. Otherwise, it becomes more a function of demand and supply. While there has been no regulatory restriction on booking of long-term forwards beyond one year, market participants generally prefer booking short-term contracts (maximum tenor up to one year) and then roll it over till the maturity of the exposure. This strategy partially addresses their long term risk, substituting the exchange rate risk with the less volatile forward premium. Inter-bank market also uses MIFOR curve which is the implied rupee curve for pricing long-term forwards. A long-term forward contract requires taking a view of long-term interest rates in both domestic

currency as well as foreign currency. While in case of US Dollar, the inter-bank term rates are available through active swap market, the term money or the term swap market for tenor beyond one year is not liquid enough in India, thus, making it difficult for the market to price the forwards beyond one year. The interest rate swap market, which is quite active up to five year, is predominantly an overnight indexed swap market with floating leg linked to the overnight uncollateralised inter-bank call rates rather than inter-bank term rates. How can this problem be addressed? An important prerequisite would perhaps be a well-developed term money market and an interest rate swap market based thereon. Further opening of the capital account that would facilitate capital flows based on interest rate view may also help.

25. Let me now briefly touch upon the currency futures market in India. Exchange traded products provide the benefits of transparent pricing and robust risk management by way of CCP mechanism and margining requirement. Currency futures on exchanges were introduced in India in 2008 with a view to increasing the depth and breadth of the currency derivatives market, in turn helping to provide an effective risk management framework to users. Subsequently, European style USD-INR options were introduced in 2010. The biggest challenge in designing a framework for exchange traded currency derivatives in India was the prevailing regulatory system for the OTC products. While for entering into an OTC derivative, the presence of an underlying exposure is a regulatory requirement, it was considered not feasible to insist on this requirement for the exchange traded derivative products. Currency futures market in India has shown significant growth since their introduction. The reason for such growth could be due to non-requirement of underlying exposure, no restriction on cancellation and re-booking of contracts and cash settlement. Has the exchange traded market indeed helped the real sector in providing an alternative for hedging the currency risk or is it being driven by speculative interests? Though the exchange traded market volumes have picked up, the OTC market occupies a larger market share. Our understanding is that hedgers generally prefer OTC derivatives for these can be customised to individual needs and also does not involve cash flows related to daily MTM margining. The fact that final delivery has to go (or be made) through banking channel also adds to the attractiveness of the OTC derivatives. Currently, the liquidity in exchange traded market is confined to very short-term. If such products are to be positioned as a credible hedging product then the liquidity has to extend beyond short-term. That brings another related issue as to how best can both OTC as well as exchange traded markets co-exist with scope for product alignment for greater efficiency. Is there a way, wherein exchanges can arrange for the ultimate delivery at the time of settlement if the contract is a physically settled one and similarly, can banks offer OTC derivatives upto a suitable cut off amount without insisting on any underlying for hedging any economic or likely exposure at a future date?

26. Banks were initially allowed to participate in both the markets subject to certain position limits on the exchanges and within the overall position limits fixed for individual banks. As you would recall, the Reserve Bank of India had imposed a host of restrictions on both banks as well as corporates in December 2011 and subsequently in 2012 that were considered necessary for curbing their speculative behaviour. As the situation improved, many of these restrictions have been either relaxed partially or removed. However, the restriction that positions undertaken by the banks in the exchanges cannot be netted/offset by undertaking positions in the OTC market and vice-versa, and the positions initiated in the exchanges has to be liquidated/closed in the exchanges only, remains. Reserve Bank of India has been constantly monitoring the developments in both the OTC and Exchange traded markets closely and we continue to believe that there has to be a level-playing field between both these markets.

27. As far as reporting of derivative transactions is concerned, a system has already been put in place wherein the banks are required to report the aggregate details of transactions in forward contracts, currency swaps and currency options to the Reserve Bank of India periodically. Though CCIL has put in place guaranteed settlement mechanism for FCY-INR forward transactions since December 2009, not too many banks are using this facility currently, apparently due to lack of clarity on the rules relating to the credit valuation adjustment (CVA) risk capital charge for over-the-counter derivatives. Taking into account the concerns of the banks, the Reserve Bank of India has deferred the introduction of mandatory forex forward guaranteed settlement through central counter-party and has also postponed the implementation of Basel-III regulations for the currency derivatives segment to January 2014, pending resolution of norms regarding trade settlement.

28. In 2012, trade repository became operational in India when the Reserve Bank of India advised that all/selective trades in OTC foreign exchange and interest rate derivatives between the banks/market makers (banks/primary dealers) and their clients should be reported on the CCIL platform subject to a mutually agreed upon confidentiality protocol. The reporting arrangement covering OTC foreign exchange derivative trades between AD banks and their clients has been operationalised with effect from April 2, 2013 in respect of FCY-INR forwards, FCY-FCY forwards, FCY-INR options and FCY-FCY options.

29. Now let me conclude. I had picked up three broad issues to share my thoughts. I hope these issues would be debated further during the course of the day and issues for resolution flagged. I had started my talk hoping that the aftermath of this Conference would be better than last time when the RBI had to impose many restrictions to curb volatility. In the recently released Report of the Technical Committee on Services/Facilities for the Exporters, the entire gamut of existing facilities to the exporters were reviewed and several recommendations made for the improvement of services/facilities to the sector. In this regard, policy measures were also suggested for risk mitigation for the exporters including use of hedging instruments. In the backdrop of the Committee's Report, I would like to make the following announcements.

30. We have decided in principle to relax a few things that we hope will cheer the market. The facility of rebooking of cancelled contracts is being increased from the present limit of 25 percent to 50 percent and made symmetrical for both exporters and importers. The Committee had noted that hedging process in the OTC market involves tedious documentation. The Committee was of the view that the quarterly duration for declaration of forward contracts booked by the exporter and certified by Statutory Auditor may be replaced with a quarterly self certified declaration by the exporter and an annual Statutory Auditor certified declaration. This recommendation has also been accepted for implementation. Further, the documentation for booking of forward contracts upto USD 200,000 is also being simplified. Let me hasten to add that these facilitations have nothing whatsoever to do with RBI's perception about the exchange rate as some of practitioners had reportedly believed/stated when we relaxed the restriction on net open position limits of banks. Reserve Bank will continue to manage the exchange rates as hitherto, targeting on curbing excessive volatility rather than any specific levels.

31. Thank you for your attention and wish you all the best as you return to the jobs you best know after this Seminar.

*Indian Rural Banking Sector: Big Challenges and the Road Ahead**

Deepali Pant Joshi

Respected Dr. Thingalaya, Former CMD Syndicate Bank, Dr. G. L. Easwara Prasad, Principal, Mangalore Institute of Technology and Engineering (MITE), senior bankers and dear students. I am extremely delighted to be amongst you in this prestigious institute which has several achievements in engineering studies to its credit in a very short span of time. I am honoured, privileged and happy to inaugurate this topical seminar aptly titled Indian Banking Sector Big Challenges and the Road Ahead and speak in a hallowed place which is considered the cradle of Indian Banking. I felicitate the organisers and especially respected Dr. Thingalaya and thank you for having me here.

The global financial crisis and the current Euro zone crisis have affected the banks in the advanced economies; the spillover is ricocheting on banks in emerging economies including India. Issues of financial stability, economic growth and managing inflation are the major challenges confronting regulators in advanced economies and are equally important for emerging economies like ours. Global economic growth has slowed from 3.9 per cent in 2011 to 3.2 per cent in 2012 we are not unaffected by what happens in the rest of the world our economy too has slowed after 2010-11. In the current year CSO has projected a growth estimation of 5 per cent while the RBI has put it at 5.5 per cent. As Shri Chidambaram our Finance Minister has rightly put it "Whatever be the final estimate it will be below India's potential growth rate of 8 per cent, getting back to that growth rate will be the challenge that faces the country". This is clearly not feasible if large sections of society remain marginalised and people who lack access to financial services from Institutional service providers are not mainstreamed. The challenge of financial inclusion presents an inflexion point for Indian banking.

The biggest challenge for next decade or more to banks in the country is to capture the banking business of over 50 per cent population of this country of over 120 billion people. Today, I will use the opportunity to discuss contemporary challenges facing Indian Rural Banking, *i.e.,* Priority Sector Lending, Regional Rural Banks, Financial Inclusion, Financial Literacy and Education. Aptly Dr. Subbarao, Governor terms Financial Inclusion as the supply side of the equation and Financial Literacy the demand side.

(i) Priority sector lending

The definition of priority sectors has evolved over a period of time and at present, priority sectors are broadly taken as those sectors of the economy which in the absence of inclusion in the priority sector categories would not get timely and adequate finance. Typically, these are small loans to small and marginal farmers for agriculture and allied activities, loans to Micro and Small Enterprises, loans for small housing projects, education loans and other small loans to people with low income levels. Presently, the target for aggregate advances to the priority sector is 40 per cent of the Adjusted Net Bank Credit (ANBC) or the credit equivalent of Off Balance sheet Exposure (OBE), whichever is higher for domestic banks. Foreign banks with 20 or more branches in the country are being brought on par with domestic banks for priority sector targets in a phased manner over a five year period starting from April 1, 2013. For foreign banks with less than 20 branches the overall target is fixed at 32 per cent.

The domestic banks, *i.e.,* public and private sector, could not achieve the target of 40 percent for the year 2012 as can be evidenced from the table below.

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* Speech delivered by Dr. Deepali Pant Joshi, Executive Director, Reserve Bank of India at MITE Mangalore on May 4, 2013. Assistance rendered by Shri A.K. Misra, Shri T.V. Rao, Smt. Sushma Vij, Shri P. Manoj, Shri Bipin Nair and Smt. Mruga Paranjape is gratefully acknowledged.

Priority Sector Lending by banks

(Amount in ₹ billion)

As on the Last Reporting Friday of March	Public Sector Banks	Private Sector Banks	Foreign Banks
2011	10,215 (41.0)	2,491 (46.7)	667 (39.7)
2012	11,299 (37.4)	2,864 (39.4)	805 (40.8)

Notes: Figures in parentheses are percentages to ANBC or credit equivalent of off balance sheet exposure (OBE), whichever is higher, in the respective groups.

Source: RBI Annual Report 2012.

As per 59th NSS Survey, households with 2 hectare or less land accounted for 84 per cent of all farmer households. The percentages of such small and marginal famers who have access to credit is only 46.3 per cent. A large section of farmers is still dependent on moneylenders for their financial needs.

Shares in Total debt of Cultivator Households

(Per cent)

Source of debt	1951	1961	1971	1981	1991	2002
Institutional	7.3	18.7	31.7	63.2	66.3	61.1
Non-Institutional	92.7	81.3	68.3	36.8	30.6	38.9
Money Lenders	69.7	49.2	36.1	16.1	17.5	26.8
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: All India Debt and Investment Survey, NSSO, GoI, various rounds.

The major challenge is to bring all farmers into the institutionalcredit framework. To boost the credit to agriculture sector, apart from a host of initiatives, the Kisan Credit Card (KCC) Scheme was introduced in the year 1998-99 to enable farmers to purchase agricultural inputs and draw cash for their production needs. In 2004, NABARD revised the Model KCC Scheme to provide adequate and timely finance for meeting the comprehensive credit requirements of farmers under single window, with flexible and simplified procedure, adopting whole farm approach. The scheme now covers term credit as also working capital for agriculture and allied activities and a reasonable component for consumption needs. During 2011-12, public sector banks have issued 68,03,051 KCCs with sanctioned limits aggregating to ₹69,51,768.45 lakh. Since inception of the scheme, the number of KCCs issued by public sector banks stood at 5,47,49,373.00 till March 2012 with sanctioned limits aggregating to ₹3,53,14,527.11 lakh. We have recently revised the guidelines on Kisan Credit Card scheme. Margin /security norms are waived for loans up to Rs.1 lakh to enhance the flow and easy delivery of bank loans to small agricultural borrowers.

The revised priority sector guidelines lay emphasis on direct delivery of credit to the poor beneficiaries, *i.e.,* without the involvement of intermediaries, which will ensure better management of risks and also reduction in transaction, delivery and administrative costs for these loans, which being essentially small ticket, low value high volume loans, do generate profits translating to a stable low cost deposit stream for banks and to the fortune at the bottom of the pyramid.

To make priority sector lending viable for the banks, RBI has removed the interest rate ceiling on all types of loans including small loans by linking it to Base Rate of the banks with effect from April 1, 2010. Thus, there is no preferential rate of interest for priority sector loans. Thus priority sector lending is competitive and commercially viable.

Why have we removed caps on pricing? The cost of absence of bank lending to poor and vulnerable sections of the society is heavy, as the poor have no option but to borrow from the unorganised sector, the informal or alternative channels at usurious price. There is a need for reorienting the approach of banks to look at priority sector areas. The challenges in priority sector can be overcome only if banks consider priority sector lending as part of normal business operations of the banks and not as an obligation. Rural untapped market offers a big business opportunity to the banks. Banks need to innovate new products which cater to the needs of farmers, weaker sections and other vulnerable sections of the society, develop new delivery channels and embrace technological developments which will reduce the delivery costs. Priority sector must be treated as a viable business proposition.

(ii) Regional Rural Banks

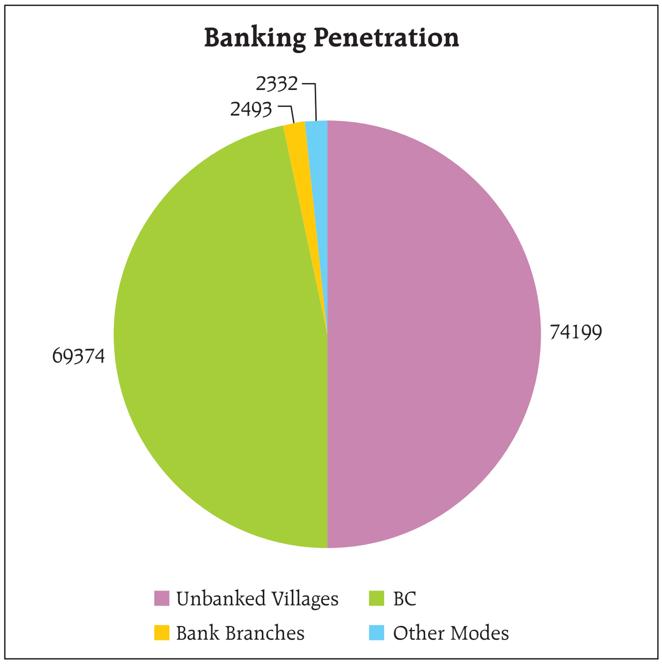
Regional Rural Banks (RRBs) were established in the year 1976 as a low cost financial intermediation structure in the rural areas to ensure sufficient flow of institutional credit for agriculture and other rural sectors. RRBs were expected to have the local feel and familiarity of the cooperative banks with the managerial expertise of the commercial banks. RRBs are jointly owned by GoI, the concerned State Government and Sponsor Banks, the issued capital of a RRB is shared by the owners in the proportion of 50 percent, 15 percent and 35 per cent respectively. In practice they borrowed the politicisation in lending, rampant in cooperative Banks, with the worst form of unionism replicated from the commercial banks. The low cost structure was also washed away after the Obul Reddy report which brought parity of pay scales with Commercial Banks.

Several RRBs suffered humongous losses. Government of India and RBI initiated several measures to improve the financial health of RRBs. During a review carried out by GOI in the year 2009 it was found that the Capital Risk Weighted Assets Ratio (CRAR) of the RRBs were too low. Dr. K. C. Chakrabarty committee suggested bringing the CRAR of RRBs to at least 9 percent in a sustainable manner. The Committee *inter-alia* recommended recapitalisation support to the extent of ₹2,200 crore, to 40 RRBs in 21 States, out of which ₹1,100 crore was to be contributed by Central Government. The recapitalisation process which started in 2010-11 has been extended till 2013-14. Several Committees looked into issues of viability finally amalgamation of RRBS on grounds of contiguity in a particular region was adopted. Initially, there were 196 RRBs working in the country. After the second phase of amalgamation, which started w.e.f. October 1, 2012, 34 RRBs have been amalgamated to form 14 new RRBs. After a massive consolidation and merger exercise to strengthen the RRBs, the number of RRBs operating in the country today has come down to 62.

The number of sustainably viable RRBs (*i.e.*, RRBs making net current profit and having no accumulated losses) has increased to 60 as on March 31, 2012 as compared to 58 as on March 31, 2011.

(iii) *Financial Inclusion*

Now let me turn to extension of banking penetration and branch building. A massive exercise in this regard has been taken up by us and this is being done through the lead bank scheme channel. We advised banks in November 2009 to draw up a roadmap to provide banking services through a banking outlet in every village with a population of more than 2000 and the target date was March 2012. Banks were advised that such banking services need not necessarily be extended through a brick and mortar branch but could be provided through any of the various forms of ICT-based models including through BCs. Under the roadmap for providing banking outlets in villages with population above 2000, banking outlets have been opened in hitherto 74199 unbanked villages comprising 2493 branches, 69374 Business Correspondents (BCs) and 2332 through other modes like ATMs, mobile van, *etc.*



Now, you may well ask me; How do we plan to provide banking services to villages having population less than 2000? As per the announcement in the Annual policy Statement 2012-13, State Level Bankers' Committees (SLBCs) were advised by RBI to prepare a roadmap covering all unbanked villages of population less than 2000 and notionally allot these villages to banks for providing banking services in a time bound manner, especially, to start with, EBT services. The objective is to provide a bank account to every household/person throughout the country. To start with, banks have been advised to provide door step services to EBT beneficiaries to facilitate transfer of all State benefits including MGNREGA wages and various cash subsidies to beneficiaries by direct credit to the bank accounts, through regular visits of BCs to the allocated villages and over a period of time, provide all kinds of banking services *viz.*, remittances, recurring deposit, entrepreneurial credit in the form of KCC and GCC, insurance (life and non-life) and other banking services to all the residents of the village through a mix of brick and mortar branch and BC network. We have also emphasised planning of sufficient number of brick and mortar branches so that there is a brick and mortar branch to provide support to a cluster of BC units, *i.e.*, about 8-10 BC units at a reasonable distance of 3-4 kilometers. As per the Roadmap drawn about 484000 villages with population less than 2000 have been allotted to various banks for provision of banking services in next 3 years.

Financial Inclusion Plan

Financial Inclusion (FI) is the process of ensuring access to appropriate financial products and services needed by all sections of the society in general and vulnerable groups such as weaker sections and low income groups in particular at an affordable cost in a fair and transparent manner by mainstream institutional players. Reserve Bank has adopted a bank-led model for financial inclusion which seeks to leverage on technology. In January 2006, the Reserve Bank permitted banks to utilise the services of non-governmental organisations (NGOs), micro-finance institutions (other than Non-Banking Financial Companies) and other civil society organisations as intermediaries in providing financial and banking services through the use of business facilitator and business correspondent (BC) models. The BC model allows banks to do 'cash in – cash out' transactions at a location much closer to the rural population, thus addressing the last mile problem.

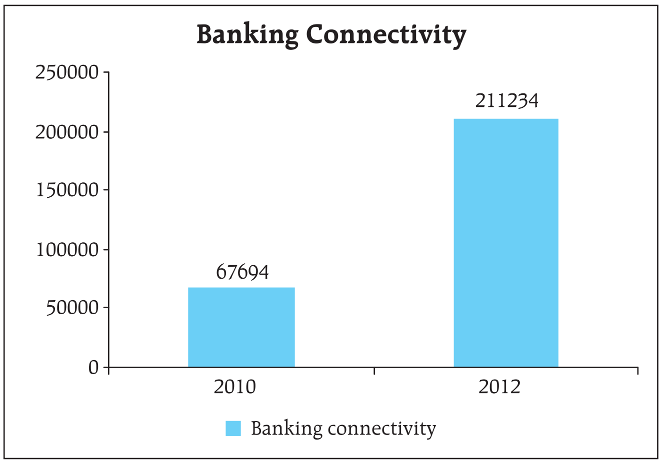
The Reserve Bank has been furthering financial inclusion in a mission mode through a combination of strategies ranging from relaxation of regulatory guidelines, provision of new products and other supportive measures to achieve sustainable and scalable Financial Inclusion. A structured and planned approach was followed under financial inclusion wherein all banks were advised in January 2010 to prepare Board approved Financial Inclusion Plans (FIPs) congruent with their business strategies and comparative advantage for three year period extending up to 2013. The implementation of these plans was closely monitored by the Reserve Bank through quantitative & qualitative reporting formats and through review meetings held with CMDs/CEOs and other senior officials of banks.

I am sure you would like to know what was the performance of banks under the first three year Financial Inclusion Plan period (2010-13)?

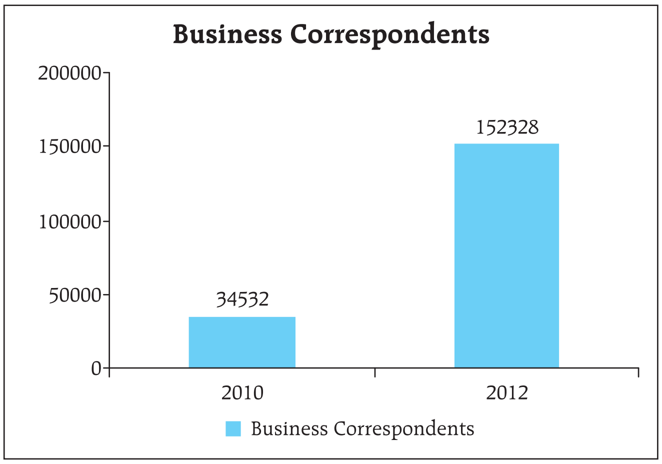
The Financial Inclusion Plan (2010-13), introduced in April 2010 has concluded in March 2013. The penetration of baking services in the rural areas has increased to a great extent.

A snapshot of the progress made by banks, upto December 31 2012, under FIP for certain key parameters is given below:

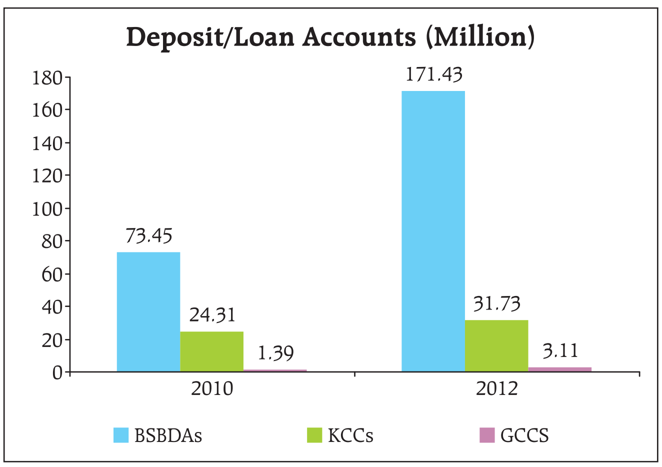
i. Banking connectivity has been extended to 2,11,234 villages from 67,694 at the beginning of the plan period. 5,694 rural branches have been opened during the period.



ii. Numbers of Business Correspondents have increased from 34,532 to 1,52,328.



iii. Total number of Basic Savings Bank Deposit Accounts (BSBDAs) have gone up from 73.45 million in 2010 to 171.43 million upto December 31 2012, Number of Kissan Credit Cards outstanding have gone up from 24.31 million in 2010 to 31.73 million upto December 31 2012 and Number of General Credit Cards outstanding have gone up from 1.39 million in 2010 to 3.11 million upto December 31 2012.



iv. Share of ICT based accounts have increased substantially – Percentage of ICT accounts to BSBDAs has increased to nearly 42%.

A total of 4090.12 lakh BC based ICT transactions have been carried out during the period from April 2010 to December 2012.

v. The number of ICT-based BC transactions though encouraging is still very low as compared to the increase in the number of banking outlets. The focus on monitoring has, therefore, now shifted more towards the number and value of transactions in no-frills, credit and remittance accounts opened through BCs. In this direction, we have now advised banks to disaggregate the FIP upto the branch level and we have involved the controlling offices of respective banks as also the Regional Offices of RBI in all the States in the monitoring process.

Naturally you will want to know what are some of the major issues being faced by banks in pursuing and achieving the Financial Inclusion Plan targets?

Efficient Business Model

Banks are yet to perceive FI as a profitable business model. Feedback received suggests that many banks are still pursuing FI as a regulatory requirement rather than treating it as a business model. Banks have to realise that the bankability of the poor holds a major opportunity for the banking sector in developing a stable retail deposit base and in curbing volatility in earnings with the help of a diversified asset portfolio. The recent crisis has underscored the need for reducing banks' reliance on wholesale deposits and borrowed funds and cultivating a retail portfolio of assets and liabilities for financial stability. Two basic issues that need to be understood by banks while implementing financial inclusion is that:-

- Financial Inclusion programmes should be implemented on commercial lines and not on a charity basis. It is important that banking with the poor is perceived and pursued as a sustainable and viable business model.
- While poor need not be subsidised, it is important to ensure that they are not exploited. The need is to ensure that poor people who deserve credit are provided access to timely and adequate credit in a non-exploitative manner.

BC Model – Viability Issues:

Business Correspondent model is still in the experimental stages and there are various challenges associated with the model. The viability of BC model has remained a critical issue. Surveys have revealed that branch officials do not visit BCs or customers and do not take any effort in introducing BCs to villagers. One primary reason cited by branch officials are the scarcity of staff provided to them for carrying out such visits to villages. Further, most of the accounts opened by BCs have remained non-operational. In order to ensure participation of all stake holders in the financial inclusion process, we have advised banks to disaggregate the FIPs upto the Controlling Office and branch level. This would ensure that bank officials at the ground level are aware of the banks objective under FI and of the specific targets given to each Zone/branch for achieving the objectives.

Technology Issues

Another bottleneck in achieving financial inclusion is the non-availability of physical and digital connectivity. For the success of the ICT-based model, resolving technology-related issues is the key.

iv) Financial Literacy

Financial Inclusion and Financial Literacy are two sides of the equation. Financial Inclusion acts from supply side by providing financial market/services that people demand whereas Financial Literacy stimulates the demand side by making people aware of what they can demand. Therefore, access to financial services and Financial Education must happen simultaneously. It must be continuous, an ongoing process and must target all sections of the population.

Financial awareness has to be spread amongst the excluded masses that are illiterate and poor. For this, evolving an appropriate Business Model & an Efficient Delivery Mechanism is the major challenge for banks. For disseminating financial literacy and awareness, a National Level Coordination of all stakeholders like Banks, Governments, Civil Societies, NGOs, *etc.* is required. In India, the need for financial literacy is even greater considering the low levels of literacy and the large section of the population still out of the formal financial system. To ensure effective coordination of the efforts made by all the financial regulators and other stakeholders, a Technical Group on Financial Inclusion and Financial Literacy has been constituted under the aegis of Financial Stability and Development Council. The technical group is headed by the Deputy Governor, RBI, Dr. Chakrabarty with members drawn from SEBI, PFRDA, IRDA, Government of India, State Governments, Central Education Board *etc.* The Group is in dialogue with NCERT/State Education Boards for inclusion of financial literacy in CBSE/State curriculum.

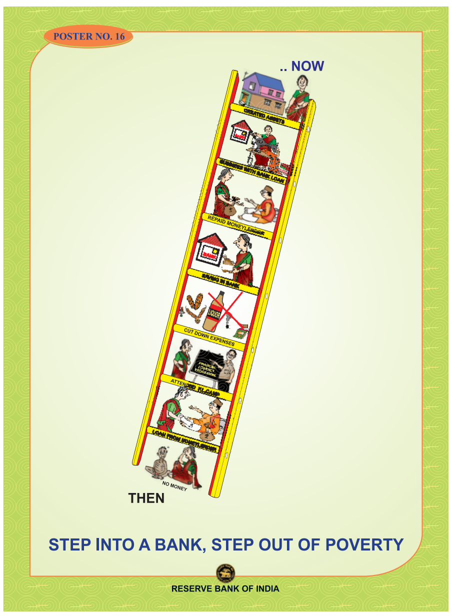
A national strategy on financial education has been prepared which would cater to all sections of the population in the country. Since the challenge is to link large number of financially excluded people to the formal financial system, the focus of the strategy at the base level will be to create awareness of basic financial products through dissemination of simple messages of financial prudence in vernacular language through large campaigns across the country.

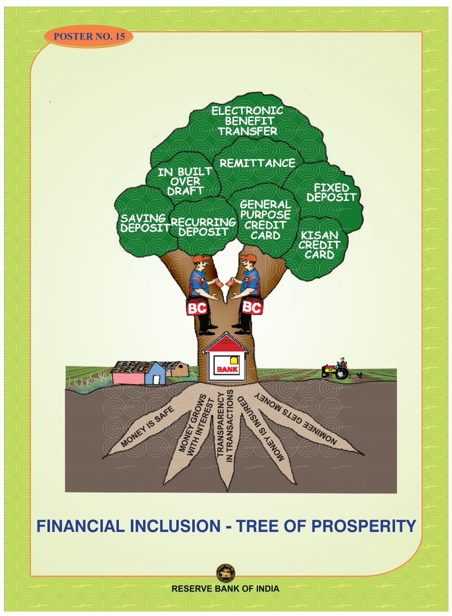
The Reserve Bank of India had launched Project Financial Literacy in March 2007 with a view to create awareness, especially among the common persons, on matters relating to banking, finance and central banking. Under Project Financial Literacy, several initiatives have been taken to achieve financial awareness and literacy among various target groups, which included publication of comic books on banking and RBI; games on Financial Education; arranging school/college visits for creating financial awareness; participation in exhibitions/fairs/melas at the State & District levels; conducting essay competitions and quizzes in schools to create awareness about banking and RBI; outreach programmes undertaken by theTop Management and Regional Offices; RBI's Young Scholars Scheme, *etc.*

Banks have been advised to setup Financial Literacy Centres (FLCs) in the 630 plus offices of the Lead District Managers (LDMs). As at the end of December 2012, 658 FLCs were functioning and 1.5 million people were educated during the period April to December 2012. Further, 35,000 rural branches of SCBs including RRBs have been mandated to undertake outdoor financial literacy activities, at least once a month, with focus on financially excluded population. In order to link the financially excluded segment with the banking system, a 'Model' for conduct of Literacy Camps to be held by banks has been designed, detailing the operational modalities to culminate in effective financial access to the excluded people. Further, to ensure consistency in the financial literacy material reaching the target audience in a simple and lucid manner, RBI has prepared a comprehensive Financial Literacy Material consisting of a Financial Literacy Guide, Financial Diary and a set of 16 Financial Literacy Posters (few posters have been displayed below).

v) *Education*

One of the most important things, which I want to touch upon before concluding is education, as I see there are a large number of youngsters assembled here. The efforts and outlay made by Government alone will not meet the requirements of outlay on education. The scope of education has widened both in India and abroad covering new courses in diversified areas. Realising the importance of education for economic development and raising overall living standards, RBI, has classified loans and advances granted to individuals for educational purposes, including vocational courses up to ₹10 lakh for studies in India and ₹20 lakh for studies abroad, under 'priority sector'. With a view to





enable banks, the Indian Banks' Association (IBA) has brought out a model scheme for educational loan in the year 2001, which facilitated economically weaker sections of the society to avail educational loans from scheduled banks with modified easier norms. The Scheme was revised by IBA subsequently, the latest being in September 2012.

Loans for education should be seen as an investment for economic development and prosperity, since knowledge and information would be the principal driving force for economic growth in the coming years.

In the end, I would sum up by saying that I am hopeful that with our recently revised priority sector norms, focusing on small loans directly to small and marginal farmers, micro and small enterprises low cost housing projects, student and people with low income the banks will see priority sectors as viable business opportunity to reach financial excluded sections of the population. In the coming 10-15 years banks in India in particular would realign their position in the pecking order based on their ability to convert financial inclusion into a viable business opportunity. Banks which are able to craft appropriate business and delivery models to tap the large excluded sections of society would come on top. The triad of financial inclusion, financial literacy and financial stability would be extremely relevant in the foreseeable future. The depth and breadth of banking in the country would determine financial stability.

The Banking sector has played a crucial role in developing the rural economy by providing credit and creating financial awareness. But as we are aware, despite all the efforts that we have made, a huge section of the rural population is still out of the banking net. Rural India has huge potential for development and as I said earlier it provides tremendous business opportunity for the banks, I urge the bankers through this platform to put their heart and soul in making a rural India where each and every household has a bank account and is imbued with financial awareness. Where Bharat and India morph to one entity and growth with equity becomes a reality.

Let me again close echoing our Finance Ministers words ''Any economist will tell us what India can become as we are the tenth largest economy in the world. We can become the eighth or perhaps the seventh largest by 2017. By 2025 we could become a $5 trillion economy and among the top five in the world.'' What we will become depends on us and the choices that we make. As Swami Vivekananda, whose 150th birth anniversary we celebrated recently, said "Äll the strength and succor you want is within yourself, therefore make your own future" and this young friends is quite the best advice I can give to you along with my best wishes for a bright future.

Heights by great men
Reached and kept
We're not attained by sudden flight
They while their companions slept
We're struggling upward in the night

I wish the seminar and your deliberations grand success. Thank you.

ARTICLE

*Union Budget 2013-14: An Assessment**

This article, based on the Union Budget 2013-14 presented to the Parliament on February 28, 2013, presents the key features of the Budget and makes an assessment of the likely impact of various budgetary measures on fiscal and overall macroeconomic situation in 2013-14. Presented against the backdrop of a slowdown in both global and domestic economic growth that has persisted in the past two years, and large fiscal and current account deficits, the Union Budget for 2013-14 was formulated with two key objectives of aiding economic growth and bringing down fiscal deficit so as to leave space for private sector credit to trigger investment cycle.

Highlights

- The gross fiscal deficit (GFD) was contained at 5.2 per cent of GDP in 2012-13 (RE), which is marginally higher than the budget estimate of 5.1 per cent. The containment of GFD in the face of shortfall in tax revenues, telecommunication receipts and disinvestment proceeds was largely brought about by scaling down plan expenditure and capital expenditure. There was, however, a slippage in achieving the budgeted revenue deficit-GDP ratio of 3.4 per cent, reflecting the impact of a sharp rise in non-plan revenue expenditure, particularly subsidies, coupled with shortfall in revenue receipts (both tax and non-tax) during the year.
- The Budget, in line with the revised road map for fiscal consolidation, estimates the gross fiscal deficit-GDP ratio to decline to 4.8 per cent in 2013-14 (BE). In the medium-term, the GFD-GDP ratio is expected to decline to 3.0 per cent by 2016-17.
- The Budget envisages a revenue-led fiscal correction to be achieved mainly through augmenting revenue receipts and reducing non-plan revenue expenditure, *viz.,* subsidies. The revenue deficit-GDP ratio is budgeted to record reduction of 0.6 percentage points in 2013-14. Resultantly, the proportion of gross fiscal deficit that would be pre-empted by the revenue deficit is expected to decline to around 70 per cent in 2013-14 from 75 per cent in 2012-13, showing some qualitative improvement in the process of fiscal correction.
- The budgeted growth in capital and plan expenditure is placed at 36.6 per cent and 29.4 per cent, respectively in 2013-14. The reprioritisation of expenditure in favour of capital expenditure is expected to increase capital outlay-GFD ratio to 38.5 per cent in 2013-14 from 28.1 per cent in 2012-13.

I. Macroeconomic Framework

Indian economy is expected to return to a recovery path

The economy is expected to return to a recovery path in 2013-14 with real GDP growth estimated in the range of 6.1-6.7 per cent, up from 5.0 per cent recorded in 2012-13. The headline inflation is expected to moderate further in 2013-14, with the average implicit inflation, based on projected real and nominal GDP growth rates for 2013-14, estimated lower at 6.5[1] per cent than that in 2012-13. It is expected that the impact of fiscal policy on aggregate demand pressures would soften with a progressive move towards fiscal consolidation. It would also provide fiscal space to boost supply side initiatives directly and also through higher infrastructure investments. Policy initiatives proposed in the budget to boost investment, savings and growth are highlighted in Box 1.

* Prepared in the Fiscal Analysis Division of the Department of Economic and Policy Research. The previous article on Union Budget 2012-13 was published in the Reserve Bank of India Bulletin, May 2012.

[1] Assuming real GDP growth of 6.5 per cent and nominal GDP growth of 13.4 per cent.

Box 1: Union Budget 2013-14 – Policy Initiatives

1. Budgetary measures to support growth, saving and investment

While emphasising the need for investment to restart the growth engine, the Union Budget 2013-14 has laid particular focus on infrastructure investment. It has adopted a multi-pronged approach to address the divergent constraints facing the infrastructure sector. While on the one hand, it has proposed measures to facilitate and encourage investment in sectors like roads, ports, coal, power and waterways, it has tried, on the other hand, to address various sector-specific bottlenecks, such as, restructuring problems in power sector and pricing issues in coal and oil/gas sectors. The focus has also been on the financing and regulatory issues.

The Budget proposes to carry forward the initiatives to boost infrastructure investment, including encouraging Infrastructure Debt Funds; credit enhancement *via* India Infrastructure Corporation-Asian Development Bank partnership to infrastructure companies that may access the bond market; increase in the aggregate ceiling of issuance of tax-free bonds to ₹500 billion in 2013-14; and setting up a regulatory authority for the road sector to address issues such as financial stress, enhanced construction risk and contract management. Further, in order to attract new investment and to quicken the implementation of projects, an investment allowance for new high value investments would be introduced. A company investing ₹1 billion or more in plant and machinery during the period April 1, 2013 to March 31, 2015 will be entitled to deduct an investment allowance of 15 per cent of the investment. This will be in addition to the current rates of depreciation. This is expected to provide significant spill-over benefits to small and medium enterprises.

In order to incentivise the household sector to save in financial instruments rather than purchase gold, the Budget has announced (i) liberalisation of the Rajiv Gandhi Equity Savings Scheme (ii) enhancement of interest exemption limit in respect of loans for the first home from a bank or a housing finance corporation up to ₹25 lakh during the period April 1, 2013 to March 31, 2014 and (iii) introduction of Inflation Indexed Bonds or Inflation Indexed National Security Certificates that will protect savings from inflation, especially the savings of the poor and middle classes.

2. Initiatives relating to Banking and Financial Sector

A provision of ₹140 billion for infusing capital in public sector banks has been made in the Budget for 2013-14, over and above ₹125 billion for 13 public sector banks provided in 2012-13 to ensure their compliance with the Basel III regulations. To address gender-related aspects of empowerment and financial inclusion, the Budget has proposed to set up India's first Women's Bank as a public sector bank and Government shall provide ₹10 billion as initial capital. The policy measures allowing FIIs to use their investments in corporate bonds and government securities as collateral for margin requirements would help boost positive sentiment among FIIs.

II. Progress towards Fiscal Consolidation

Key deficits for 2013-14 broadly in line with the path envisaged by the Kelkar Committee

Pursuant to the mid-year corrective measures undertaken by the Central government, the fiscal consolidation process was resumed in 2012-13, which is expected to continue in 2013-14. The consequent improvement in fiscal position is expected to be seen in select fiscal indicators in 2013-14 *vis-à-vis* their respective revised estimates for 2012-13. The rolling targets set out for 2014-15 and 2015-16 indicate continuation of this momentum, although slight deviations in revenue and fiscal deficits from the path envisaged by the Kelkar Committee would persist (Table 1).

The revised estimates for Central government finances for 2012-13 show that the gross fiscal deficit-GDP ratio was marginally higher than the budgeted level. This reflected a sharp increase of around ₹408 billion in the revenue deficit and the shortfall of ₹60

Table 1: Select Fiscal Indicators

(Per cent of GDP)

	2012-13 (RE)	2013-14 (BE)	Rolling Targets	
			2014-15	2015-16
1	2	3	4	5
Revenue Deficit	3.9 (3.4)	3.3	2.7	2.0
Effective Revenue Deficit#	*2.7 (1.8)*	*1.8*	*0.9*	*0.0*
Fiscal Deficit	5.2 (5.1)	4.8	4.2	3.6
Gross Tax Revenue	10.4	10.9	11.2	11.5
Total Outstanding Liabilities*	45.9	45.7	44.3	42.3
Memo: Kelkar Committee Recommendations				
Revenue Deficit	3.7	2.8	2.0	NA
Fiscal Deficit	5.2	4.6	3.9	NA
Total Outstanding Liabilities	46.1	44.9	42.9	NA

\# : Excludes grants for creation of capital assets from the total revenue expenditure

* : Includes external debt at current exchange rates and excludes part of NSSF and total MSS liabilities.

NA. : Not Available

Note: Figures in parentheses relate to budget estimates.

billion in disinvestment proceeds which was offset by a reduction of around ₹390 billion in net capital expenditure (capital outlay + loans and advances, net of recoveries). There was a slippage in achieving the budgeted revenue deficit-GDP ratio of 3.4 per cent, reflecting the impact of a sharp rise in non-plan revenue expenditure, particularly subsidies, coupled with shortfall in revenue receipts (both tax and non-tax) during the year.

During 2013-14, the GFD-GDP ratio is estimated to decline further to 4.8 per cent (Statement 1). The envisaged correction is expected to be achieved through reduction of 0.6 percentage points in revenue deficit-GDP ratio. The reduction in revenue deficit would be brought about by revenue enhancing measures and expenditure control measures, particularly subsidies. The gross fiscal deficit of the Centre, however, continues to be predominantly structural in nature (Chart 1).

The proportion of the gross fiscal deficit that would be pre-empted by the revenue deficit is expected to decline to around 70 per cent in 2013-14 from 75 per cent in 2012-13, showing some qualitative improvement in the process of fiscal correction (Chart 2). Adherence to the proposed strategy of fiscal correction would be important for the actual outturn of the growth process.

Revenue Receipts to improve in 2013-14

Gross tax revenues in the revised estimates for 2012-13 recorded a shortfall of around 3.7 per cent over the budgeted level. Union excise duties, customs duties,

Chart 1: Structural and Cyclical Component of GFD

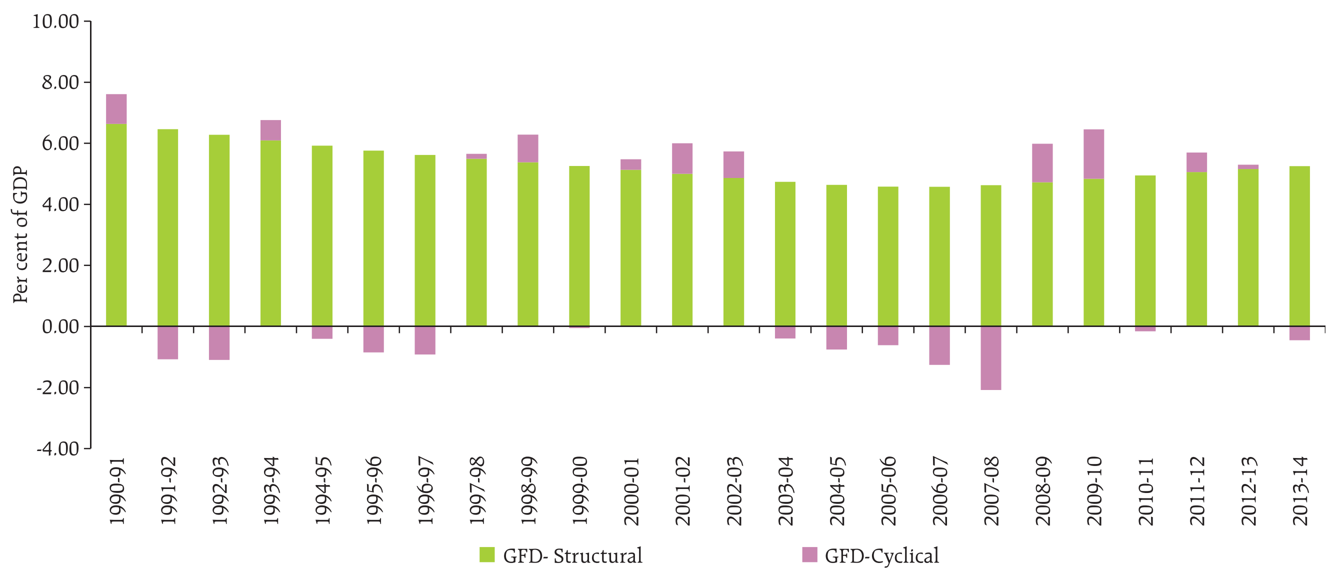
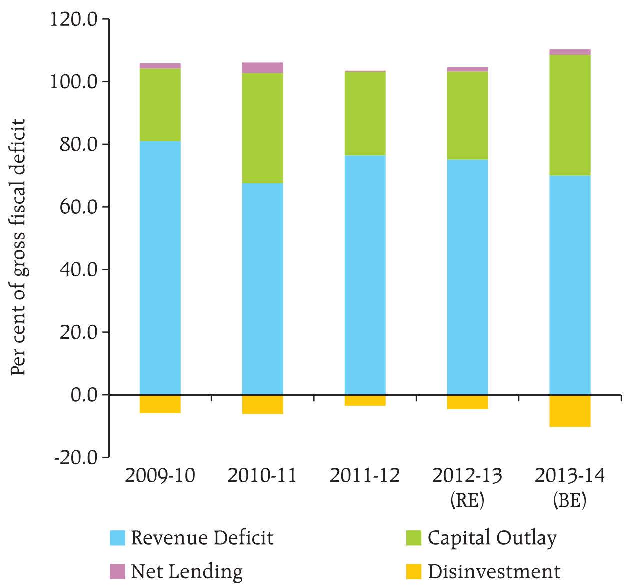


Chart 2: Decomposition of Gross Fiscal Deficit



corporation tax and wealth tax collections declined, even as income tax and service tax collections showed an improvement. The decline in non-tax revenues largely reflected a decline of around ₹390 billion in telecommunication receipts.

With the expected growth of 19.1 per cent in tax revenues, the gross tax-GDP ratio is estimated to improve by 0.5 percentage points to 10.9 per cent during 2013-14. In similar lines, the net tax revenue of the centre is budgeted to increase to 7.8 per cent of GDP in 2013-14 from 7.4 per cent in 2012-13 (RE) (Table 2).

Table 2: Revenue Account of the Central Government

(Per cent of GDP)

	2008-09	2009-10	2010-11	2011-12	2012-13 (RE)	2013-14 (BE)
1	2	3	4	5	6	7
Revenue Receipts	9.6	8.8	10.1	8.4	8.7	9.3
(i) Tax revenue (Net)	7.9	7.0	7.3	7.0	7.4	7.8
(ii) Non Tax Revenue	1.7	1.8	2.8	1.4	1.3	1.5
Revenue Expenditure	14.1	14.1	13.4	12.8	12.6	12.6
Revenue Deficit	4.5	5.2	3.2	4.4	3.9	3.3
Memo Item :						
Effective Revenue Deficit			2.1	2.9	2.7	1.8

Table 3 : Tax Buoyancy*

	2004-05 to 2007-08	2008-09 to 2011-12	2012-13 (RE)	2013-14 (BE)
	(Average)			
1	2	3	4	5
Corporation Tax	2.1	0.9	1.0	1.3
Income Tax	1.7	0.8	1.8	1.5
Customs Duty	1.4	0.6	0.9	1.0
Union Excise Duty	0.5	0.2	1.6	1.1
Service Tax	4.1	1.2	3.1	2.7
Gross Tax Revenue	1.6	0.6	1.4	1.4

RE: Revised Estimates BE: Budget Estimates
* Calculated as ratios of tax growth to nominal GDP growth.

The increase in tax revenues is sought to be achieved through higher excise and custom duties on certain products and imposition of additional surcharge on high income individuals. The tax buoyancies of corporation tax and customs duties are estimated to record improvements in 2013-14 (Table 3).

The sharp rise in budgeted non-tax revenues is on account of higher dividend receipts from state-owned enterprises (mainly in the financial sector) and proceeds from telecom spectrum sales.

Among the non-debt capital receipts, the disinvestment receipts are budgeted at ₹400 billion in 2013-14 (₹240 billion in 2012-13 (RE)). An additional amount of ₹140 billion is expected from disinvestment of residual share in non-government companies. Going by the past record, it would be challenging to raise the budgeted disinvestment proceeds and its success would primarily depend on growth revival and vibrant capital market conditions.

Non-Plan expenditure growth to moderate in 2013-14

The Budget provides for growth of 10.8 per cent in non-plan expenditure over 2012-13 (RE), keeping in view the requirements for defence, subsidies, interest payments and grants (Table 4). The Plan expenditure is budgeted to register an increase of 29.4 per cent in 2013-14 over 2012-13 (RE), with a sharp increase in both revenue and capital expenditure. This would result in overall expenditure increase of 16.4 per cent in 2013-14 (BE) over 2012-13 (RE).

Table 4 : Major Items of Expenditure

(Growth Rate in per cent)

	2004-05 to 2007-08 (Average)	2008-09 to 2011-12 (Average)	2012-13 (RE)	2013-14 (BE)
1	2	3	4	5
Revenue Expenditure	**13.3**	**18.2**	**10.2**	**13.7**
Capital Expenditure	**9.5**	**10.4**	**5.8**	**36.6**
Capital Expenditure (excluding defence)	16.0	8.9	8.3	45.0
Total expenditure	**11.2**	**16.4**	**9.7**	**16.4**
Non-Plan Expenditure	**10.2**	**15.2**	**12.3**	**10.8**
of which:				
Non-Plan Revenue Expenditure	10.4	18.2	13.3	8.0
1. Interest Payments	8.5	12.4	15.9	17.1
2. Grants to States	32.8	9.7	12.4	33.0
3. Subsidies	12.9	35.1	18.2	-10.3
Non-plan Capital Expenditure	19.9	4.2	2.5	42.9
Plan Expenditure	**14.0**	**19.5**	**4.1**	**29.4**
Plan Revenue Expenditure	22.1	18.3	2.9	29.1
Plan Capital Expenditure	-5.7	25.8	9.1	30.6

RE : Revised Estimates BE: Budget Estimates

The restraint on non-plan revenue expenditure growth is critical to ensure that the fiscal consolidation going forward is sustainable, and not excessively reliant on revenue augmentation. The growth in non-plan revenue expenditure is budgeted to be contained at 8.0 per cent (13.3 per cent in 2012-13). The expenditure on subsidies is budgeted lower at 2.0 per cent of GDP in 2013-14 as against 2.6 per cent of GDP in 2012-13 (Table 5). The credibility of the fiscal correction process would depend to a large extent on meeting these targets.

While the budget estimates (2013-14) for most of the components of government expenditure are broadly in line with the Kelkar Committee recommendations, there is a significant slippage in the case of non-plan revenue expenditure (Table 6).

Resource transfers from the Centre to States to increase in 2013-14

The Thirteenth Finance Commission had recommended higher share of central taxes to be transferred to the states and an increase in grants-in-aid, in order to minimise the vertical fiscal imbalances between the Centre and the states. Although the Centre had budgeted increase in all three forms of transfers (tax devolution, grants-in-aid and loans to the states) to states during 2012-13, the shortfall in Centre's revenues during 2012-13 (RE) is reflected in lower gross and net transfers to the states, both in terms of GDP as well as in absolute terms. During 2013-14, gross and net transfers as ratios to GDP are budgeted to increase by 0.3 percentage points each to 5.2 per cent and 5.1 per cent, respectively (Table 7).

Disinvestment proceeds to get credited in National Investment Fund

In pursuance of the decision to use disinvestment proceeds from central PSUs only for select capital

Table 5: Total Subsidies

(Amount in ₹ billion)

	2011-12		2012-13 (BE)		2012-13 (RE)		2013-14 (BE)	
	Amount	Per cent to GDP	Amount	Per cent to GDP	Amount	Per cent to GDP	Amount	Per cent to GDP
1	2	3	4	5	6	7	8	9
Total Subsidies	**2,179.4**	**2.4**	**1,900.2**	**1.9**	**2,576.5**	**2.6**	**2,310.8**	**2.0**
i. Food	728.2	0.8	750.0	0.7	850.0	0.8	900.0	0.8
ii. Fertiliser	700.1	0.8	609.7	0.6	659.7	0.7	659.7	0.6
iii. Petroleum	684.8	0.8	435.8	0.4	968.8	1.0	650.0	0.6
iv. Interest subsidy	50.5	0.1	79.7	0.1	74.2	0.1	80.6	0.1
v. Other subsidies	15.7	0.0	24.9	0.0	23.8	0.0	20.5	0.0

RE: Revised Estimates BE: Budget Estimates

Table 6: Major Expenditure Indicators for 2013-14: Budget Estimates *vis-à-vis* Kelkar Committee Recommendations

(Per cent of GDP)

Items	Budget Estimates	Kelkar Committee Recommendations
1	2	3
Non-Plan Expenditure	**9.8**	**9.1**
On Revenue Account	8.7	8.2
of which: Subsidies	2.0	1.7
On Capital Account	1.0	0.9
Plan Expenditure	**4.9**	**4.9**
On Revenue Account	3.9	3.6
On Capital Account	1.0	1.3
Total Expenditure	**14.6**	**13.9**
On Revenue Account	12.6	11.7
On Capital Account	2.0	2.2

investment, the disinvestment proceeds from the year 2013-14 will get credited to the public account under the National Investment Fund (NIF) and will be withdrawn for/invested in approved purposes. During 2013-14, out of total disinvestment proceeds, the government proposes to finance recapitalisation of public sector banks (₹140 billion) and invest in modernisation and other capital projects of railways (₹260 billion). The use of disinvestment proceeds for capital investment would increase resource flows towards more productive purposes.

Table 7: Gross and Net Transfers from Centre to States

(Amount in ₹ billion)

	2011-12	2012-13 (BE)	2012-13 (RE)	2013-14 (BE)
1	2	3	4	5
1. Shareable Taxes from Centre	2,554.1	3,019.2	2,915.5	3,469.9
2. Grants-in-Aid to States	1,753.5	2,108.8	1,839.1	2,314.7
3. Loans from Centre	100.2	120.1	120.1	120.1
4. Gross transfers (1 to 3)	4,407.8	5,248.1	4,874.6	5,904.7
5. Repayment of loans to Centre	106.4	94.2	92.8	94.1
6. Net Transfers (4-5)	4,301.5	5,153.9	4,781.9	5,810.7
Gross Transfers / GDP	*4.9*	*5.2*	*4.9*	*5.2*
Net Transfers / GDP	*4.8*	*5.1*	*4.8*	*5.1*

RE: Revised Estimates BE: Budget Estimates

Tax reform process to move forward in 2013-14

Clarity in tax laws, a stable tax regime, non-adversarial tax administration, a fair mechanism for dispute resolution and an independent judiciary for greater assurance are the broad objectives of tax proposals in the Union Budget 2013-14. It is also proposed to set up a Tax Administration Reforms Commission to review the application of tax policies and tax laws periodically that can be implemented to strengthen the capacity of tax system.

The Budget has announced further steps towards the implementation of Direct Taxes Code (DTC) and Goods and Services Tax (GST). As the first decisive step towards implementation of GST, a sum of ₹90 billion has been set apart as the first installment of the balance of central sales tax (CST) compensation to states. The GST constitutional amendment bill and GST law are expected to be tabled in the Parliament during the course of the year. The recommendations of the Standing Committee on Finance relating to DTC are being examined by the Ministry of Finance. The implementation of GST and DTC would widen the tax base in the medium-term, besides contributing in terms of efficiency and economic gains to the system as a whole. The modified provisions of GAAR based on the Expert Committee Report would come into effect from April 1, 2016.

Budgeted market borrowings of government in 2013-14 to impact liquidity

During 2012-13, net market borrowings (through dated securities and 364-day treasury bills) financed around 97 per cent of the gross fiscal deficit (Table 8). While the borrowings through dated securities were reduced by ₹120 billion from the budget estimates due to additional cushion available from higher opening cash balances and surpluses of state governments invested in Central Government treasury bills, borrowings under 364-day treasury bills increased by ₹260 billion.

Fiscal deficit would continue to be largely financed by market borrowings during 2013-14. The net market

Table 8 : Financing Pattern of Gross Fiscal Deficit

(Amount in ₹ billion)

Item	2012-13 (BE)	2012-13 (RE)	2013-14 (BE)
1	2	3	4
Gross Fiscal Deficit	5,135.9	5,209.3	5,425.0
	(100.0)	(100.0)	(100.0)
Financed by			
Net Market Borrowings*	4,930.0	5,074.8	4,840.0
	(96.0)	(97.4)	(89.2)
Other treasury bills	-50.0	56.5	198.4
	(-1.0)	(1.1)	(3.7)
Small Savings (net)	12.0	86.3	58.0
	(0.2)	(1.7)	(1.1)
External Assistance	101.5	22.1	105.6
	(2.0)	(0.4)	(1.9)
State Provident Fund	120.0	100.0	100.0
	(2.3)	(1.9)	(1.8)
NSSF	49.4	-79.1	-0.1
	(1.0)	(-1.5)	(-0.0)
Reserve fund	39.3	41.8	58.9
	(0.8)	(0.8)	(1.1)
Deposits and advances	35.3	40.8	33.0
	(0.7)	(0.8)	(0.6)
Draw Down of Cash Balances	0.0	-51.5	0.0
	(0.0)	(-1.0)	(0.0)
Others	-101.5	-82.5	31.1
	(-2.0)	(-1.6)	(0.6)

RE: Revised Estimates BE: Budget Estimates
*Includes dated Securities and 364-day Treasury Bills only.
Note: Figures in parenthesis represent percentages to GFD.

borrowing for 2013-14, as announced in the Union Budget, is ₹4,840 billion, which finances around 89 per cent of the GFD of ₹5,425 billion. The proposed move to introduce buy-back/switches of government securities aggregating ₹500 billion in 2013-14, would ease the redemption pressure in the maturity buckets 2014-15 to 2018-19. This would help in effective debt management.

Given the large size of market borrowings, substantial liquidity injection by the Reserve Bank may be required. If market borrowings are contained within the budgeted amount, it could provide some required monetary space and enable efficient monetary-fiscal coordination.

III. Overall Assessment

Faced with the challenge of twin deficits, the Government embarked on a fiscal consolidation path with mid-year course correction in 2012-13. The fiscal deficit targets adopted in the revised road map for fiscal consolidation formed the basis of the new notified Fiscal Responsibility and Budget Management Rules. The containment of GFD in 2012-13(RE) in the face of shortfall in tax revenues, telecommunication receipts and disinvestment proceeds was largely brought about by scaling down plan expenditure and capital expenditure.

The fiscal policy for 2013-14, as enunciated in the Union Budget, has been designed to meet the macroeconomic challenges faced by India in an uncertain global environment. The reduction in the GFD-GDP ratio in 2013-14 (BE) is based on higher mobilisation of disinvestment proceeds, tax revenues, telecommunication receipts and reduction in expenditure on subsidies. As the Budget relies largely on revenue-led fiscal consolidation, its success would depend on the revival of investment climate and growth. The reduction in revenue-deficit by 0.6 per cent of GDP during 2013-14 critically hinges upon the success in meeting the projected tax and non-tax revenues. The government would have to continue with its efforts towards rationalising and reducing subsidies in order to create space for meeting future commitments under the proposed Food Security Act.

The re-prioritisation of expenditure in favour of capital expenditure would increase capital outlay-GFD ratio from 28.1 per cent in 2012-13 to 38.5 per cent in 2013-14. It may be noted that during the fiscal consolidation phase the capital outlay-GFD ratio, on an average, was as high as 51.4 per cent.

Overall, the fiscal consolidation measures announced in the Budget will lay the foundation for a sustainable rebalancing of Government finances. Fiscal prudence would impart confidence in the economy and support domestic and foreign investments. The envisaged elimination of effective revenue deficit by 2015-16 would make available additional resources for financing investment and capital expenditure (including grants for creation of capital assets), ensure the use of government borrowing primarily for capital formation and aid the growth process.

Statement 1: Budget at a Glance

(Amount in ₹ billion)

Items	2011-12 (Accounts)	2012-13 (Budget Estimates)	2012-13 (Revised Estimates)	2013-14 (Budget Estimates)	Variation in per cent		
					Col. 4 over Col. 3	Col. 4 over Col. 2	Col. 5 over Col. 4
1	2	3	4	5	6	7	8
1. Revenue Receipts (i+ii)	**7,514.4**	**9,356.9**	**8,718.3**	**10,563.3**	**-6.8**	**16.0**	**21.2**
i) Tax Revenue (Net to Centre)	6,297.7	7,710.7	7,421.2	8,840.8	-3.8	17.8	19.1
ii) Non-tax Revenue	1,216.7	1,646.1	1,297.1	1,722.5	-21.2	6.6	32.8
of which:							
Interest Receipts	202.5	192.3	166.0	177.6	-13.7	-18.1	7.0
2. Capital Receipts	**5,529.3**	**5,552.4**	**5,590.0**	**6,089.7**	**0.7**	**1.1**	**8.9**
of which:							
i) Market Borrowings	4,841.1	4,930.0	5,074.8	4,840.0	2.9	4.8	-4.6
ii) Recoveries of Loans	188.5	116.5	140.7	106.5	20.8	-25.3	-24.3
iii) Disinvestment of equity in PSUs	180.9	300.0	240.0	558.1	-20.0	32.7	132.6
3. Total Receipts (1+2)	**13,043.7**	**14,909.3**	**14,308.3**	**16,653.0**	**-4.0**	**9.7**	**16.4**
4. Revenue Expenditure (i + ii)	**11,457.9**	**12,861.1**	**12,630.7**	**14,361.7**	**-1.8**	**10.2**	**13.7**
i) Non-Plan	8,120.5	8,656.0	9,197.0	9,929.1	6.3	13.3	8.0
ii) Plan	3,337.4	4,205.1	3,433.7	4,432.6	-18.3	2.9	29.1
5. Capital Expenditure (i + ii)	**1,585.8**	**2,048.2**	**1,677.5**	**2,291.3**	**-18.1**	**5.8**	**36.6**
i) Non-Plan	799.4	1,043.0	819.4	1,170.7	-21.4	2.5	42.9
ii) Plan	786.4	1,005.1	858.1	1,120.6	-14.6	9.1	30.6
6. Total Non-Plan Expenditure (4i + 5i)	**8,919.9**	**9,699.0**	**10,016.4**	**11,099.8**	**3.3**	**12.3**	**10.8**
of which:							
i) Interest Payments	2,731.5	3,197.6	3,166.7	3,706.8	-1.0	15.9	17.1
ii) Defence	1,709.1	1,934.1	1,785.0	2,036.7	-7.7	4.4	14.1
iii) Subsidies	2,179.4	1,900.2	2,576.5	2,310.8	35.6	18.2	-10.3
7. Total Plan Expenditure (4ii + 5ii)	**4,123.8**	**5,210.3**	**4,291.9**	**5,553.2**	**-17.6**	**4.1**	**29.4**
8. Total Expenditure (6+7=4+5)	**13,043.7**	**14,909.3**	**14,308.3**	**16,653.0**	**-4.0**	**9.7**	**16.4**
9. Revenue Deficit (4-1)	**3,943.5**	**3,504.2**	**3,912.5**	**3,798.4**	**11.6**	**-0.8**	**-2.9**
	(4.4)	**(3.4)**	**(3.9)**	**(3.3)**			
10. Effective Revenue Deficit	**2,617.7**	**1,857.5**	**2,669.7**	**2,051.8**	**43.7**	**2.0**	**-23.1**
	(2.9)	**(1.8)**	**(2.7)**	**(1.8)**			
11. Gross Fiscal Deficit (8-(1+2ii+2iii))	**5,159.9**	**5,135.9**	**5,209.3**	**5,425.0**	**1.4**	**1.0**	**4.1**
	(5.7)	**(5.1)**	**(5.2)**	**(4.8)**			
12. Gross Primary Deficit (11-6i)	**2,428.4**	**1,938.3**	**2,042.5**	**1,718.1**	**5.4**	**-15.9**	**-15.9**
	(2.7)	**(1.9)**	**(2.0)**	**(1.5)**			

Notes : 1) Capital Receipts are net of repayments.
2) Market borrowings include dated securities and 364 day Treasury Bills.

Source : Budget documents of the Government of India, 2013-14.

*Developments in India's Balance of Payments during Third Quarter (October-December) of 2012-13**

The data on India's Balance of Payments (BoP) are compiled and 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 (i) during the third quarter (October-December) of 2012-13 and (ii) during April-December 2012.

1. Balance of Payments during October-December (Q3) of 2012-13

Highlights

- India's current account deficit (CAD) as a per cent of GDP widened further to all time high of 6.7 per cent in Q3 of 2012-13 on account of higher trade deficit and decline in net invisibles. Rise in CAD to GDP ratio was also partly due to slower growth in GDP and rupee depreciation.

- On a BoP basis, merchandise exports did not show any significant growth in Q3 of 2012-13 while imports grew at a rate of 9.4 per cent, spurred largely by oil and gold imports which led to a trade deficit of US$ 59.6 billion during the quarter.

- Net invisible earnings showed a decline, led by moderation in net services growth coupled with higher outflows on income account, and could finance only a small portion of trade deficit.

- However, with the surge in net capital inflows, CAD during the quarter could be fully financed and foreign exchange reserves on BoP basis increased by 0.8 billion. The surge in capital flows was mainly in the form of foreign portfolio investment and loans availed by banks and corporate sector during the period.

The stress witnessed in India's BoP during July-September 2012 intensified further in Q3 of 2012-13 and CAD widened to the highest ever level. However, with improvement in capital inflows, as foreign portfolio investments and loans availed by banks and Indian corporates picked up, CAD could be fully financed during the quarter and there was marginal net accretion to foreign exchange reserves. The developments in the major items of the BoP for Q3 of 2011-12 are set out below in Table 1.

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

(US$ Billion)

	Third Quarter Oct-Dec		Apr-Dec	
	2011 (PR)	2012 (P)	2011-12 (PR)	2012-13 (P)
1. Goods Exports	71.5	71.8	229.8	218.4
2. Goods Imports	120.1	131.4	367.8	368.7
3. Trade Balance(1-2)	-48.6	-59.6	-138.0	-150.3
4. Services Exports	37.3	36.5	103.3	105.8
5. Services Imports	21.1	18.9	56.9	59.0
6. Net Services (4-5)	16.1	17.6	46.4	46.9
7. Goods & Services Balances (3+6)	-32.5	-42.0	-91.6	-103.5
8. Primary Income, Net (Compensation of employees and Investment Income)	-3.8	-6.3	-11.4	-16.8
9. Secondary Income, Net (Private Transfers)	16.2	15.7	46.6	48.6
10. Net Income (8+9)	12.4	9.4	35.2	31.8
11. Current Account Balance (7+10)	-20.2	-32.6	-56.5	-71.7
12. Capital and Financial Account Balance, Net (Excl. change in reserves)	7.9	31.8	51.3	71.4
13. Change in Reserves (-)increase/ (+)decrease	12.8	-0.8	7.1	-1.1
14. Errors & Omissions (-) (11+12+13)	-0.5	1.6	-1.9	1.5
Memo Item				
Oil Imports	35.3	43.7	111.0	124.5
Gold Imports	12.8	17.8	41.7	38.0
Non-Oil Non-Gold Imports	72.2	67.8	211.1	200.8

P: Preliminary; PR: Partially Revised

* 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 RBI site at dbie.rbi.org.in In addition, the disaggregated quarterly data on invisibles have been released separately in the press release dated May 14, 2013 on RBI site.

Goods Trade

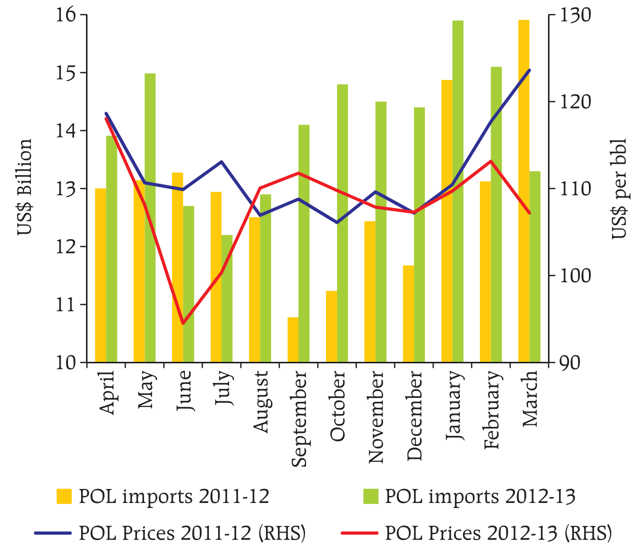
- On a BoP basis, merchandise exports recorded a rise of 0.5 per cent (year-on-year) in Q3 of 2012-13 as against 7.6 per cent in Q3 of 2011-12. Stagnation in exports largely reflected continued sluggish global demand as economic slowdown spread over to a larger number of countries including emerging and developing economies. Growth in the economies of Latin America, Africa and Asia, which have been the focus of export diversification efforts in earlier years, decelerated sharply in the current year.

- Exports to European Union declined by 1.6 per cent. Exports to developing countries, which could offset the lower demand from advanced countries in the previous year, also moderated to 2.4 per cent during Q3 of 2012-13 from 12.7 per cent recorded during Q3 of 2011-12. Exports to Asian developing countries registered a decline of 4.9 per cent and the fall was more prominent in case of China (34.2 per cent).

- Though sluggish domestic economic activity caused moderation in import demand, inelastic demand for POL imports resulted in relatively modest deceleration in growth of overall merchandise imports than that of merchandise exports during the quarter. On BoP basis, during Q3, merchandise imports at US$ 131.4 billion grew by 9.4 per cent over the corresponding quarter of the previous year. The rise in imports was mainly led by oil and gold imports which rose by around 24 per cent and 39 per cent, respectively, on a y-o-y basis. However, the 'non-oil non-gold' component of imports declined by 6.1 per cent to US$ 67.8 billion as against an increase of 28 per cent in Q3 of the previous year (Table 1).

- Unprecedented rise in gold imports in the recent period has been mainly on account of the uncertainties in the global economy which diverted investors towards gold as a safe investment avenue. The rise in gold imports occurred due to increase in both quantum of gold import and price. The average international gold price, for the quarter, at US$ 1722 per troy ounce remained marginally higher than the previous year's level.

Chart 1: India's POL Imports & International crude prices



- The sharp rise in oil imports during the quarter was largely a reflection of increase in volume, as the price of international crude oil for Indian basket during the quarter was only marginally above the price level pertaining to the corresponding quarter of previous year. (Chart 1).

Trade Deficit

- With sharper rise in imports coupled with a marginal export growth trade deficit widened to US$ 59.6 billion in Q3 of 2012-13 (12.3 per cent of GDP) as compared with US$ 48.6 billion in Q3 of 2011-12, showing an increase of around 22.5 per cent on y-on-y basis (Chart 2).

Services

During the quarter, net services receipts stood at US$ 17.6 billion, recording a rise of 9.2 per cent over

Chart 2: Quarterly Movements in Trade Balance

the corresponding quarter of 2011-12 (Table 2). Though, both exports and imports of services during the quarter were lower than that in the preceding year, rise in net terms was essentially on account of sharper contraction in imports *vis-à-vis* exports of services.

- Services exports growth moderated to 2.0 per cent (US$ 36.5 billion) in Q3 of 2012-13 as compared with 6.4 per cent rise in the same period of 2011-12 primarily on account of lower growth in receipts under transports, travel, insurance & pension, software services and decline in financial and communication services.
- Services imports witnessed a decline of 10.6 per cent during Q3 of 2012-13 as compared with a decline of 8.9 per cent in the same quarter of 2011-12 mainly led by travel, transport, financial services and other business services (Table 2).

Income

Net outflow on account of primary income continued in Q3 essentially reflecting an uptrend in interest payments on external debt. Net secondary income in Q3 of 2012-13 also stood marginally lower than the corresponding period of previous year with slowdown in personal remittances. (Table 2).

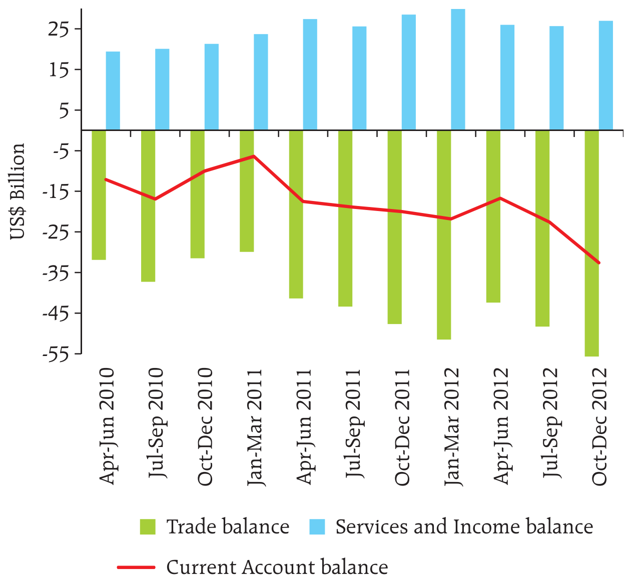
- During Q3 of 2012-13, payments on account of investment income, comprising mainly the

Table 2: Disaggregated Items of Current Account

(US$ Billion)

	Oct-Dec		Apr-Dec	
	2012 (P)	2011(PR)	2012 (P)	2011 (PR)
1. Goods	**-59.6**	**-48.6**	**-150.3**	**-138.0**
2. Services	**17.6**	**16.1**	**46.9**	**46.4**
2.a Transportations	0.6	0.3	1.5	1.4
2.b Travel	2.0	1.5	3.4	2.5
2.c Construction	-0.0	0.0	-0.0	-0.1
2.d Insurance and pension services	-0.0	0.4	0.5	0.8
2.e Financial Services	0.5	-0.6	0.6	-1.6
2.f Charges for the use of intellectual property	-1.0	-0.8	-2.8	-2.0
2.g Telecommunications, computer and information services	16.0	15.8	47.0	44.0
2.h Personal, cultural and recreational services	0.1	0.0	0.2	0.1
2.i Government goods & services *n.i.e.*	-0.0	-0.0	-0.0	-0.1
2.j Other Business services	-0.8	-0.2	-1.0	-0.7
2.k Others *n.i.e.*	0.2	-0.3	-2.3	2.1
3. Primary Income	**-6.3**	**-3.8**	**-16.8**	**-11.4**
3.a Compensation of Employees	0.2	0.0	0.7	0.5
3.b Investment Income	-6.7	-3.9	-17.8	-12.2
4. Secondary Income	**15.7**	**16.2**	**48.6**	**46.6**
4.a Personal Transfers	14.8	15.6	46.5	45.0
4.b. Other Transfers	0.6	0.6	1.8	1.6
5. Current Account (1+2+3+4)	**-32.6**	**-20.2**	**-71.7**	**-56.5**

Chart 3: Movement in Current Account Balance



interest payments on the external commercial borrowings (ECBs), NRI deposits and profits & reinvested earnings of FDI companies in India, rose by around 50 per cent. In contrast, investment income receipts, largely representing earning on foreign currency assets, recorded a decline of 2.4 per cent in Q3 of 2012-13. Thus, net outflow on account of primary income in Q3 of 2012-13 at US$ 6.3 billion was significantly higher than that recorded in Q3 of 2011-12 (US$ 3.8 billion).

- Secondary income (on net basis), reflecting mainly the remittances from overseas Indians, at US$ 15.7 billion, recorded a marginal decline of 3.4 per cent as against a growth of 20.6 per cent in Q3 of 2011-12.

Current Account

Moderation in net services receipts coupled with lower net inflows under income accounts (primary and secondary) resulted in decline in net invisibles, which along with widening trade deficit resulted in highest ever level of CAD. CAD worsened to US$ 32.6 billion in Q3 of 2012-13 as compared to US$ 22.6 billion in the preceding quarter and US$ 20.2 billion in Q3 of 2011-12. As a percentage of GDP, CAD reached to 6.7 per cent of GDP in Q3 of 2012-13 from 5.4 per cent in Q2 (4.4 per cent in Q3 of 2011-12).

Capital & Financial Account

Capital 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 Q3 of 2012-13.

Financial Account

The net inflows under the financial account excluding change in reserves were significantly higher during Q3 of 2012-13 mainly on account of turnaround in banking capital and external commercial borrowings and significant surge in FII inflows and trade credits (Table 3). Surge in portfolio flows during the quarter could be attributed to easy monetary policy stance of advanced economies and improved perception about the domestic economy driven by reforms announced by the Government. Inflows under Foreign Direct Investments (FDI), however, recorded decline during the quarter over Q3 of 2011-12 as well as over the previous quarter leading to a shift away from equity flows which financed only around one-third of CAD during Q3 of 2012-13 (70 per cent in Q2 of 2012-13).

- The gross financial inflows amounted to US$ 120.8 billion during Q3 of 2012-13 (US$ 119.4 billion a year ago) and gross financial outflows during the period were lower at US$ 89.8 billion (US$ 98.9 billion a year ago).
- Net inflows under financial account rose to US$ 31.1 billion during Q3 of 2012-13 (US$ 20.6 billion during Q3 in previous year). This was mainly on account of net portfolio inflows of US$ 8.6 billion during Q3 of 2012-13 as compared with an inflow of US$ 1.8 billion in Q3 of 2011-12 (Table 3).
- Net external loans availed by banks stood at US$ 2.7 billion in Q3 of 2012-13 as against outflows of

Table 3: Disaggregated Items of Financial Account

(US$ Billion)

	Oct-Dec 2012 (P)	Oct-Dec 2011(PR)	Apr-Dec 2012 (P)	Apr-Dec 2011 (PR)
1. Direct Investment (net)	**2.5**	**5.0**	**15.3**	**20.7**
1.a Direct Investment to India	4.8	6.9	21.1	28.7
1.b Direct Investment by India	-2.3	-1.9	-5.8	-8.0
2. Portfolio Investment	**8.6**	**1.8**	**14.2**	**2.7**
2.a Portfolio Investment in India	9.8	1.9	16.0	2.7
2.b Portfolio Investment by India	-1.2	-0.0	-1.8	-0.1
3. Other investment	**21.0**	**1.0**	**43.8**	**27.8**
3.a Other equity (ADRs/GDRs)	0.2	0.1	0.3	0.6
3.b Currency and deposits	2.6	3.2	12.5	7.5
Deposit-taking corporations, except the central bank (NRI Deposits)	2.7	3.3	12.0	7.3
3.c Loans*	7.1	-7.7	14.0	16.8
3.c.i Loans to India	7.2	-8.1	14.4	15.7
Deposit-taking corporations, except the central bank	2.7	-8.7	7.6	6.7
General government (External Assistance)	1.5	1.4	2.0	2.1
Other sectors (External Commercial Borrowings)	3.1	-0.8	4.7	6.9
3.c.ii Loans by India	-0.1	0.5	-0.4	1.1
General government (External Assistance)	-0.1	-0.0	-0.2	-0.1
Other sectors (External Commercial Borrowings)	-0.1	0.5	-0.2	1.2
3.d Trade credit and advances	6.2	0.6	15.7	6.5
3.e Other accounts receivable/payable-other	5.0	4.8	1.2	-3.6
4. Financial Derivatives	**-0.4**	**-**	**-1.4**	**-**
5. Reserve assets	**-0.8**	**12.8**	**-1.1**	**7.1**
Financial Account (1+2+3+4+5)	**31.1**	**20.6**	**70.7**	**58.3**

*: includes External Assistance, ECBs and Banking Capital.
Note: Due to rounding off, totals may not tally.

US$ 8.7 billion in Q3 of 2011-12 mainly due to drawing down of *nostro* balances and higher overseas borrowings by the banks.

- 'Net external loans availed by non-Government and non-banking sectors', *i.e.*, net ECBs witnessed a turnaround and stood at US$ 3.1 billion as against outflows of 0.8 billion Q3 of 2011-12 mainly due to lower repayments.
- Net inflows under 'trade credit & advances' at US$ 6.2 billion during Q3 of 2012-13 stood significantly higher than the previous year's level of US$ 0.6 billion reflecting larger proportion of imports financed by trade credit.
- Net FDI inflows to India (inward FDI minus outward FDI), however, declined during Q3 of 2012-13 to US$ 2.5 billion from US$ 5.0 billion in Q3 of 2011-12.
- Inflows under currency and deposits of commercial banks, *i.e.*, NRI deposits at US$ 2.7 billion stood lower in Q3 of 2012-13 than US$ 3.3 billion in Q3 of 2011-12.
- Despite high CAD in Q3 of 2012-13, there was an accretion to foreign exchange reserves to the tune of US$ 0.8 billion against a drawdown of US$ 12.8 billion during the same period a year ago as net capital flows under 'capital & financial account' (excluding changes in reserves) also rose sharply during the quarter.

Balance of Payments during April-December 2012

Highlights

- During April-December 2012, CAD as a proportion of GDP rose sharply to 5.4 per cent from 4.1 per cent in the corresponding period of the previous year on account deterioration in trade deficit and decline in invisibles led by steep rise under income payments.

- Net inflow**s** under financial account increased to US$ 70.7 billion during this period in 2012-13 as compared with US$ 58.3 billion during the same period in the previous year, despite a decline in FDI. The surge was mainly on account of higher inflows on account of FIIs, Non- resident deposits and short term credits to India.
- Reflecting an increase in net inflows in financial account (excluding change in reserves), there was an accretion of US $ 1.1 billion to foreign exchange reserves during April-December 2012.

India's trade performance during the current year up to December 2012 continued to be weak and trade deficit increased to US$ 150.3 billion reflecting substantial contraction in merchandise exports as compared to imports. This coupled with moderation in net services and incomes (primary and secondary) caused a rise in CAD. However, higher inflows under financial account (excluding change in reserves) enabled full financing of CAD and there has been an accretion to the foreign exchange reserves to the tune of US$ 1.1 billion during April-December 2012.

- During April-December 2012, India's merchandise exports at US$ 218.4 billion on a BoP basis, declined by 5.0 per cent as against an increase of 28.9 per cent during the corresponding period of previous year.
- Import payments during the same period at US$ 368.7 billion, on a BoP basis, registered a marginal growth of 0.2 per cent as compared with a growth of 33.3 per cent in the previous year. Moderation in imports during April-December 2012 may partly be attributed to weakening of domestic demand coupled with sluggish external demand impacting the demand for export related imports.
- At disaggregated level, external demand remained subdued across all the commodity groups, as evident from either negative or lower export growth. Exports of gems & jewellery, petroleum products, textiles & textile products, engineering goods and ores & minerals witnessed a decline in growth rate during April-December 2012 over the same period in the preceding year.
- Among imports, sectors, *viz.*, 'capital goods (including electronic goods, transport equipments and machinery)', 'bulk items (including fertilizers, non-ferrous metal, iron ore etc.)', 'export related items (including pearls & stones', 'gold & silver', 'coal coke & briquettes' and 'chemical material' showed a steep deceleration during the year.
- During the period, POL and gold together accounted for around 45 per cent of India's merchandise imports (42 per cent in the same period of 2011-12). Notwithstanding some softening in international crude oil prices, POL imports remained at elevated level though growth rate at 12.2 per cent was lower in April-December of 2012 as compared with the same period in the preceding year (47.6 per cent). Import of gold stood at US$ 38.0 billion during April-December of 2012, a contraction of 8.9 per cent as against an increase of 46.3 per cent recorded in the previous year.
- 'Non-oil non-gold imports' during the period under review recorded a decline of 4.9 per cent to US$ 200.8 billion from the level of US$ 211.1 billion recorded in the same period of the previous year (Table 1).

Trade Deficit

- Merchandise trade balance (on BoP basis) during April-December of 2012 widened to US$ 150.3 billion from US$ 138.0 billion recorded in the preceding year. As a proportion of GDP, it increased from 10 per cent in April-December 2011 to 11.2 per cent in April-December of 2012.

Services

While services exports increased marginally by 2.4 per cent during April-December 2012 as compared with a growth rate of 15.6 per cent during the previous year, imports of services increased by 3.7 per cent as against a decline of 4.7 per cent during the same period. As a result, net service receivables recorded a moderate rise of only 1.0 per cent during this period.

- Moderation in the growth of the services receipts was mainly on account of decline in earnings on account of travel, transport, 'insurance & pension services' and 'financial services', besides moderation in the growth of 'telecommunications, computer & information services'.
- Increase in services payments during April-December 2012 was mostly on account of increase in royalty payments, telecommunications, computer & information services' research & development services, 'professional & management consulting services', 'technical, trade related & other business services' and 'personal, cultural and recreational services'. On the other hand, services payments on account of travel, insurance & pension services and financial services recorded a slower rise.

Income

Primary income

Primary income balance, comprising compensation of employees and investment income, worsened during April-December 2012 as compared with the corresponding period of preceding year recording an increase in net outflow to US$ 16.8 billion from US$ 11.4 billion in April-December 2011.

- Investment income receipts during the year declined by 14.4 per cent over the previous year reflecting lower interest/discount earnings on foreign exchange reserves. Compensation of employees, in net terms, however, showed an inflow of US$ 0.7 billion April-December 2012 as compared to an inflow of US$ 0.5 billion during a year ago.
- Investment income payments at US$ 22.5 billion stood higher by 27.3 per cent during the period under review. Surge in investment income payments was primarily on account of interest on debt including NRI deposits, ECBs and short term trade credits. Higher interest payment during the year may partly be attributed to deregulation of interest rate on NRI rupee deposits, increase in cap on FCNR deposits and rise in ECBs.

Secondary Income

- Net secondary income receipts that primarily comprise private transfers recorded a modest growth of 4.2 per cent to US$ 48.5 billion during the year (US$ 46.6 billion a year ago).
- NRI deposits, when withdrawn domestically, form part of private transfers as they become unilateral transfers and do not have any *quid pro quo*. During April-December 2012, the share of local withdrawals in total outflows from NRI deposits was 62.4 per cent as compared to 65.1 per cent in the previous year (Table 4).
- Under private transfers, the inward remittances for family maintenance accounted for 49.0 per cent of the total private transfer receipts, while local withdrawals accounted for 46.5 per cent during April-December 2012 (Table 5).

Table 4: Inflows and Outflows from NRI Deposits and Local Withdrawals

(US $ Billion)

Year	Inflows	Outflows	Local Withdrawals
1	2	3	4
2010-11 (PR)	49.3	46.0	26.2
2011-12 (PR)	64.3	52.4	32.5
Apr-Dec 2011 (PR)	43.3	36.0	23.5
Apr-Dec 2012 (P)	49.9	37.8	23.6

P: Preliminary. PR: Partially Revised.

Table 5: Details of Personal Transfers to India

(US$ Billion)

Year	Total Private Transfers	Of which:			
		Inward remittances for family maintenance		Local withdrawals/ redemptions from NRI Deposits	
		Amount	Per centage Share in Total	Amount	Per centage Share in Total
1	2	3	4	5	6
2010-11 (PR)	55.6	27.4	49.3	26.2	47.1
2011-12 (PR)	66.1	31.3	47.4	32.5	49.2
Apr-Dec 2011 (PR)	48.4	23.0	47.5	23.5	48.6
Apr-Dec 2012 (P)	50.8	24.9	49.0	23.6	46.5

P: Preliminary. PR: Partially Revised.

Current Account Balance

- Worsening trade deficit, deteriorating income account (primary and secondary taken together) coupled with marginal growth in net services resulted in widening of CAD during April-December 2012. The CAD during this period stood at US$ 71.7 billion as compared with US$ 56.5 billion during the same period of 2011-12. As a proportion to GDP, CAD stood at 5.4 per cent during April-December of 2012 as compared to 4.1 per cent during same period of previous year.

Capital and Financial Account

Capital Account

- The capital account recorded a deficit of US$ 0.5 billion during April-December 2012 as against a marginal surplus a year ago.

Financial Account

- Notwithstanding a decline in FDI flows to India, net inflows under financial account (excluding changes in reserve assets) rose to US$ 71.9 billion as compared with US$ 51.2 billion in the previous year, primarily on account improvement in inflows under foreign portfolio investment, trade credits, NRI deposits and ECBs.
- FDI to India (excluding disinvestments/ repatriation) during April-December 2012 at US$ 21.1 billion stood lower as compared to the level attained during the corresponding period of previous year (US$ 28.7 billion). The moderation in FDI to India was recorded under both equity and debt flows.
- Sector-wise, the decline in FDI inflows during the period was mainly in case of manufacturing, financial services, business services and communication services (Table 6). Country-wise,

Table 6: Sector-wise FDI: Inflows and Outflows

(US$ Billion)

Gross FDI inflows to India#				Gross FDI outflows from India*			
Industry	2011-12	2011	2012	Industry	2011-12	2011	2012
		Apr-Dec				Apr-Dec	
1	2	3	4	5	6	7	8
Manufacture	9.3	8.0	4.8	Agriculture , Hunting, Forestry and Fishing	0.5	0.4	0.2
Financial Services	2.6	2.4	2.2	Financial, Insurance, Real Estate and Business Services	3.3	2.4	2.5
Communication Services	1.5	1.5	0.1	Manufacturing	3.2	2.6	2.5
Business Services	1.6	1.3	0.5	Transport, Storage and Communication Services	1.9	1.2	1.3
Electricity and others	1.4	1.0	1.0	Wholesale, Retail Trade, Restaurants and Hotels	1.2	0.9	0.6
Construction	2.6	1.7	1.0	Construction	0.5	0.4	0.5
Restaurants and Hotels	0.9	0.7	3.1	Electricity, Gas and Water	0.05	0.03	0.1
Computer Services	0.7	0.5	0.2	Community, Social and Personal Services	0.4	0.2	0.2
Others	2.9	2.1	1.0	Miscellaneous	0.1	0.1	0.04
Total	**23.5**	**19.2**	**13.9**	**Total**	**11.1**	**8.2**	**7.9**

#: 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.

investment routed through Mauritius remained, as in the past, the largest component, followed by Singapore and the Netherlands (Table 7).

- FDI by India (*i.e.*, outward FDI) in net terms moderated by around 27.9 per cent to US$ 5.8 billion during April-December 2012 (US$ 8.0 billion a year ago) due to lower outflows under both equity investment and other capital (inter-company borrowings) besides higher repatriation of FDI by India. Sector-wise, moderation in outward FDI was observed in 'agriculture, hunting, forestry & fishing' and 'transport, storage and communication services' (Table 6).
- Direction-wise (*i.e.* in terms of recipient countries), investment routed through Mauritius and Singapore constituted the largest component of gross outward FDI during the period, followed by the USA (Table 7).
- During April-December 2012, the outward FDI financed through equity rose by 8.7 per cent. In contrast, the loan component of outward FDI declined by 15.8 per cent on a year-on-year basis. Accordingly, the share of equity in total outward FDI increased to 53.4 per cent as compared with 47.1 per cent in the preceding year (Table 8).
- On net basis, FII inflows in India increased sharply to US$ 16.0 billion during April-December 2012 as compared with a marginal inflow of US$ 2.7 billion recorded during preceding year.
- Inflows under currency and deposits by banking sector (NRI deposits) increased sharply to US$ 12.0 billion as compared with an inflow of US$ 7.3 billion a year ago. Rise in NRI deposits may be attributed to weakening of rupee and deregulation of interest rate on NRI deposits.
- Net loans availed by non-Government and non-banking sectors (net ECBs) were lower at US$ 4.7 billion as compared with US$ 6.9 billion in April-December 2011 on account of lower fresh disbursal as well as large repayment of ECBs during Q1 and Q2 of 2012-13. Net inflows under short-term trade credit increased to US$ 15.7 billion during the period from US$ 6.5 billion recorded a year ago.
- Net loans availed by banks increased to US$ 7.6 during April-December 2012 from US$ 6.7 billion in the preceding year. 'Other receivables/ payables' that include 'leads and lags in exports', 'SDR allocation', 'net funds held abroad', 'advances

Table 7: Country-wise FDI: Inflows and Outflows

(US$ Billion)

Gross FDI inflows to India#				Gross FDI outflows from India*			
Country	2011-12	Apr-Dec		Country	2011-12	Apr-Dec	
		2011	2012			2011	2012
1	2	3	4	5	6	7	8
Mauritius	8.1	6.9	6.3	Netherlands	1.3	0.7	0.8
Singapore	3.3	2.7	1.2	Mauritius	2.6	2.1	1.4
Cyprus	1.6	1.0	0.3	Singapore	2.2	1.8	1.4
Netherlands	1.3	1.0	1.3	USA	1.0	0.8	1.1
UK	2.8	2.6	0.6	UK	0.4	0.3	0.5
Japan	2.1	1.9	0.8	Australia	0.3	0.1	0.2
U.S.A	1.0	0.8	0.3	British Virgin Islands	0.6	0.5	0.5
UAE	0.3	0.2	0.1	UAE	0.4	0.4	0.6
South Korea	0.2	0.1	0.2	Others	2.3	1.5	1.4
Others	2.8	2.0	2.8				
Total	**23.5**	**19.2**	**13.9**	**Total**	**11.1**	**8.2**	**7.9**

: 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-Dec 2012	4.2 (53.4)	3.7 (46.2)	0.03 (0.3)	**7.9**
Apr-Dec 2011	3.9 (47.1)	4.4 (52.9)	0.0 (0.0)	**8.3**
2011-12	5.4 (48.8)	5.7 (51.2)	0.0 (0.0)	**11.1**
2010-11	9.3 (55.1)	7.6 (44.6)	0.1 (0.3)	**17.0**

*: The equity data do not include equity of individuals and banks

Note: Figures in brackets relate to per centage share in total outward FDI for the period.

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

(US $ Billion)

Item	April-March (PR)		Apr-Dec	
	2010-11	2011-12	2011-12 (PR)	2012-13 (P)
1	2	3	4	5
Lead and Lags in Exports	-8.8	-10.4	-6.9	-4.4
Net Funds Held Abroad	-5.5	-2.8	-1.9	-3.1
Advances Received Pending Issue of Shares under FDI	6.9	2.7	3.6	6.4
SDR Allocation	0	0	0	0
Other capital not included elsewhere#	-5.3	3.6	1.6	2.3
Total	**-12.7**	**-6.9**	**-3.6**	**1.2**

#: Inclusive of derivatives and hedging, migrant transfers and other capital transfers

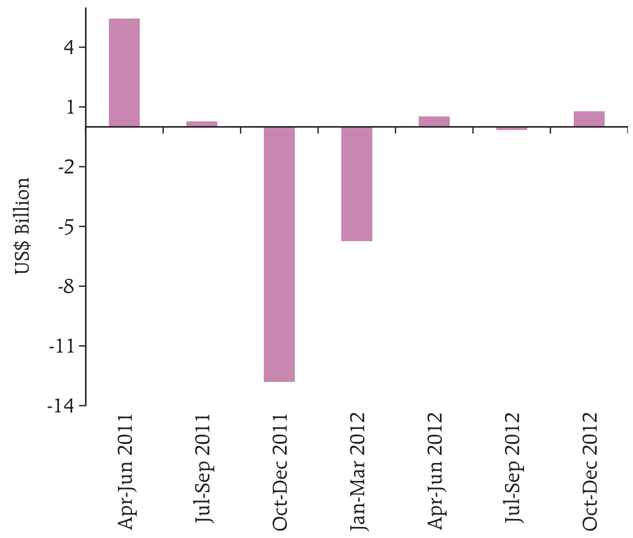
P: Preliminary. PR: Partially Revised. R: Revised. -: Nil/NA.

received pending issue of shares under FDI', 'rupee debt service' and 'other capital not included elsewhere' recorded a net inflow of US$ 1.2 billion during April-December 2012 as against a net outflow of US$ 3.6 billion in the corresponding period of preceding year (Table 9). 'Leads & lags' in exports' also include trade credit extended by Indian exporters to non-residents.

Reserve Variation

- There was small accretion to foreign exchange reserves to the extent of US$ 1.1 billion during April-December 2012 (Chart 4). In nominal terms (*i.e.*, including valuation changes), foreign exchange reserves increased by US$ 1.2 billion during the period reflecting depreciation of US dollar against the major international currencies.

Chart 4: Variation in India's Foreign Exchange Reserve (BOP Basis)



At the end of December 2012, the level of foreign exchange reserves stood at US$ 295.6 billion.

Difference between DGCI&S and Balance of Payments Imports

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

Table 10: DGCI&S and the BoP Import Data

(US$ Billion)

	April-March		Apr-Dec 2011-12	Apr-Dec 2012-13
	2010-11	2011-12		
1. BoP Imports	383.5	499.5	367.8	368.7
2. DGCI&S Imports	369.8	489.3	363.9	363.3
3. Difference (1-2)	13.7	10.2	3.9	5.4

*Inflation Expectations Survey of Households: 2012-13**

Introduction

The Reserve Bank has been conducting Inflation Expectations Survey of Households (IESH) on a quarterly basis, since September 2005. The survey elicits qualitative and quantitative responses for three-month ahead and one-year ahead period on expected price changes and inflation. Inflation expectations of households are subjective assessments and are based on their individual consumption baskets and therefore, may be different from the official inflation numbers released periodically by the government. These inflation expectations should not be treated as forecast of any official measure of inflation, though they provide useful inputs on directional movements of future inflation.

The quarterly survey results of IESH are released along with quarterly macro-economic and monetary development review on RBI website. This article presents analysis of survey results for longer-time, specially for last four (28th to 31st) rounds of the survey.

2. Sample Coverage and Information Sought

Till September 2012 (29th round), the survey has been conducted in 12 cities. The major metropolitan cities, *viz.,* Delhi, Kolkata, Mumbai and Chennai are represented by 500 households each, while another eight cities, *viz.,* Jaipur, Lucknow, Bhopal, Ahmedabad, Patna, Guwahati, Bengaluru and Hyderabad are represented by 250 households each. From round 30, (quarter ended December 2012) four more cities have been added *viz.,* Kolhapur, Nagpur, Thiruvananthapuram and Bhubaneswar. A sample of 250 households is selected from each of these cities so as to achieve a total sample size of 5,000 from 16 cities. The respondents having a view on perceived current inflation are well spread across the cities to provide a good geographical coverage, ensuring adequate representation of gender and occupation.

The survey schedule is organised into seven blocks covering the respondent profile (block 1), general and product-wise price expectations (block 2 and 3), feedback on RBI's action to control inflation (block 4), current and expected inflation rate (block 5), amount paid for purchase of major food items during last one month (block 6) and expectations on changes in income/wages (block 7).

The response options for price changes are (i) price increase more than current rate, (ii) price increase similar to current rate, (iii) price increase less than current rate, (iv) no change in prices and (v) decline in prices. The inflation rates are collected in intervals - the lowest being 'less than 1 per cent' and the highest being '16 per cent and above' with 100 basis points size for all intermediate classes.

3. Survey Results

3.1. Respondents' Current Inflation Perception *vis-à-vis* Expectations

The perception of current mean as well as median inflation and expectations of three month and one year ahead inflation rates are shown in Chart 1 and Chart 2. During the year 2012-13, the inflation perceptions as well as expectations for next three-month were observed to be higher in Q1:2012-13 and Q3:2012-13 (June and Dec 2012 rounds) which declined in Q4:2012-13 (Table 2). The percentages of the respondents, perceiving current inflation and expecting future inflation in double digits, also decreased over the quarters during the year (Table 1). The mean and median inflations were observed to be range-bound during recent years. Also, it can be observed that future expectations of inflation move closely in tandem with the current perception of

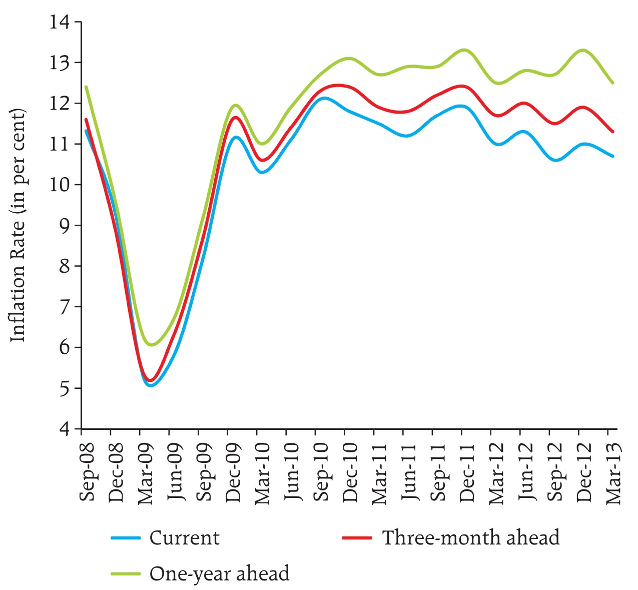
* Prepared in the Division of Household Surveys, Department of Statistics and Information Management. The 31st round of the survey data was released on May 2, 2013 on RBI Website. The survey schedule and description of the parameters on various product groups were published in November 2012 issue of the RBI Bulletin. The survey results are those of the respondents and are not necessarily shared by the Reserve Bank of India.

inflation. The time series movements of inflation expectations show that future expectations are comparatively higher than current perceptions. Thus, irrespective of whether it is a low inflation environment or high inflation environment, households tend to expect future inflation to be relatively higher than the perceived current rate.

City-wise inflation expectations varied to some extent throughout the year 2012-2013. Age-wise and gender-wise inflation expectations were of similar pattern.

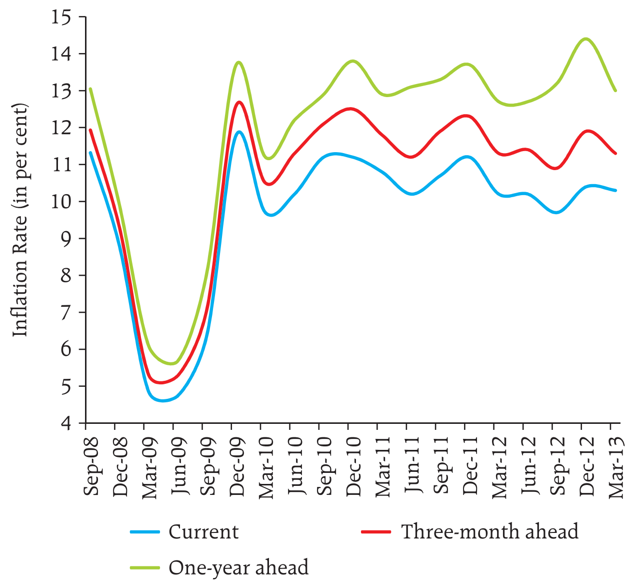
The households' mean inflation expectations for next three-month and average WPI is presented in Chart 3. The households' expectations remained higher than WPI inflation. While there is a difference in the level of inflation between the headline WPI and as observed through the survey, notably households' three-month ahead inflation expectations have been tracking WPI turning points (ex-post) quite closely (Chart 3). This could be seen as the households' inflation expectations are adaptive with significant learning (Mohanty 2012)[1].

Chart 1: Mean Inflation Rate



[1] The Importance of Inflation Expectations: Speech by Shri Deepak Mohanty, Executive Director, Reserve Bank of India at S.P. Jain Institute of Management & Research, Mumbai, November 9, 2012.

Chart 2: Median Inflation Rate



3.2. Movements of General Price Expectations for Three-Month Ahead and One-Year Ahead

In all the four quarterly rounds of the survey during the year 2012-2013, about 98 per cent respondents expected increase in general prices for both three-month ahead and one-year ahead periods. About 70 per cent of respondents expected general price increase at more than current rate in both the

Chart 3: Households' Three-month Ahead Mean Inflation Expectations and WPI

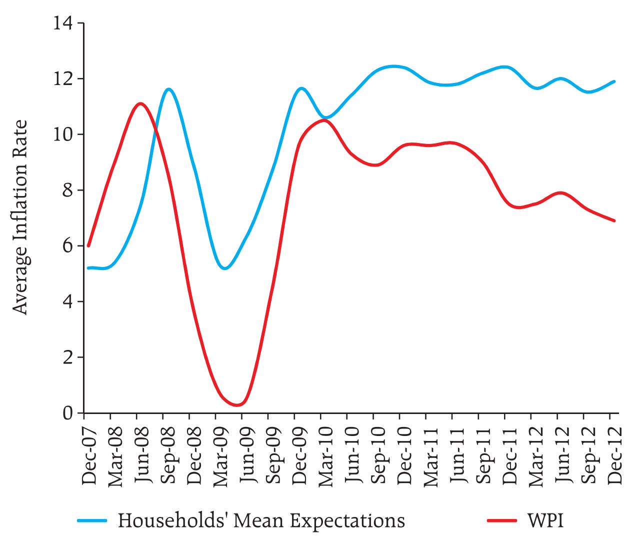
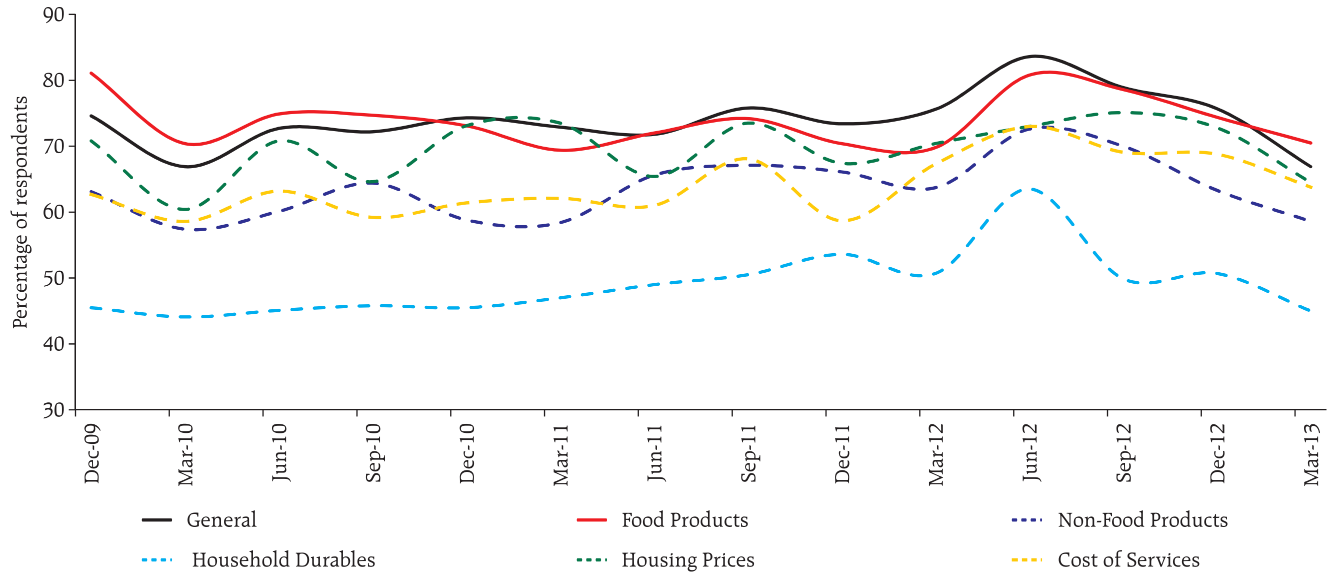


Chart 4: Product-wise Expectations of Prices for Three-month Ahead

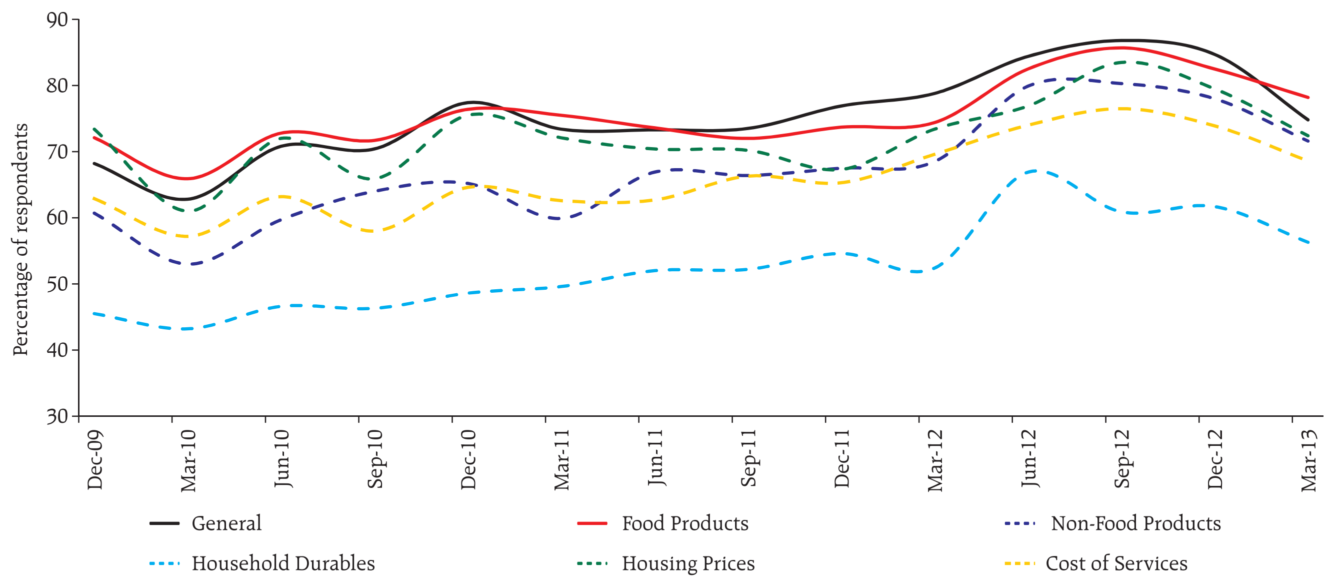


periods till Q3:2012-13; however, the proportion decreased in Q4:2012-13. The percentage of respondents expecting general price increase at 'more than current rate' in both periods decreased from 73.3 per cent in Q1: 2012-13 to 59.3 per cent in Q4:2012-13.

The cross-tabulation of general price expectation for three-months ahead and one-year ahead for the last four rounds are given in Table 3.1 to Table 3.4. Out of the respondents expecting 'price increase at more than current rate' for three-month ahead period, majority (more than 87 per cent) also expected the same for one-year ahead period for all the quarters.

Product group-wise price expectations show that the general price expectations are consistently aligned

Chart 5: Product-wise Expectations of Prices for One-year Ahead



with food price expectations than with other product groups. The trend is similar for both the periods three-month ahead as well as one-year ahead expectations (Chart 4 & 5).

3.3. Identification of Major Source of Variation

The variability in responses for current inflation perception and future inflation expectations may partly be explained by different classificatory factors viz., gender, age-group, city and occupational category of respondents over different rounds. An analysis of variance (ANOVA) over different rounds (Table 4) revealed that city has always been a significant source of variation in each round followed by occupational 'category'. Other significant source of variation, along with city and category, for one-year ahead inflation expectations in Q1: 2012-13 and for three-month ahead inflation expectations in Q2: 2012-13 rounds, was gender. Age-group was also found to be a significant source of variation for current inflation in Q3: 2012-13 and one-year ahead inflation expectations in Q3: 2012-13 and Q4: 2012-13 rounds along with city and category.

3.4. Income Perceptions *vis-à-vis* Inflation Perceptions

The mean inflation perceptions/expectations for the three time-periods (current, three-month ahead and one-year ahead) for respondents perceiving income changes at various levels (increase, decrease and no change) is presented in Table 5. Respondents who reported an income increase in the last one year expected lower inflation rates as compared with those reporting decrease in income. Similarly, respondents expecting an income increase in the next one year expect lower inflation for all the three time-periods as compared with those expecting a fall in their income.

3.5. Awareness About RBI's Role in Controlling Inflation and Respondents' Inflation Perceptions

The mean current inflation, inflation expectations for three-month ahead and one-year ahead for respondents who were aware of Reserve Bank of India's role in controlling inflation are presented in Table 6. The current perceptions and future expectations of inflation of respondents having awareness about RBI's action, are relatively lower than those of the respective overall inflation perceptions for all the four quarters of the year 2012-13.

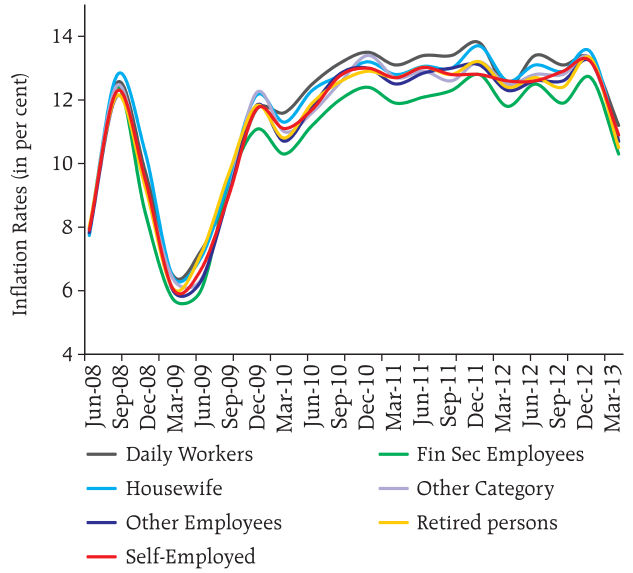
3.6. Inflation Perceptions of Respondent According to Their Occupation Category

Chart 6 indicates that respondents of various occupations show similar trend over quarters. Housewives and Daily workers reported the highest rates whereas Financial sector employees reported lowest inflation rate throughout the financial year 2012-13.

3.7. Bootstrap Confidence Interval for Estimates of Inflation Rates

In order to evaluate the quality of estimates, the confidence interval for mean inflation perceptions have been estimated by bootstrap methodology. Based on 10,000 re-samples selected through 'simple random sampling with replacement', the 99 per cent bootstrap confidence intervals for mean inflation are given in Table 7. The narrow confidence intervals are indicative of the robustness of the estimates. The width of

Chart 6: Category-wise Inflation Perceptions



confidence intervals varied between 24 to 32 basis points.

3.8. Inter Consistency Between Response to Qualitative and Quantitative Questions

The three-month ahead mean inflation expectation for those respondents who expected "general price increase more than current rate'' in next three-month, was observed to be higher than their mean current inflation perception (Table 8). The difference between three-month ahead mean inflation expectations and current inflation has been very low for respondents who expected "general price increase similar to current rate" in next three months. The three-month ahead mean inflation expectation for those respondents who expected "general price increase less than current rate" was found to be less than current inflation perception. Similar observations can be drawn regarding one-year ahead period also. This establishes the consistency between qualitative and quantitative IESH data.

4. Conclusions

Future inflation expectations remained higher than current inflation perceptions. Double-digit inflation expectations persisted throughout the financial year on an average. However, percentage of the respondents perceiving current inflation and expecting future inflation in double digits has declined over the quarters. City has been a significant source of variation for inflation perception captured through the survey.

Annex-Data Tables

Table 1: Distribution of Responses on Inflation Rates

(in percentage)

Inflation Rate	Current inflation Rate				Inflation Expectation Three-month ahead				Inflation Expectation Three-month ahead			
	28	29	30	31	28	29	30	31	28	29	30	31
	Jun-12	Sep-12	Dec-12	Mar-13	Jun-12	Sep-12	Dec-12	Mar-13	Jun-12	Sep-12	Dec-12	Mar-13
<1	0.1	0.2	0.2	0.1	1.2	0.5	0.9	0.7	0.5	0.7	1.1	1.3
1-2	0.3	0.1	0.2	0.1	0.0	0.0	0.1	0.1	0.0	0.0	0.0	0.0
2-3	0.3	0.2	0.3	0.2	0.1	0.1	0.3	0.3	0.0	0.0	0.1	0.1
3-4	0.3	0.3	0.3	0.5	0.1	0.2	0.1	0.3	0.1	0.1	0.1	0.1
4-5	1.1	1.3	0.7	1.4	0.3	0.4	0.5	0.9	0.1	0.2	0.1	0.4
5-6	2.8	3.8	2.0	4.3	0.9	2.3	1.0	2.5	0.6	1.0	0.6	1.1
6-7	7.1	14.6	3.5	10.8	2.8	5.2	2.1	5.8	2.5	2.8	1.5	3.8
7-8	15.9	12.7	14.6	11.4	6.9	10.4	6.4	9.9	4.1	5.1	2.8	5.6
8-9	7.8	9.7	13.0	9.8	10.0	10.8	10.1	10.3	5.5	7.4	5.8	7.3
9-10	12.7	10.1	10.8	8.7	12.5	10.7	11.3	7.8	9.7	8.8	7.7	8.4
10-11	8.5	8.0	9.9	9.8	11.9	10.2	8.5	8.5	11.8	8.5	8.4	7.9
11-12	3.9	5.3	7.4	8.2	8.3	6.9	9.7	9.8	9.6	7.6	7.6	6.7
12-13	3.9	4.6	8.6	7.5	4.9	6.7	7.7	8.9	8.1	6.1	5.3	7.6
13-14	2.1	2.7	5.9	4.1	4.1	4.6	9.2	7.9	5.1	6.1	5.6	6.4
14-15	3.7	4.7	3.8	3.3	2.6	3.9	7.8	5.5	3.6	6.1	9.7	8.9
15-16	2.3	3.4	2.8	2.2	2.9	5.3	4.4	2.8	3.1	9.1	11.3	7.3
>=16	27.5	18.7	16.0	17.5	30.5	21.7	19.9	18.0	35.7	30.2	32.4	27.2
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Table 2: Inflation Rates

(in per cent)

Survey Round	Survey Quarter ended	Current		Three-month ahead		One-year ahead	
		Mean	Median	Mean	Median	Mean	Median
17	Sep-09	8.2	6.4	8.7	7.1	9.2	8.1
18	Dec-09	11.1	11.8	11.6	12.6	11.9	13.7
19	Mar-10	10.3	9.7	10.6	10.5	11.0	11.2
20	Jun-10	11.1	10.2	11.4	11.3	11.9	12.2
21	Sep-10	12.1	11.2	12.3	12.1	12.7	12.9
22	Dec-10	11.8	11.2	12.4	12.5	13.1	13.8
23	Mar-11	11.5	10.8	11.9	11.8	12.7	12.9
24	Jun-11	11.2	10.2	11.8	11.2	12.9	13.1
25	Sep-11	11.7	10.7	12.2	11.9	12.9	13.3
26	Dec-11	11.9	11.2	12.4	12.3	13.3	13.7
27	Mar-12	11.0	10.2	11.7	11.3	12.5	12.7
28	Jun-12	11.3	10.2	12.0	11.4	12.8	12.7
29	Sep-12	10.6	9.7	11.5	10.9	12.7	13.2
30	Dec-12	11.0	10.4	11.9	11.9	13.3	14.4
31	Mar-13	10.7	10.3	11.3	11.3	12.5	13.0

Table 3.1: Cross-tabulation of General Price Expectations for Three-month Ahead and One-year Ahead (Round 28)

General price expectation one-year ahead	General price expectation three-month ahead (percentage of respondents)					
	Price increase more than current rate	Price increase similar to current rate	Price increase less than current rate	No change in price	Decline in price	Total
Price increase more than current rate	73.3	8.3	2.2	0.7	0.0	84.4
Price increase similar to current rate	7.9	2.3	0.2	0.1	0.0	10.5
Price increase less than current rate	2.2	0.6	1.8	0.0	0.0	4.6
No change in price	0.2	0.1	0.0	0.1	0.0	0.4
Decline in price	0.0	0.0	0.0	0.0	0.1	0.1
Total	83.6	11.2	4.2	1.0	0.1	100.0

Table 3.2: Cross-tabulation of General Price Expectations for Three-month Ahead and One-year Ahead (Round 29)

General price expectation one-year ahead	General price expectation three-month ahead (percentage of respondents)					
	Price increase more than current rate	Price increase similar to current rate	Price increase less than current rate	No change in price	Decline in price	Total
Price increase more than current rate	73.5	10.9	1.8	0.7	0.0	86.8
Price increase similar to current rate	3.2	3.2	1.1	0.1	0.0	7.6
Price increase less than current rate	1.5	0.4	2.6	0.3	0.0	4.8
No change in price	0.8	0.0	0.0	0.0	0.0	0.8
Decline in price	0.0	0.0	0.0	0.0	0.0	0.1
Total	78.9	14.5	5.5	1.1	0.1	100.0

Table 3.3: Cross-tabulation of General Price Expectations for Three-month Ahead and One-year Ahead (Round 30)

General price expectation one-year ahead	General price expectation three-month ahead (percentage of respondents)					
	Price increase more than current rate	Price increase similar to current rate	Price increase less than current rate	No change in price	Decline in price	Total
Price increase more than current rate	70.0	12.4	1.6	0.6	0.1	84.7
Price increase similar to current rate	3.7	4.5	1.3	0.6	0.0	10.1
Price increase less than current rate	1.2	1.0	1.8	0.0	0.0	4.1
No change in price	0.7	0.0	0.1	0.1	0.0	1.0
Decline in price	0.1	0.0	0.0	0.0	0.0	0.1
Total	75.7	17.9	4.9	1.4	0.1	100.0

Table 3.4: Cross-tabulation of General Price Expectations for Three-month Ahead and One-year Ahead (Round 31)

General price expectation one-year ahead	General price expectation three-month ahead (percentage of respondents)					
	Price increase more than current rate	Price increase similar to current rate	Price increase less than current rate	No change in price	Decline in price	Total
Price increase more than current rate	59.3	11.9	3.4	0.1	0.0	74.8
Price increase similar to current rate	4.8	11.0	1.1	0.2	0.0	17.0
Price increase less than current rate	1.8	1.3	3.7	0.1	0.0	6.9
No change in price	1.0	0.0	0.0	0.1	0.0	1.2
Decline in price	0.0	0.0	0.0	0.0	0.0	0.1
Total	66.9	24.2	8.2	0.5	0.1	100.0

Table 4: ANOVA Results: Factors that Explain the Total Variability

Survey Round	Survey Quarter ended	Current	Three-month ahead	One-year ahead
17	Sep-09	City, Age	City, Age	City, Age
18	Dec-09	City, Category, Age	City, Age	City
19	Mar-10	City, Category, Age	City, Category	City, Category
20	Jun-10	City, Category, Age	City, Category, Age	City, Category, Age
21	Sep-10	City, Gender, Category, Age	City, Gender, Category	City, Category
22	Dec-10	City, Category	City, Category	City, Category
23	Mar-11	City, Category	City, Category	City, Category, Age
24	Jun-11	City, Category	City, Category	City, Category
25	Sep-11	City, Gender, Category	City, Category	City, Gender, Category
26	Dec-11	City, Category	City, Category	City, Category
27	Mar-12	City, Gender, Category	City, Gender, Category	City, Gender, Category
28	Jun-12	City, Category	City, Category	City, Gender, Category
29	Sep-12	City, Gender	City, Gender, Category	City, Category
30	Dec-12	City, Age, Category	City, Category	City, Category, Age
31	Mar-13	City, Category	City, Category	City, Category, Age

Table 5: Respondents' Inflations Rates according to their Wage Perceptions

Survey Round	Mean inflation rates	Respondents who expected								
		Change in income since last year			Change in income in three-month ahead period			Change in income in one-year ahead period		
		Increase	Same	Decrease	Increase	Same	Decrease	Increase	Same	Decrease
28	Current	10.7	11.6	11.6	11.3	11.0	11.5	10.9	11.7	11.6
	Three- month ahead	11.6	12.2	12.4	12.3	11.6	12.4	11.7	12.3	12.9
	One-year ahead	12.5	13.0	13.2	13.3	12.3	13.8	12.5	13.2	14.0
29	Current	10.5	10.4	11.2	10.4	10.5	11.8	10.3	11.4	11.2
	Three- month ahead	11.4	11.3	11.6	11.2	11.4	12.0	11.2	12.3	12.1
	One-year ahead	12.9	12.1	12.8	12.7	12.5	14.0	12.4	13.4	13.7
30	Current	10.8	10.8	12.9	11.0	10.8	13.0	10.7	11.6	12.1
	Three- month ahead	11.8	11.7	13.5	12.1	11.7	13.6	11.7	12.4	12.8
	One-year ahead	13.2	12.8	14.5	13.5	13.0	14.3	13.0	13.5	13.5
31	Current	10.7	10.6	12.7	11.4	10.5	12.5	10.8	10.4	11.8
	Three- month ahead	11.3	11.2	13.0	11.9	11.1	13.2	11.4	11.0	12.5
	One-year ahead	12.5	12.4	13.8	12.9	12.4	14.1	12.6	12.3	13.6

Table 6: Inflation Expectation of Respondents having Awareness about RBI's Action on Inflation Control

Survey Round	Respondents perception on inflation rates for	Mean	Median	Std Dev
28	Current	10.7	9.6	4.0
	Three-month ahead	11.5	10.7	3.8
	One-year ahead	12.4	12.0	3.4
29	Current	10.1	8.9	3.7
	Three-month ahead	11.1	10.3	3.5
	One-year ahead	12.4	12.4	3.5
30	Current	10.6	9.9	3.5
	Three-month ahead	11.6	11.4	3.6
	One-year ahead	13.0	14.0	3.5
31	Current	10.5	10.0	3.7
	Three-month ahead	11.0	10.9	3.6
	One-year ahead	12.3	12.7	3.7

Table 7: 99% Bootstrap Confidence Intervals (BCI) Based on 10,000 Resamples

Survey Round	Survey Quarter ended	Current		Three-month ahead		One-year ahead	
		99% BCI for Mean	Interval width	99% BCI for Mean	Interval width	99% BCI for Mean	Interval width
28	Jun-12	(11.11, 11.43)	0.32	(11.88, 12.19)	0.31	(12.69, 12.96)	0.27
29	Sep-12	(10.45, 10.77)	0.32	(11.32, 11.62)	0.30	(12.58, 12.88)	0.30
30	Dec-12	(10.88, 11.13)	0.25	(11.74, 12.00)	0.26	(13.00,13.24)	0.24
31	Mar-13	(10.59, 10.86)	0.27	(11.22, 11.48)	0.26	(12.36,12.63)	0.27

Table 8: Mean Inflation Perceptions of Respondents Expecting General Price Increase in Next Three-month and in Next One-year					
Survey Round	General price expectation	Three-month ahead		One-year ahead	
		Mean inflation perception on		Mean inflation perception on	
		Current	Three-month ahead	Current	One-year ahead
28	Price increase more than current rate	11.2	12.3	11.4	13.3
	Price increase similar to current rate	10.2	10.4	9.6	9.7
	Price increase less than current rate	15.6	14.7	13.5	12.7
29	Price increase more than current rate	10.5	11.8	10.6	13.2
	Price increase similar to current rate	9.9	10.1	8.7	9.1
	Price increase less than current rate	13.7	13.0	14.1	13.0
30	Price increase more than current rate	11.2	12.6	11.1	14.0
	Price increase similar to current rate	9.8	9.9	9.3	9.4
	Price increase less than current rate	12.3	11.2	12.3	11.5
31	Price increase more than current rate	10.4	11.7	10.5	13.1
	Price increase similar to current rate	10.7	10.7	10.5	10.6
	Price increase less than current rate	13.7	11.5	13.7	12.3

*Finances of Non-Government Non-Financial Public Limited Companies: 2011-12**

The aggregate results of the select non-government non-financial public limited companies in 2011-12 revealed moderation in growth rates of major parameters as compared with those in 2010-11. Relatively higher growth in operating expenses than in value of production resulted in decline in profits viz. earnings before interest, tax and depreciation (EBITDA) and net profits (PAT) and moderation in profit margins as compared to 2010-11. Growth in net worth has been the lowest in last five years. Growth in borrowings also moderated in 2011-12 as compared to 2010-11. The debt to equity ratio increased in 2011-12 reversing a declining trend since 2007-08. Incremental sources and uses of funds during 2011-12 was lower reflecting moderate business activity. However, share of funds used in fixed assets formation was higher in 2011-12 compared to that in 2010-11.

This article presents the financial performance of select 3,041 non-government non-financial (NGNF) public limited companies for the financial year 2011-12 based on their audited annual accounts closed during April 2011 to March 2012[1] and provides a comparative picture over the five year period from 2007-08 to 2011-12 based on data compiled for the relevant financial years and published earlier. The detailed data for 2011-12 have been made available in the website of the Reserve Bank. The select 3,041 companies covered in the latest data release accounted for 30.5 per cent of population paid-up capital (PUC) (provisional estimate supplied by Ministry of Corporate Affairs, GoI) of all NGNF public limited companies as on March 31, 2012. The coverage of companies for earlier years was slightly different.

A study based on a smaller sample (1,843 companies) of only large (paid up capital (PUC) above ₹10 million) NGNF public limited companies with PUC coverage of 23.3 per cent was published in the RBI Bulletin in March 2013. This study provides an updated position based on a larger set of companies. The broad observations from the current analysis are similar to those published in the earlier study.

1. Weak demand conditions led to lower profits

1.1 Growth in sales of select NGNF public limited companies moderated in 2011-12 (18. 2 per cent) as compared with 2010-11 in line with lower economic growth (Statement 1 and Chart 1). Growth in operating expenses also moderated but was relatively higher than the growth in value of production (VoP). Consequently, earnings before interest, tax, depreciation and amortization (EBITDA) declined. Continued and high growth in interest expenses caused sharper fall in net profits (PAT) in 2011-12. Lower profit led to lower growth in dividend payment by the select companies in 2011-12.

Chart 1: Major Growth Rates

* Prepared in the Company Finances Division of the Department of Statistics and Information Management. Reference may be made to the June 2012 issue of the RBI Bulletin for the previous year study. In the present study, 460 new companies have been covered in addition to the 2,581 companies common with the previous study. Data of some of the companies in the sample were procured from Centre for Monitoring Indian Economy (CMIE).

1 In the case of companies, which either extended or shortened their accounting year, their income, expenditure and appropriation account figures have been annualised. The balance sheet data, however, have been retained as presented in the annual accounts of the companies. The analysis of financial performance of the select companies is subject to these limitations.

1.2 Performance of bigger companies, with sales '₹10 billion and above' each, was relatively better as they recorded marginally lower sales growth and smaller decline in profits. Performance of companies in all other sales size-groups deteriorated much more in 2011-12. In the case of companies with sales 'less than ₹1 billion' each, aggregate sales declined.

1.3 At the sectoral level, services sector recorded sharp moderation in sales growth while the construction sector recorded some improvement in 2011-12. EBITDA declined in all the sectors but it could be better contained in the services sector. 'Electricity generation and supply' industry recorded significant contraction in EBITDA in 2011-12 on the back of 25 per cent fall in the previous year.

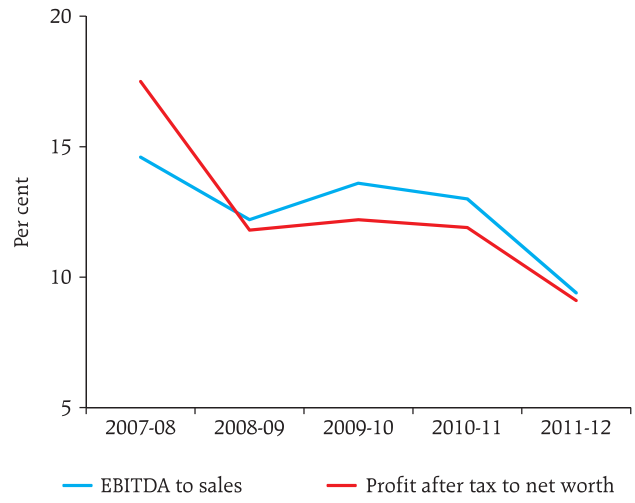
1.4 In the manufacturing sector, 'chemical and chemical products', 'cement and cement products' and 'iron and steel' industries registered higher sales growth in 2011-12. 'Electrical machinery and apparatus', 'cement and cement products' and 'food products and beverages' industries recorded substantial growth in EBITDA. EBITDA in 'iron and steel' and 'motor vehicles and other transport equipments' industries also increased. On the other hand, higher operating expenses in the 'chemical and chemical products' and 'pharmaceuticals and medicine' industries and significant moderation in sales growth in 'textiles' and 'machinery and equipment (non-electrical)' industries led to considerable decline in EBITDA.

1.5 In the services sector, companies in 'transportation' and 'real estate' industries recorded sharp fall in sales growth and EBITDA. 'Computer' and 'telecommunications' industries, contrary to the general trend, registered improved growth in EBITDA in 2011-12.

2. Profit Margin declined to the lowest level in post crisis period

2.1 EBITDA margin of Indian corporates came off the peak attained in 2007-08 (14.6 per cent). After a decline in 2008-09 during global financial crisis, the margin remained stable till 2010-11 but fell sharply in 2011-12 reaching a level (9.2 per cent) much below that of the crisis year (Chart 2). The margin contraction is mainly

Chart 2: Profit Margins



attributed to fall in pricing power of the corporates in poor demand condition. The return on equity (PAT to net worth ratio) also depicted similar pattern.

2.2 Larger the sales-size, higher was the EBITDA margin in all the five year period under consideration. However, EBITDA margin declined across all the sales-size groups in 2011-12 and it was the lowest in last five years except for companies in the smallest sales-size group (*i.e.* with sales 'less than ₹1 billion' each).

2.3 Compression in the EBITDA margin in the services sector was the lowest and in the 'electricity generation and supply' industry was the highest. Construction and manufacturing sector also recorded significant fall in EBITDA margin. EBITDA margin of the select companies in the 'machinery and equipment (non-electrical)' industry turned negative in 2011-12 as they made loss in aggregate. Besides, the 'chemical and chemical products' industry in the manufacturing sector and 'transportation' industry in the services sector also suffered sharp decline in the EBITDA margin.

3. Business expanded at a slower pace

3.1 Total net assets of selected companies grew at the lowest rate in 2011-12 during last five year period (Statement 2). The deceleration was spread across all sales-size classes and it was more significant for the bigger companies which showed some signs of recovery in 2010-11.

3.2 Services sector registered the lowest growth in total net assets reflecting problems in 'telecommunications' and 'real estate' industries. Manufacturing sector also expanded at a much lower rate.

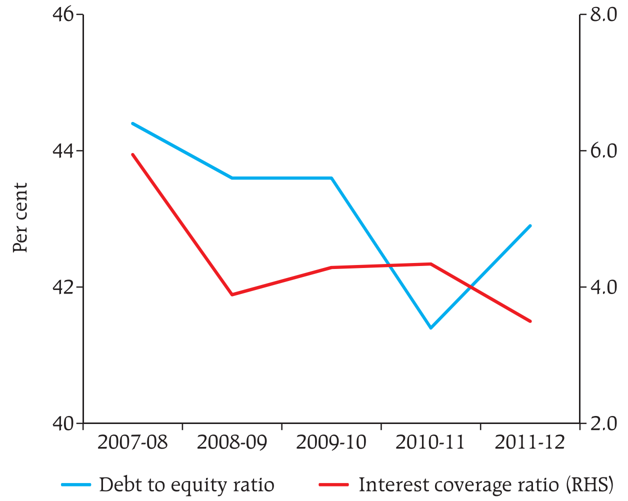
3.3 Lower growth in total net assets in 2011-12 as compared to the previous year was seen in most of the industries. However, 'chemical and chemical products' and 'iron and steel' industries in manufacturing sector and 'transportation' and 'computer and related activities' industries in the services sector grew at higher rates.

3.4 Total net assets also grew at a slower rate in 2009-10. However, an important difference in 2011-12 was in the funding of such assets. Net worth of corporates grew at a healthy rate in 2009-10 aided by higher growth in profits. But, borrowings grew at a much lower rate. In comparison, growth of borrowings kept pace with that of assets in 2011-12. However, net worth grew at a much lower rate reflecting lower accrual in profit and adverse capital market condition. Net worth growth suffered most in the services sector with 'transportation' industry worst hit due to large losses.

4. Leverage increased while interest coverage declined

4.1 In general, borrowings grew at much lower rates in line with slower business expansion in 2011-12 compared with 2010-11. However, borrowings of

Chart 3: Leverage and debt serviceability



'machinery and equipment (non-electrical)' and 'construction' industries grew at higher rates along with that of 'electricity generation and supply' industry.

4.2 Leverage of corporates, as measured by debt (consisting mostly of long-term borrowings) to equity ratio, had fallen gradually by three percentage points between 2007-08 and 2010-11 (Chart 3). However, the debt to equity ratio increased in 2011-12, on account of steeper moderation in the growth in net worth as compared with that of debt. The increase in leverage in 2011-12 has also been observed in some alternative measures (Box 1).

Box 1: Corporate leverage – Alternative indicators

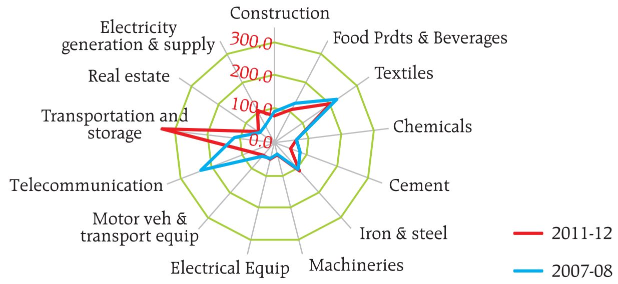
Leverage of corporate is commonly measured in terms of debt to equity ratio. Debt generally refers to long term mortgaged liability of a company and excludes short term borrowings or borrowings of current nature. However, these excluded items of borrowings while calculating debt constitute 37 per cent or more of total borrowings in recent years. Thus, it may be worthwhile to study the trend in leverage of Indian corporates through total borrowings to equity ratio. The trend, however, in terms of total borrowings to equity ratio was similar to that observed in terms of debt to equity ratio except that it is higher on dimension due to obvious inclusion of all items under borrowing. The total borrowings to equity ratio, at aggregate level, declined from 77.7 per cent in 2008-09 to 69.0 per cent in 2010-11 and then increased in 2011-12 to 71.0 per cent.

It may be observed from the chart that leverage increased significantly in 'transportation and storage' industry. 'Electricity generation and supply' industry also displayed increase in leverage in last five year period. On the other hand, 'telecommunications' industry recorded considerable fall. Leverage in other major industries

(Contd...)

(... Concld.)

Chart: Change in total borrowing to equity in 5-years: 2007-08 to 2011-12



remained more or less stable. 'Textiles' and 'iron and steel' industries continued to operate with high leverage.

Another growing concern as regards to leverage of corporates is whether it is higher when seen based on consolidated accounts compared with that based on standalone accounts. In its consolidated accounts statements, financial statements of subsidiaries are also included and an aggregate position is presented after eliminating all inter-firm transactions. Higher leverage in consolidated accounts than in standalone accounts will indicate that the subsidiaries are more leveraged. An analysis based on 491 companies[2] showed that the leverage of the consolidated accounts is much higher than that of the standalone companies both in 2010-11 and 2011-12. The total borrowings to equity ratio of the select companies on standalone basis rose from 60.8 per cent in 2010-11 to 63.0 per cent in 2011-12 while that on consolidated basis rose from 85.7 per cent to 94.8 per cent in the same periods. This clearly indicates that not only the leverage is higher in consolidated accounts, the difference has also increased in 2011-12.

4.3 In addition to increase in leverage, the ability to service debt, as measured by interest coverage ratio (EBIT to interest ratio), fell sharply and reached the lowest level (3.5) in 2011-12 during last five years.

4.4 Companies in the sales-size group '₹5 billion – ₹10 billion' each had the highest debt to equity ratio during the five year period except in 2011-12 (Statement 2). Leverage in 'electricity generation and supply' sector increased significantly in 2011-12 in line with higher growth in borrowings. Manufacturing sector also recorded higher debt to equity ratio mainly contributed by 'textiles', 'cement and cement products', 'chemical and chemical products' and 'iron and steel' industries. In the services sector, though leverage continued to fall marginally at the aggregate for second consecutive year, significant increase in debt to equity ratio was observed in 'transportation' industry.

5. Gradual decline in share of net fixed assets

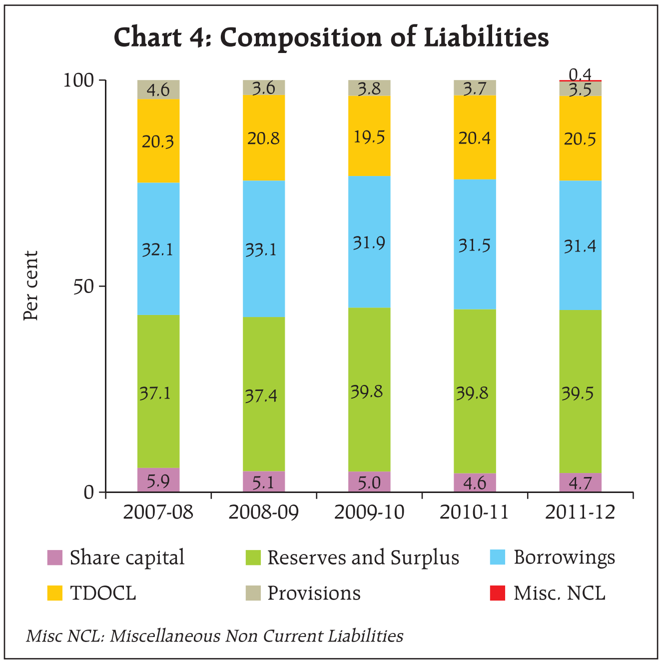
5.1 Broad composition of liabilities remained almost unchanged in the last five years except that share of 'reserves and surplus' increased by about 2 percentage points in 2009-10 with concomitant decline in the share of 'borrowings' (Statement 3A and Chart 4). Share of borrowings from banks in total outstanding liabilities declined by 1.3 percentage points in 2011-12.

5.2 On the assets side, share of 'net fixed assets' in total assets has gradually declined during the five year period. Share of 'loans and advances and other debtor balances', which declined during the crisis year, has been on upward move since 2010-11 (Statement 3B and Chart 5). Increase in the share of 'loans and advances and other debtor balances' in 2011-12 was partly due to the increase in 'sundry debtors'. On net basis, amount receivable from 'sundry debtors' was more than amount payable to 'sundry creditors'. The select companies' financial investments also rose since 2008-09 and its share reached a high of 18.8 per cent.

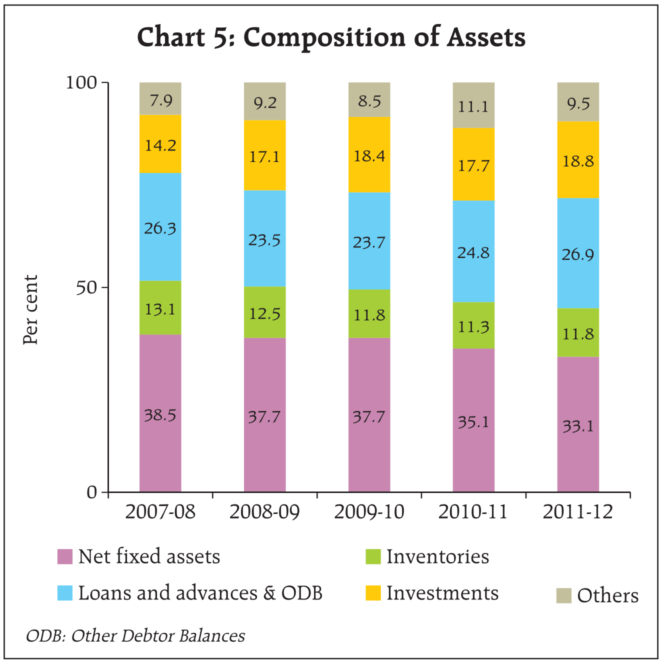
6. Share of fixed assets formation in uses of funds increased

6.1 Total sources and uses of funds during the year 2011-12 was lower than that in 2010-11 substantiating the slower business activity during the year. Funds

[2] Source: Capitaline database



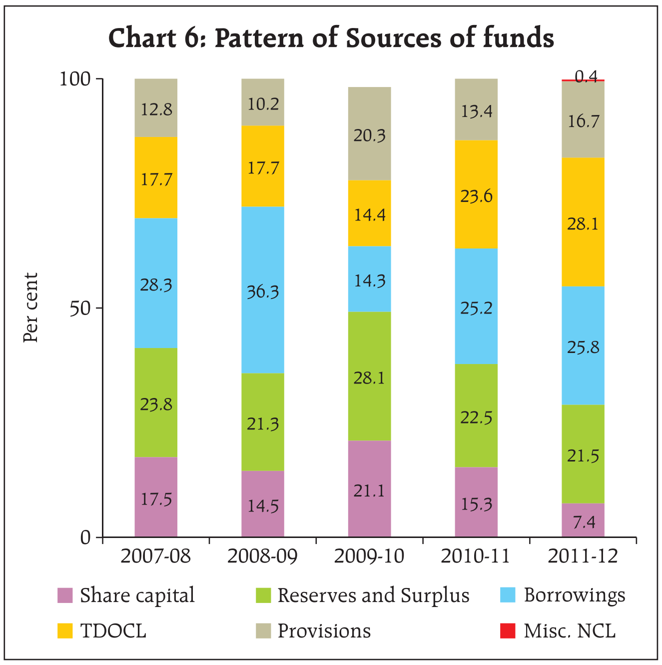
Misc NCL: Miscellaneous Non Current Liabilities

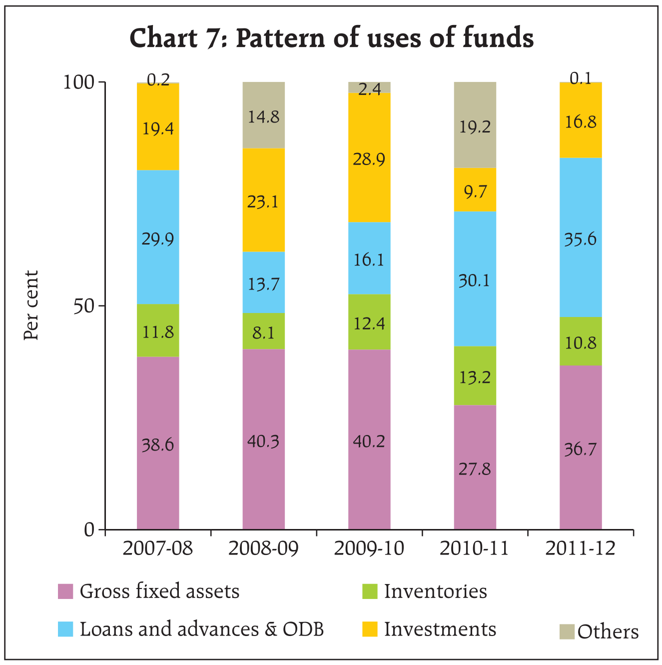


ODB: Other Debtor Balances

raised by the corporates during 2011-12 continued to be dominated by external (i.e. other than companies' own) sources of funds, though, its share declined from 63.6 per cent in 2010-11 to 61.7 per cent in 2011-12 (Statement 4A and Chart 6). This was mainly due to sharp drop in the 'premium' received on fresh issue of shares in lukewarm capital market. Share of funds raised through 'trade dues and other current liabilities' (TDOCL) increased to 28.1 per cent in 2011-12 as compared with 23.6 per cent in 2010-11.

6.2 Gross fixed assets formation was lower during 2011-12 but its share increased as compared with 2010-11 (Statement 4B and Chart 7). The share of 'loans and advances and other debtor balances' in uses of funds rose further in 2011-12. Also, share of 'investments' which declined sharply in 2010-11 rose in 2011-12.





Statement 1: Income and expenditure – Growth rates and ratios of select parameters of public limited companies

(Per cent)

	Growth in Sales					Growth in Operating Expenses				
	2007-08	2008-09	2009-10	2010-11	2011-12	2007-08	2008-09	2009-10	2010-11	2011-12
No of sample companies	*3114*	*3192*	*3352*	*3485*	*3041*	*3114*	*3192*	*3352*	*3485*	*3041*
Aggregate (All Companies)	**18.6**	**14.6**	**12.3**	**20.6**	**18.2**	**19.5**	**17.6**	**9.7**	**23.0**	**20.3**
Sales-wise										
Less than ₹ 1 billion	7.5	-4.9	0.7	6.9	-8.4	12.0	-0.7	2.4	9.8	-6.2
₹ 1 – ₹ 5 billion	17.2	12.9	7.8	16.6	9.5	18.9	14.0	6.3	19.9	12.7
₹ 5 – ₹ 10 billion	17.8	11.4	12.1	20.0	14.2	17.7	15.4	9.8	23.2	15.7
₹ 10 billion and above	19.9	16.4	13.7	21.6	20.1	20.6	19.6	10.7	23.8	22.4
Industry-wise										
Mining and quarrying	**20.2**	**22.7**	**3.2**	**29.8**	**20.6**	**2.5**	**31.4**	**7.9**	**26.9**	**36.9**
Manufacturing	**16.7**	**13.1**	**13.2**	**21.9**	**19.8**	**17.8**	**15.7**	**10.1**	**25.6**	**22.3**
Food products and beverages	19.7	19.1	14.6	31.6	24.7	26.9	16.3	12.2	36.8	20.9
Textiles	18.1	12.5	19.2	29.6	11.1	18.2	11.6	14.0	32.7	13.6
Chemicals and chemical products	12.2	20.0	3.1	12.5	16.5	13.2	25.5	-3.0	21.0	19.0
Pharmaceuticals and medicines	14.9	14.9	11.6	15.6	15.8	17.4	20.3	4.7	16.9	24.8
Cement and cement products	21.9	16.0	12.0	0.6	23.5	19.7	23.0	9.4	15.4	22.7
Iron and steel	20.8	15.9	6.9	6.5	20.5	22.5	18.6	3.6	26.0	20.3
Machinery and equipments *n.e.c.*	22.5	8.6	9.5	20.5	15.8	22.7	8.6	7.9	23.6	22.9
Electrical machinery and apparatus	29.4	12.1	0.9	12.9	12.7	27.8	14.0	-1.5	18.2	12.7
Motor vehicles and other transport equipments	10.0	7.1	26.2	27.9	16.2	12.7	7.9	22.1	29.7	19.2
Electricity Generation and supply	**20.0**	**30.9**	**15.0**	**10.4**	**10.0**	**22.7**	**31.6**	**8.1**	**15.1**	**19.6**
Construction	**47.7**	**29.2**	**17.0**	**12.3**	**19.0**	**46.1**	**33.4**	**11.6**	**14.9**	**20.8**
Services	**21.1**	**15.1**	**9.0**	**18.1**	**9.9**	**21.4**	**19.1**	**8.1**	**16.3**	**11.9**
Transportation	28.1	19.0	5.4	17.2	11.2	30.0	24.5	15.8	13.8	21.4
Telecommunications	23.8	19.5	8.0	15.2	12.0	21.0	31.1	13.0	20.3	10.5
Real Estate	41.7	-40.9	34.1	6.9	-22.7	49.1	-42.1	24.1	15.0	-11.6
Computer and related activities	23.9	23.8	3.0	15.5	21.9	26.3	27.2	-3.8	17.2	24.9

Statement 1: Income and expenditure – Growth rates and ratios of select parameters of public limited companies *(Concld.)*

(Per cent)

	Growth in EBITDA					EBITDA to Sales				
	2007-08	2008-09	2009-10	2010-11	2011-12	2007-08	2008-09	2009-10	2010-11	2011-12
No of sample companies	*3114*	*3192*	*3352*	*3485*	*3041*	*3114*	*3192*	*3352*	*3485*	*3041*
Aggregate (All Companies)	**15.8**	**-8.6**	**32.4**	**13.8**	**-7.1**	**14.6**	**12.2**	**13.6**	**13.0**	**9.2**
Sales-wise										
Less than ₹ 1 billion	-16.3	-69.6	#	-7.9	-36.6	5.6	2.3	-6.8	6.6	3.5
₹ 1 – ₹ 5 billion	11.2	-11.8	23.2	4.1	-50.0	11.5	7.3	10.5	9.1	2.9
₹ 5 – ₹ 10 billion	24.9	-24.5	32.2	7.4	-13.4	13.1	9.2	13.0	10.8	7.3
₹ 10 billion and above	16.4	-5.1	33.3	15.7	-4.2	16.3	13.9	14.9	14.0	10.1
Industry-wise										
Mining and quarrying	**54.2**	**2.6**	**-6.5**	**60.4**	**-24.1**	**32.0**	**28.5**	**11.9**	**15.0**	**17.2**
Manufacturing	**12.7**	**-8.9**	**41.8**	**14.1**	**-8.1**	**14.5**	**11.3**	**13.2**	**12.3**	**8.9**
Food products and beverages	-7.1	26.2	59.2	-6.3	14.5	7.1	6.6	8.4	6.4	6.2
Textiles	16.9	-11.7	91.6	39.0	-23.2	10.0	8.2	13.1	11.4	9.8
Chemicals and chemical products	2.5	-16.7	70.0	13.3	-26.1	12.6	8.7	13.1	12.0	4.7
Pharmaceuticals and medicines	0.9	-11.2	58.6	11.8	-31.5	17.3	12.9	18.1	17.2	10.2
Cement and cement products	30.5	-3.5	18.6	-29.3	25.1	30.4	25.3	26.6	19.2	17.5
Iron and steel	20.6	-7.5	28.8	6.7	3.9	19.3	15.6	18.0	17.4	15.7
Machinery and equipments *n.e.c.*	26.7	-1.8	17.9	-1.9	-173.6	12.8	11.1	11.2	8.3	-3.6
Electrical machinery and apparatus	41.2	-58.0	98.7	-8.5	47.6	14.0	2.4	5.2	9.1	4.6
Motor vehicles and other transport equipments	10.6	-22.6	94.0	18.8	4.5	10.5	7.4	11.3	10.6	9.0
Electricity Generation and supply	**11.3**	**#**	**52.7**	**-25.0**	**-57.5**	**14.1**	**-3.2**	**21.4**	**8.3**	**2.3**
Construction	**41.1**	**-19.2**	**-353.8**	**5.6**	**-8.0**	**10.5**	**6.2**	**1.1**	**13.9**	**7.7**
Services	**23.0**	**-8.1**	**10.6**	**12.1**	**-1.2**	**15.3**	**17.3**	**16.7**	**15.4**	**14.5**
Transportation	19.2	-12.7	-57.0	58.2	-35.6	16.2	10.9	5.8	10.3	7.3
Telecommunications	41.3	-7.7	-6.8	-3.4	15.9	17.4	22.4	21.7	18.0	16.8
Real Estate	39.6	-41.8	-1.9	26.7	-20.9	23.0	45.2	28.0	24.7	35.6
Computer and related activities	16.3	12.7	33.0	11.9	13.2	23.2	21.8	24.7	24.6	23.1

#: If denominator or numerator is negative, negligible or nil.

Statement 2: Liabilities and Assets – Growth rates and ratios of select parameters of public limited companies

(Per cent)

	Net worth					Total borrowings				
	2007-08	2008-09	2009-10	2010-11	2011-12	2007-08	2008-09	2009-10	2010-11	2011-12
No of sample companies	*3114*	*3192*	*3352*	*3485*	*3041*	*3114*	*3192*	*3352*	*3485*	*3041*
Aggregate (All Companies)	**31.9**	**20.5**	**19.8**	**17.1**	**9.3**	**28.2**	**29.0**	**7.0**	**15.8**	**11.9**
Sales-wise										
Less than ₹ 1 billion	32.3	11.0	13.0	11.1	7.6	13.0	7.1	10.2	10.9	-2.5
₹ 1 – ₹ 5 billion	31.0	9.6	16.1	11.9	7.1	29.2	18.6	11.0	8.9	11.7
₹ 5 – ₹ 10 billion	31.6	14.7	19.5	18.1	7.5	26.0	28.3	9.7	23.1	9.0
₹ 10 billion and above	32.1	24.1	21.0	17.9	9.5	30.2	33.5	5.5	16.1	12.0
Industry-wise										
Mining and quarrying	**38.7**	**27.2**	**26.4**	**45.1**	**5.2**	**24.1**	**57.9**	**16.2**	**23.2**	**6.3**
Manufacturing	**31.9**	**16.5**	**19.1**	**17.3**	**10.5**	**24.3**	**25.8**	**6.0**	**14.4**	**10.2**
Food products and beverages	23.4	18.1	27.7	17.5	13.3	45.7	21.7	12.5	26.9	13.9
Textiles	15.5	3.2	19.9	17.5	4.0	30.5	17.8	13.4	15.4	8.0
Chemicals and chemical products	22.2	12.3	18.2	15.7	15.0	11.3	23.2	-2.3	10.5	13.3
Pharmaceuticals and medicines	22.2	15.0	21.6	17.7	5.6	16.9	29.9	-6.1	21.9	5.5
Cement and cement products	41.0	25.1	14.4	18.2	12.4	23.8	29.2	12.5	6.9	5.2
Iron and steel	61.5	9.4	24.9	0.2	10.2	36.2	30.9	12.1	17.3	7.3
Machinery and equipments *n.e.c.*	24.6	16.2	17.5	15.6	8.6	30.2	14.2	1.3	19.0	27.0
Electrical machinery and apparatus	48.0	10.9	17.5	15.3	9.2	40.9	39.9	-1.5	2.9	15.1
Motor vehicles and other transport equipments	20.9	20.7	19.5	21.8	12.4	28.7	55.3	7.2	1.9	4.4
Electricity Generation and supply	**24.0**	**14.3**	**33.1**	**23.7**	**7.2**	**-1.2**	**36.7**	**8.6**	**33.6**	**30.7**
Construction	**63.3**	**11.6**	**26.8**	**10.8**	**9.1**	**46.2**	**47.6**	**19.1**	**18.8**	**26.4**
Services	**27.5**	**31.4**	**18.3**	**14.2**	**5.6**	**49.3**	**33.6**	**5.9**	**15.4**	**6.9**
Transportation	68.6	15.7	27.7	1.5	-20.9	39.2	29.8	6.1	-7.0	12.1
Telecommunications	7.4	64.8	8.3	3.7	2.0	59.7	51.3	3.9	36.5	-0.6
Real Estate	107.4	13.0	28.7	14.8	4.6	22.5	9.0	-1.9	18.4	-3.1
Computer and related activities	23.6	16.3	26.0	16.1	15.0	143.7	31.8	13.0	7.5	12.9

Statement 2: Liabilities and Assets – Growth rates and ratios of select parameters of public limited companies *(Concld.)*

(Per cent)

	Total net assets					Debt to equity				
	2007-08	**2008-09**	**2009-10**	**2010-11**	**2011-12**	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**2011-12**
No of sample companies	*3114*	*3192*	*3352*	*3485*	*3041*	*3114*	*3192*	*3352*	*3485*	*3041*
Aggregate (All Companies)	**29.9**	**22.3**	**13.8**	**17.8**	**12.3**	**44.4**	**43.6**	**43.6**	**41.4**	**42.9**
Sales-wise										
Less than ₹ 1 billion	17.9	8.1	10.0	10.0	7.2	49.1	43.3	39.8	39.6	20.2
₹ 1 – ₹ 5 billion	28.4	13.7	13.1	11.7	10.8	51.2	56.0	46.3	43.6	49.4
₹ 5 – ₹ 10 billion	29.1	18.8	15.0	21.4	11.0	59.0	56.5	51.3	59.8	46.3
₹ 10 billion and above	31.6	25.5	14.0	18.5	10.3	40.2	39.9	42.4	39.0	42.7
Industry-wise										
Mining and quarrying	**36.6**	**33.9**	**27.0**	**27.3**	**11.8**	**85.5**	**54.3**	**77.0**	**61.1**	**19.1**
Manufacturing	**27.8**	**20.2**	**13.3**	**17.4**	**11.5**	**41.2**	**42.4**	**42.0**	**37.2**	**40.5**
Food products and beverages	35.0	15.5	21.0	23.3	15.4	63.7	60.4	58.4	56.0	46.9
Textiles	24.7	11.8	15.0	20.9	7.3	156.6	164.0	145.3	107.6	119.0
Chemicals and chemical products	16.7	18.2	7.8	13.3	14.7	35.9	41.1	33.8	34.1	40.9
Pharmaceuticals and medicines	19.0	22.1	9.8	16.8	11.5	30.3	30.5	25.5	26.4	27.2
Cement and cement products	35.6	24.6	11.3	16.7	10.3	68.5	61.6	63.1	33.4	39.0
Iron and steel	42.2	21.6	15.1	8.6	21.7	82.1	85.0	77.9	73.0	82.3
Machinery and equipments *n.e.c.*	25.4	12.9	15.8	18.9	13.5	15.2	14.2	17.8	14.9	17.5
Electrical machinery and apparatus	42.6	20.2	10.4	12.3	6.1	26.6	27.3	24.1	23.4	20.9
Motor vehicles and other transport equipments	26.0	26.3	19.2	14.4	15.9	32.2	41.0	45.5	37.2	33.6
Electricity Generation and supply	**16.8**	**21.4**	**17.2**	**32.3**	**22.5**	**46.7**	**61.9**	**55.4**	**60.4**	**87.3**
Construction	**53.7**	**30.9**	**20.2**	**19.2**	**17.5**	**45.6**	**44.5**	**40.2**	**71.6**	**41.8**
Services	**33.5**	**27.0**	**12.8**	**15.4**	**4.1**	**50.7**	**42.7**	**43.7**	**41.1**	**40.5**
Transportation	50.9	19.9	15.2	-1.8	8.6	105.8	121.1	102.5	187.5	256.9
Telecommunications	34.6	43.6	7.2	17.8	-9.1	172.2	39.5	44.0	52.3	42.4
Real Estate	52.2	8.7	14.6	19.3	5.4	31.0	63.8	52.0	49.9	44.1
Computer and related activities	36.2	21.3	20.9	12.1	17.1	13.7	12.6	11.5	10.6	10.7

Statement 3: Composition of liabilities and assets of public limited companies

(Per cent)

A: Composition of Liabilities						B: Composition of Assets					
	2007-08	2008-09	2009-10	2010-11	2011-12		2007-08	2008-09	2009-10	2010-11	2011-12
Capital and Liabilities						***Assets***					
No of sample companies	*3114*	*3192*	*3352*	*3485*	*3041*	*No of sample companies*	*3114*	*3192*	*3352*	*3485*	*3041*
1 Share capital	**5.9**	**5.1**	**5.0**	**4.6**	**4.7**	1 Gross fixed assets	56.7	53.4	53.9	51.1	48.5
2 Reserves and surplus	**37.1**	**37.4**	**39.8**	**39.8**	**39.5**	2 Depreciation	18.1	15.7	16.3	16.0	15.4
of which: Capital reserve	14.9	14.6	15.6	15.6	15.2	**3 Net fixed assets**	**38.5**	**37.7**	**37.7**	**35.1**	**33.1**
3 Borrowings	**32.1**	**33.1**	**31.9**	**31.5**	**31.4**	**4 Inventories**	**13.1**	**12.5**	**11.8**	**11.3**	**11.8**
of which: From banks	20.1	21.0	19.9	19.3	18.0	**5 Loans and advances and other debtor balances**	**26.3**	**23.5**	**23.7**	**24.8**	**26.9**
4 Trade dues and other current liabilities	**20.3**	**20.8**	**19.5**	**20.4**	**20.5**	**6 Investments**	**14.2**	**17.1**	**18.4**	**17.7**	**18.8**
of which: Sundry creditors	12.1	11.0	11.6	12.3	11.3	**7 Advance of income-tax**	–	–	–	–	–
5 Provisions	**4.6**	**3.6**	**3.8**	**3.7**	**3.5**	**8 Other assets**	**1.5**	**2.5**	**2.1**	**4.4**	**3.1**
6 Miscellaneous non-current liabilities	–	–	–	–	**0.4**	**9 Cash and bank balances**	**6.4**	**6.7**	**6.4**	**6.7**	**6.3**
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**Total**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

– : Nil or negligible

Statement 4: Composition of sources and uses of funds of public limited companies

(Per cent)

A: Composition of Sources of funds during the year						B: Composition of Uses of funds during the year					
	2007-08	2008-09	2009-10	2010-11	2011-12		2007-08	2008-09	2009-10	2010-11	2011-12
Sources of funds						**Uses of funds**					
No of sample companies	*3114*	*3192*	*3352*	*3485*	*3041*	*No of sample companies*	*3114*	*3192*	*3352*	*3485*	*3041*
Internal sources (Own sources)	**36.9**	**31.6**	**49.2**	**36.4**	**38.3**	**1. Gross fixed assets**	**38.6**	**40.3**	**40.2**	**27.8**	**36.7**
1. Paid-up capital	**0.4**	**0.1**	**0.7**	**0.5**	**0.1**	*of which:*					
2. Reserves and Surplus	**23.8**	**21.3**	**28.1**	**22.5**	**21.5**	i) Buildings	3.2	3.7	5.2	3.8	4.9
3. Provisions	**12.8**	**10.2**	**20.3**	**13.4**	**16.7**	ii) Plant and Machinery	19.3	26.4	41.1	11.4	29.6
of which: Depreciation provision	8.0	10.2	16.5	11.8	15.0	**2. Inventories**	**11.8**	**8.1**	**12.4**	**13.2**	**10.8**
External sources (Other than own sources)	**63.1**	**68.4**	**50.8**	**63.6**	**61.7**	*of which:*					
						i) Raw materials, *etc.*	4.3	0.7	5.3	4.8	2.9
4. Paid-up capital*	**17.1**	**14.4**	**20.4**	**14.8**	**7.3**	ii) Finished goods	2.8	1.0	2.1	4.5	5.1
of which: Premium on shares	14.4	12.8	18.8	12.3	3.4	**3. Loans and advances and other debtor balances**					
5. Borrowings	**28.3**	**36.3**	**14.3**	**25.2**	**25.8**		**29.9**	**13.7**	**16.1**	**30.1**	**35.6**
of which: i) Debentures	0.5	5.1	4.5	2.7	2.3	**4. Investments**	**19.4**	**23.1**	**28.9**	**9.7**	**16.8**
ii) Loans and advances	26.0	30.3	9.2	22.5	22.9	**5. Other assets**	**0.7**	**4.7**	**-**	**12.4**	**-1.3**
of which: From banks	20.5	23.4	5.7	17.9	15.3	**6. Cash and bank balances**	**-0.5**	**10.1**	**2.4**	**6.8**	**1.4**
6. Trade dues and other current liabilities	**17.7**	**17.7**	**14.4**	**23.6**	**28.1**						
7. Miscellaneous non-current liabilities	**-**	**-**	**-**	**-**	**0.4**						
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**Total**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

* Includes capital receipts.

*Composition and Ownership Pattern of Deposits with Scheduled Commercial Banks: March 2012**

This article presents an analysis of pattern in composition and ownership of outstanding deposits with scheduled commercial banks (including regional rural banks) during 2006-12. For this purpose, the data on ownership pattern of deposits as estimated from sample survey data for the period during 2006-10 is used along with the census survey data as collected for end-March 2012[1]*. The analysis brings out broad trends across type of deposit accounts, institutional sectors, population groups and bank groups over the period.*

Highlights

- Current, savings and term deposits comprise 10.8 per cent, 25.5 per cent and 63.6 per cent, respectively of total deposits in March 2012. The share of term deposits regained a rising trend after March 2010.
- Households with 58.1 per cent share in total deposits was the largest contributor in total deposits as on March 31, 2012, followed by government and private corporate sector each contributing 14.6 per cent.
- Metropolitan branches continued to lead deposit generation by scheduled commercial banks (SCBs) mainly in the form of term deposits. Similar pattern was followed in deposits raised by urban and semi-urban branches. On the contrary, savings deposits dominated in rural branches closely followed by term deposits.
- Bank group-wise, public sector banks accounted for the largest share (74.6 per cent) in total deposits in March 2012 followed by private sector banks (18.2 per cent). Foreign and regional rural banks (RRBs) comprised only 4.3 per cent and 2.9 per cent in total deposits, respectively.

Introduction

The statistics on ownership pattern of deposits are compiled from the branch level data reported by the SCBs through Basic Statistical Returns (BSR)-4. It captures the data on ownership of outstanding deposits as on March 31, classified according to type of deposits accounts namely, current, savings and term deposits as per different institutional categories of depositors (*i.e.*, Household, Government, Private Corporate (Non-Financial, Financial and Foreign). These data also help to analyse the trends across population groups and major bank groups (public sector banks, private sector banks and foreign banks).

2. So far, similar data used to be collected for selected sample branches (15-27 per cent of total branches) using stratified sampling method to arrive at estimates of various population aggregates. Due to expanding branch network of commercial banking with the thrust on financial inclusion, it was thought appropriate to undertake a census study on 'Composition and ownership pattern of deposits of SCBs' to validate as well as understand the recent changes in institutional shares in bank deposits in the recent period. Accordingly, the March 2012 survey has been carried out on a census basis and the results are found to be in agreement with previous estimated trends since 2006. The branch-wise data on outstanding aggregate deposits are also validated against outstanding aggregate deposits data reported in the quarterly BSR-7 for March 31, 2012.

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* Prepared in the Bank Branch Statistics Division of the Department of Statistics and Information Management.

[1] More detailed data for March 2012 is available in the Reserve Bank website 'URL:http://www.rbi.org.in/'. Previous findings from BSR-4 survey on Composition and Ownership Pattern of Deposits with scheduled commercial bank were published in various issues of Reserve Bank of India Bulletin; the latest was published in the November 2011 issue. The BSR-4 survey was made annual from March 1990, with the previous rounds being biennial from 1976 onwards; the surveys for 1976 and 1982 were on census basis. The data for March 2012 have been collected on a census basis as compared to previous rounds of sample surveys.

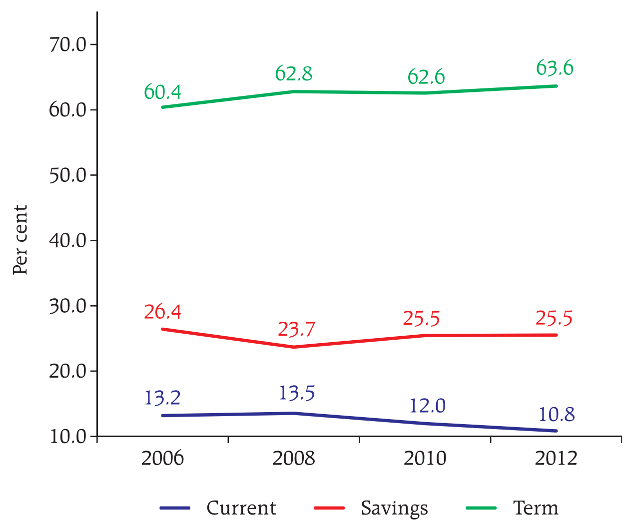
3. This article presents a brief review of the trends and pattern in type of deposits accounts (current, savings and term deposits). Ownership pattern of deposits by broad institutional sectors has been analysed followed by the section on the pattern of deposits according to population groups. Subsequently, bank-group wise analysis on preference of various institutional depositors is discussed. A brief on state-wise pattern in bank deposits as on March 31, 2012 is also added.

Composition of Bank Deposits by Type of Deposits

4. Composition of total deposits[2] held with the SCBs as on March 2012 indicates that the term deposits constituted around two-thirds share in total deposits, followed by savings deposits at around one-fourth share (Chart 1).

5. The share of savings deposits was maintained at around 25.5 per cent in the recent period along with a moderate growth in the share of term deposits. On the contrary, the share of current account balances declined from 2008 onwards, portraying somewhat cautious saving behaviour among the different types of depositors.

Chart 1: Trend in Composition of Bank Deposits by Type of Deposits – 2006-2012
(As on March 31)



[2] Includes inter-bank deposits.

6. Though, the total deposits along with its three main components almost trebled during 2006 to 2012, total deposits decelerated 2007 onwards (Table 1). The growth and composition of deposits also appear to have a correspondence with the prevailing term deposit rates.

There was a sharp growth in savings deposits by the end-March 2010 (31 per cent as compared to 17-21 per cent observed in the preceding four years) and corresponding decline in growth in term deposits as against somewhat lower term deposits rates. With the increase in interest rates during 2010-12, the term deposits started improving moderately.

Table 1: Trends in Deposits According to Type of Account

(Amount outstanding in ₹ Billion and Growth in per cent)

Account Type/As on March 31	2006	2007	2008	2009	2010	2012[3]
Current deposits	2,851 (27.5)	3,357 (17.8)	4,492 (33.8)	4,865 (8.3)	5,788 (19.0)	6,950 (9.6)
Savings deposits	5,710 (20.9)	6,709 (17.5)	7,858 (17.1)	9,396 (19.6)	12,312 (31.0)	16,356 (15.3)
Term deposits	13,049 (19.7)	16,933 (29.8)	20,836 (23.0)	26,136 (25.4)	30,263 (15.8)	40,803 (16.1)
Total deposits(**)	21,610 (21.0)	26,999 (24.9)	33,186 (22.9)	40,397 (21.7)	48,364 (19.7)	64,110 (15.1)
Memo:						
Outstanding aggregate deposits[4]	20,930	25,988	32,288	39,373	46,019	61,741
Term (>1 Yr.) Deposit Rate[5]	6.00-7.00	7.50-9.00	8.25-9.00	7.75-8.75	6.00-7.50	8.50-9.25

Note: Figures in brackets represent the annual growth rates.
(**) Including inter-bank deposits.

[3] March 2011 estimates based on stratified sampling method were not in alignment with the previous year estimates as also the latest census data for March 2012 and hence, not considered in the present study.

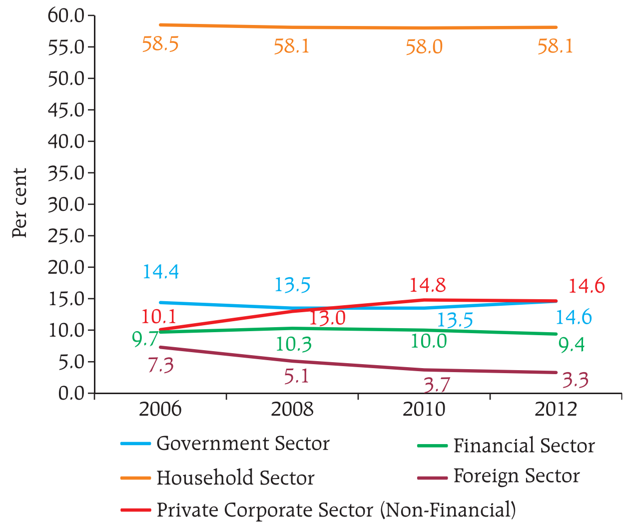
[4] Excludes interbank deposits (Source: Quarterly BSR-7 return).

[5] The term deposit rates for major banks (Source: Weekly Statistical Supplement, RBI).

Ownership pattern of deposits by broad institutional sectors

7. Composition of deposits according to institutional ownership reflected dominance of households, who owned an almost constant share in total deposits to the tune of around 58 per cent over the period (Chart 2). Share of non-financial private corporate in total deposits, by and large, grew steadily from 10.1 per cent to 14.6 per cent during 2006-12, whereas the shares of government as well as financial sector remained range bound at 13.5-14.6 per cent and 8.9-10.5 per cent respectively. Foreign sector's share declined to almost half of the share as on March 31, 2006 (7.3 per cent).

Chart 2: Trend in Ownership Pattern of Bank Deposits – 2006 - 2012
(As on March 31)



In the recent period of 2010-12, the growth of 1.1 per cent in the government sector's share was mainly on account of higher growth in deposits of departmental undertakings and public sector corporations. Financial entities' share declined mainly on account of lower growth in inter-bank deposits (Table 2).

Table 2: Total Deposits by Major Institutional Sectors

(Amounts in ₹ Billion and Growth in Per cent)

Major Institutional Sectors	Mar-06	Mar-07	Mar-08	Mar-09	Mar-10	Mar-12
I. Government Sector	3,120 (19.6)	3,907 (25.2)	4,478 (14.6)	5,652 (26.2)	6,551 (15.9)	9,361 (19.5)
Of which, Central & State Governments	1,032 (16.2)	1,301 (26.1)	1,786 (37.3)	2,354 (31.9)	3,068 (30.3)	4,565 (22.0)
Public Sector Corporations	1,035 (23.2)	1,238 (19.6)	1,314 (6.2)	1,879 (43.0)	1,879 (0.0)	3,017 (26.7)
II. Private Corporate Sector (Non-Financial)	2,181 (41.0)	3,035 (39.1)	4,322 (42.4)	5,867 (35.7)	7,137 (21.6)	9,384 (14.7)
Of which, Non-Financial Companies	1,836 (78.9)	2,478 (35.0)	3,293 (32.9)	4,862 (47.7)	5,191 (6.8)	6,210 (9.4)
III. Financial Sector	2,098 (51.5)	2,825 (34.6)	3,429 (21.4)	3,580 (4.4)	4,820 (34.7)	6,019 (11.7)
Of which, Banks	776 (77.6)	1,123 (44.7)	1,191 (6.1)	1,578 (32.5)	2,348 (48.8)	2,652 (6.3)
Other Financial Institutions	922 (39.1)	1,181 (28.1)	1,306 (10.6)	1,085 -(16.9)	1,346 (24.0)	1,548 (7.2)
Other Financial Companies	400 (40.4)	521 (30.2)	932 (79.0)	916 -(1.7)	1,127 (23.0)	1,819 (27.1)
IV. Household Sector	12,644 (16.7)	15,497 (22.6)	19,280 (24.4)	23,552 (22.2)	28,049 (19.1)	37,249 (15.2)
V. Foreign Sector	1,567 (5.7)	1,736 (10.8)	1,677 -(3.4)	1,747 (4.2)	1,807 (3.4)	2,097 (7.7)
Total Deposits	**21,610 (21.0)**	**26,999 (24.9)**	**33,186 (22.9)**	**40,397 (21.7)**	**48,364 (19.7)**	**64,110 (15.1)**

Note: Figures in brackets represent the annual growth rates. The estimates for March 2011 could not be used as they were not in alignment with the census data for March 2012. The growth rates for 2012 are the compounded annual growth rates (CAGR) over 2010.

Table 3: Components of Household Deposits

(Amounts in ₹ Billion as on March 31 and share in Per cent)

Components	2006	2007	2008	2009	2010	2012
1. Individuals (including Hindu undivided Families)	10,139 (80.2)	12,018 (77.6)	14,954 (77.6)	18,732 (79.5)	21,843 (77.9)	28,660 (76.9)
2. Trusts, Associations, Clubs *etc.*	452 (3.6)	717 (4.6)	810 (4.2)	954 (4.0)	972 (3.5)	1,346 (3.6)
3. Proprietary and Partnership concern, *etc.*	800 (6.3)	914 (5.9)	1,103 (5.7)	1,376 (5.8)	1,569 (5.6)	1,899 (5.1)
4. Educational Institutions	196 (1.5)	261 (1.7)	286 (1.5)	283 (1.2)	261 (0.9)	342 (0.9)
5. Religious Institutions	70 (0.6)	95 (0.6)	85 (0.4)	77 (0.3)	52 (0.2)	40 (0.1)
6. Others (Not Elsewhere Classified)	986 (7.8)	1,492 (9.6)	2,043 (10.6)	2,130 (9.0)	3,352 (12.0)	4,962 (13.3)
Total Household Sector	**12,644 (100.0)**	**15,497 (100.0)**	**19,280 (100.0)**	**23,552 (100.0)**	**28,049 (100.0)**	**37,249 (100.0)**

Note: Figures in brackets represent share. The estimates for March 2011 could not be used as they were not in alignment with the census data for March 2012.

8. Within households, individuals (including Hindu Undivided Families-HUFs) comprised largest share ranging 77-80 per cent of total deposits followed by proprietary and partnership firms (5-6 per cent) and trusts and associations (3.5-4.6 per cent) during the period 2006-12 (Table 3).

9. The institutional ownership composition of various types of deposits indicates that the households which is the largest holder of total deposits outstanding with SCBs, also held the largest shares across the three types of deposits, *viz.*, current, savings and term deposits during 2010-12 (Table 4). More than 80 per cent of savings deposits and more than 50 per cent of term deposits are held by households. As regards current deposits, the non-financial private corporate sector was the second largest contributor followed by the Government sector during 2010-12. However, the share of non-financial private corporate sector in total current deposits declined during 2010-12 mainly in favour of financial sector.

10. Term deposits constituted major part of total deposits for all institutional sectors over the period 2006-12. Savings deposits were the second major constituent in all sectors barring non-financial private corporate and financial sectors, wherein current deposits were significant as compared to savings deposits (Table 5).

Table 4: Institutional Ownership of Various Types of Deposits

(Per cent)

Type of Deposits Sectors/Year (as on March 31)	Current		Savings		Term		Total	
	2010	2012	2010	2012	2010	2012	2010	2012
I. Government Sector	16.0	16.2	8.6	10.7	15.1	15.9	**13.5**	**14.6**
II. Private Corporate Sector (Non-Financial)	33.0	29.7	0.6	1.7	17.0	17.3	**14.8**	**14.6**
III. Financial Sector	8.0	10.7	0.4	0.5	14.2	12.7	**10.0**	**9.4**
IV. Household Sector	41.0	41.5	85.2	82.8	50.2	51.0	**58.0**	**58.1**
V. Foreign Sector	2.0	1.9	5.3	4.2	3.4	3.1	**3.7**	**3.3**
Total Deposits	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Note: The estimates for March 2011 could not be reported as they were not in alignment with the census data for March 2012.

Table 5: Composition of Deposits by Various Institutional Sectors

(Per Cent)

Year (As on March 31)	Deposit Type/ Sector	Government Sector	Private Corporate Sector (Non-Financial)	Financial Sector	Household Sector	Foreign Sector	Total
2006	Current	12.9	29.2	19.7	10.2	6.5	13.2
	Savings	11.8	1.3	2.8	39.0	20.2	26.4
	Term	75.3	69.4	77.4	50.7	73.3	60.4
	Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
2008	Current	14.8	25.8	21.4	9.5	9.2	13.5
	Savings	14.0	0.8	1.2	34.8	26.5	23.7
	Term	71.2	73.4	77.5	55.7	64.3	62.8
	Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
2010	Current	14.1	26.8	9.6	8.5	6.5	12.0
	Savings	16.1	1.0	1.0	37.4	36.2	25.5
	Term	69.8	72.2	89.4	54.2	57.3	62.6
	Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
2012	Current	12.1	22.0	12.3	7.8	6.1	10.8
	Savings	18.7	3.0	1.4	36.3	33.0	25.5
	Term	69.2	75.0	86.2	55.9	60.8	63.6
	Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Note: The estimates for March 2011 could not be reported as they were not in alignment with the census data for March 2012.

Ownership Pattern of Deposits across Population Groups[6]

11. Distribution of total deposits across population groups wherein bank branches were located indicated that metropolitan branches contributed maximum in total deposits (56-58 per cent during 2007-12) followed by urban (20-22 per cent), semi-urban (13-14 per cent) and rural (8-10 per cent) branches (Table 6). The share

Table 6: Distribution of Deposits Across Population Groups

(Amounts in ₹ Billion; Growth Rate and Share in Per cent)

Population Group/ Year (as on March 31)		2006	2007	2008	2009	2010	2012
Rural	**Amount**	2,332	2,585	3,010	3,151	4,270	5,780
	(Growth Rate)	(9.7)	(10.9)	(16.4)	(4.7)	(35.5)	(16.3)
	{Share}	{10.8}	{9.6}	{9.1}	{7.8}	{8.8}	{9.0}
Semi-urban	**Amount**	3,076	3,653	4,328	5,488	6,307	8,664
	(Growth Rate)	(2.1)	(18.8)	(18.5)	(26.8)	(14.9)	(17.2)
	{Share}	{14.2}	{13.5}	{13.0}	{13.6}	{13.0}	{13.5}
Urban	**Amount**	4,573	5,526	6,829	8,926	9,833	13,248
	(Growth Rate)	(19.9)	(20.8)	(23.6)	(30.7)	(10.2)	(16.1)
	{Share}	{21.2}	{20.5}	{20.6}	{22.1}	{20.3}	{20.7}
Metropolitan	**Amount**	11,630	15,235	19,020	22,832	27,954	36,417
	(Growth Rate)	(30.6)	(31.0)	(24.8)	(20.0)	(22.4)	(14.1)
	{Share}	{53.8}	{56.4}	{57.3}	{56.5}	{57.8}	{56.8}
All India	**Amount**	21,610	26,999	33,186	40,397	48,364	64,110
	(Growth Rate)	(21.0)	(24.9)	(22.9)	(21.7)	(19.7)	(15.1)
	{Share}	{100.0}	{100.0}	{100.0}	{100.0}	{100.0}	{100.0}

Note: The growth rates for 2012 are the compounded annual growth rates (CAGR) over 2010.

[6] The population group classification of banked centres is based on Census 2001 for surveys beginning 2006. For earlier surveys, classification was based on Census 1991.

of rural branches in total deposits, which declined during 2006-09, had started recovering thereafter. Further, deceleration in total deposits during 2010-12 had been mainly on account of deceleration in deposits raised by metropolitan branches.

12. Term deposits remained dominant across metropolitan, urban and semi-urban population groups followed by savings deposits during 2010-12 (Chart 3). However, in respect of deposits raised by rural branches, savings deposits constituted largest share, closely followed by term deposits.

13. Institutional sector composition revealed dominance of households sector in all population groups. Within households, individuals (including Hindu Undivided Families – HUFs) constituted largest share across all the population groups. The households accounted for more than 80 per cent of total deposits in rural and more than 70 per cent in semi-urban centres, however, their share was comparatively lower at around 45 per cent in metropolitan areas.

Ownership Pattern of Deposits According to Bank Groups

14. Bank group wise, public sector banks (comprising SBI and its associates and nationalised banks including IDBI Bank) comprised the largest share in total deposits, which had continuously increased from 70.1 per cent as on March 31, 2007 to 74.6 per cent as on March 31, 2012 (Table 7). Domestic private sector banks comprised 3.5-4.3 times of the deposits held by foreign banks during 2007-12. The RRBs' share in total deposits was the lowest at around 3 per cent during 2007-12.

15. Distribution according to type of deposits in March 2012 was similar to earlier years. In 2012, SBI and its associates, nationalised banks and private sector banks followed the same pattern, where the term deposits had the largest share followed by savings deposits (Chart 4). In the case of foreign banks, term deposits constituted more than half of the total deposits followed by current deposits (more than one-fourth). In the case of RRBs, savings deposits accounted

Chart 3: Composition of Deposits by Type of Account - According to Population Groups
(As on March 31)

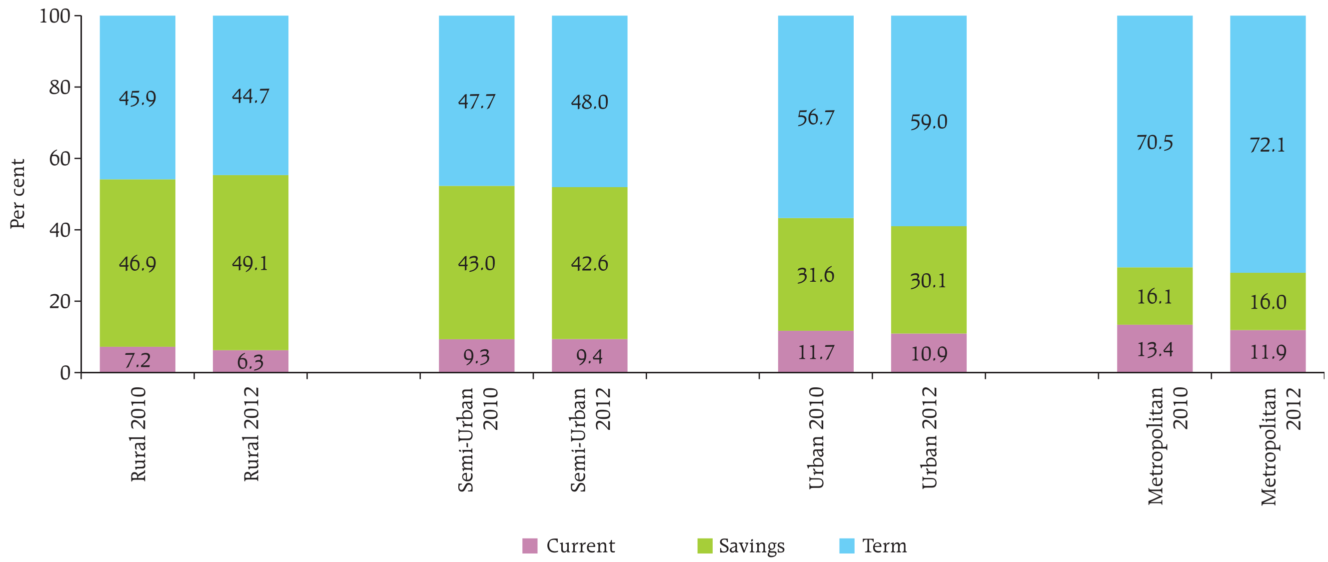


Table 7: Bank Group wise Distribution of Total Deposits

(Amounts in ₹ Billion; Growth and Share in Per cent)

Bank Group/Year (as on March 31)		2006	2007	2008	2009	2010	2012
State Bank of India and its Associates	Amount	5,044	6,071	7,513	10,020	10,531	13,598
	Growth Rate	(17.5)	(20.3)	(23.8)	(33.4)	(5.1)	(13.6)
	Share	{23.3}	{22.5}	{22.6}	{24.8}	{21.8}	{21.2}
Nationalised Banks	Amount	10,355	12,843	15,845	19,116	25,406	34,233
	Growth Rate	(18.2)	(24.0)	(23.4)	(20.6)	(32.9)	(16.1)
	Share	{47.9}	{47.6}	{47.7}	{47.3}	{52.5}	{53.4}
Regional Rural Banks	Amount	764	817	961	1,186	1,474	1,839
	Growth Rate	(24.6)	(7.0)	(17.6)	(23.5)	(24.2)	(11.7)
	Share	{3.5}	{3.0}	{2.9}	{2.9}	{3.0}	{2.9}
Private Sector Banks	Amount	4,284	5,725	6,960	8,167	8,550	11,650
	Growth Rate	(26.9)	(33.6)	(21.6)	(17.3)	(4.7)	(16.7)
	Share	{19.8}	{21.2}	{21.0}	{20.2}	{17.7}	{18.2}
Foreign Banks	Amount	1,163	1,543	1,908	1,907	2,403	2,780
	Growth Rate	(43.2)	(32.7)	(23.7)	(0.0)	(26.0)	(7.6)
	Share	{5.4}	{5.7}	{5.7}	{4.7}	{5.0}	{4.3}
All Scheduled Commercial Banks	Amount	21,610	26,999	33,186	40,397	48,364	64,110
	Growth Rate	(21.0)	(24.9)	(22.9)	(21.7)	(19.7)	(15.1)
	Share	{100.0}	{100.0}	{100.0}	{100.0}	{100.0}	{100.0}

Note: Private sector banks include old as well as new private sector banks.The growth rates for 2012 are compounded annual growth rates (CAGR) over 2010.

for more than half of the total deposits followed by term deposits (around two-fifth).

16. Institutional ownership of deposits as on March 31, 2012 indicated that the households accounted for the highest share in total deposits in all bank groups barring foreign Banks, in whose case non-financial private corporate sector held the largest deposits (Table 8).

17. Selection of bank groups by various institutional players appeared to be based on flexibilities required

Chart 4: Composition of Deposits According to Type of Deposits and Bank Group
(As on March 31, 2012)

Table 8: Bank Group Wise Pattern of Ownership Of Deposits – March 31, 2012

(Amounts in ₹ Billion; Share in Per cent)

Sector/Bank Group	SBI & Its Associates	Nationalised Banks	RRBs	Private Sector Banks	Foreign Banks	Total
I. Government Sector	2,499 (18.4)	6,141 (17.9)	136 (7.4)	436 (3.7)	149 (5.3)	9,361 (14.6)
II. Private Corporate Sector (Non-Financial)	1,490 (11.0)	3,345 (9.8)	10 (0.5)	3,309 (28.4)	1,230 (44.1)	9,384 (14.6)
III. Financial Sector	421 (3.1)	3,787 (11.1)	14 (0.8)	1,487 (12.8)	310 (11.1)	6,019 (9.4)
IV. Household Sector	8,562 (63.0)	20,510 (59.9)	1,675 (91.1)	5,705 (49.0)	797 (28.6)	37,249 (58.1)
V. Foreign Sector	626 (4.6)	451 (1.3)	3 (0.2)	712 (6.1)	305 (10.9)	2,097 (3.3)
Total Deposits	**13,598 (100.0)**	**34,233 (100.0)**	**1,839 (100.0)**	**11,650 (100.0)**	**2,790 (100.0)**	**64,110 (100.0)**

Note: Figures in parentheses represents share.

for their business as well as the customer oriented business strategies of banks. While around 92 per cent of the Government deposits were with public sector banks, deposits by non-financial private corporate sector were distributed across all bank groups barring RRBs. Most of the household deposits, specially individuals (largest constituent of household sector) were with public sector banks, possibly on account of comparatively bigger branch network of these banks.

Institutional Ownership of Deposits According to States/Union Territories[7]

18. The composition according to ownership of deposits as at end March 2012 across different States/ Union Territories (UTs) shows the dominance of households sector's savings in bank deposits with different degrees of variations. The overall households share in total deposits in the Central Region was the highest at 72.9 per cent with the corresponding States/ UT's share varying in the range from 63 to 77 per cent, followed by the North Eastern States at 68.4 per cent with the constituents' share being ranged between 63 to 75 per cent, the Eastern Region at 66.9 per cent (56 to 72 per cent), the Southern Region at 62.4 per cent (59 to 75 per cent). The households share in total deposits was lower in the Northern as well as Western Regions at 61.8 per cent (48 to 83 per cent) and 43.7 per cent (38 to 74 per cent) respectively, the variations being wider due to very low share of households in Delhi (47.9 per cent) and Maharashtra (38.0 per cent). The contribution of households in total deposits was above 75 per cent in seven States/UTs, namely Jammu & Kashmir, Punjab, Rajasthan, Uttar Pradesh, Dadra & Nagar Haveli, Lakshadweep and Puducherry.

19. In 20 States/UTs, the share of Government entities in total deposits was less than the all-India level. The share of non-financial private corporate sector in total deposits in six states namely, Maharashtra, Delhi, Uttarakhand, Andhra Pradesh, Karnataka, and Tamil Nadu was higher than the all-India level. Of the total deposits by non-financial private corporates, 81.5 per cent were in six states, namely, Maharashtra (41.9 per cent), Delhi (13.8 per cent), Karnataka (8.1 per cent), Tamil Nadu (6.4 per cent), Andhra Pradesh (6.1 per cent) and West Bengal (5.2 per cent). The share of 'Foreign' sector deposits in total deposits was below 6 per cent in respect of 32 States/UTs. The 'Foreign' sector deposits accounted for 20.0 per cent, 16.0 per cent and 12.1 per cent of deposits in respect of Kerala, Daman & Diu and Goa, respectively.

[7] More detailed data for March 2012 is available in the Reserve Bank website 'URL:http://www.rbi.org.in/'..

CURRENT STATISTICS

Contents

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

No. 1: Select Economic Indicators

Item	2012-13	2011-12		2012-13	
		Q3	Q4	Q3	Q4
	1	2	3	4	5
1 Real Sector (% Change)					
1.1 GDP	5.0	6.0	5.1	4.7	4.8
1.1.1 Agriculture	1.9	4.1	2.0	1.8	1.4
1.1.2 Industry	1.2	0.9	1.0	2.3	2.0
1.1.3 Services	6.8	8.1	7.0	6.2	6.3
1.1a Final Consumption Expenditure	4.0	9.0	9.3	3.8	3.3
1.1b Gross Fixed Capital Formation	1.7	-1.7	2.6	4.5	3.4
	2012-13	2012		2013	
		Mar	Apr	Mar	Apr
	1	2	3	4	5
1.2 Index of Industrial Production	1.1	-2.9	-1.3	2.5	..
2 Money and Banking (% Change)					
2.1 Scheduled Commercial Banks					
2.1.1 Deposits	14.2	13.5	13.4	14.2	12.9
2.1.2 Credit	14.1	17.0	17.7	14.1	14.8
2.1.2.1 Non-food Credit	14.0	16.8	16.9	14.0	14.7
2.1.3 Investment in Govt. Securities	15.5	15.9	17.1	15.5	11.4
2.2 Money Stock Measures					
2.2.1 Reserve Money (M0)	6.2	3.6	7.4	6.2	7.5
2.2.2 Broad Money (M3)	13.3	13.2	13.3	13.3	12.4
3 Ratios (%)					
3.1 Cash Reserve Ratio	4.00	4.75	4.75	4.00	4.00
3.2 Statutory Liquidity Ratio	23.0	24.0	24.0	23.0	23.0
3.3 Cash-Deposit Ratio	4.8	6.1	6.0	4.8	5.2
3.4 Credit-Deposit Ratio	77.9	78.1	76.2	77.9	77.5
3.5 Incremental Credit-Deposit Ratio	77.1	95.5	5.8	77.3	41.6
3.6 Investment-Deposit Ratio	29.7	29.4	30.1	29.7	29.5
3.7 Incremental Investment-Deposit Ratio	31.9	33.7	50.2	31.9	12.4
4 Interest Rates (%)					
4.1 Policy Repo Rate	7.50	8.50	8.00	7.50	7.50
4.2 Reverse Repo Rate	6.50	7.50	7.00	6.50	6.50
4.3 Marginal Standing Facility (MSF) Rate	8.50	9.50	9.00	8.50	8.50
4.4 Bank Rate	8.50	9.50	9.00	8.50	8.50
4.5 Base Rate	9.70/10.25	10.00/10.75	10.00/10.75	9.70/10.25	9.70/10.25
4.6 Term Deposit Rate >1 Year	7.50/9.00	8.50/9.25	8.50/9.25	7.50/9.00	7.50/9.00
4.7 Savings Deposit Rate	4.00	4.00	4.00	4.00	4.00
4.8 Call Money Rate (Weighted Average)	8.30	9.02	8.38	8.30	7.76
4.9 91-Day Treasury Bill (Primary) Yield	8.19	9.02	8.39	8.19	7.56
4.10 182-Day Treasury Bill (Primary) Yield	8.01	8.66	8.38	8.01	7.64
4.11 364-Day Treasury Bill (Primary) Yield	7.79	8.40	8.17	7.79	7.48
4.12 10-Year Government Securities Yield	7.95	8.62	8.65	7.95	7.73
5 RBI Reference Rate and Forward Premia					
5.1 INR-US$ Spot Rate (₹ Per Foreign Currency)	54.39	51.16	52.52	54.39	54.22
5.2 INR-Euro Spot Rate (₹ Per Foreign Currency)	69.54	68.34	69.61	69.54	70.98
5.3 Forward Premia of US$ 1-month (%)	7.72	8.68	8.57	7.72	7.30
3-month (%)	7.57	7.66	7.84	7.57	7.23
6-month (%)	7.28	6.80	7.31	7.28	6.79
6 Inflation (%)					
6.1 Wholesale Price Index	7.4	7.7	7.5	6.0	4.9
6.1.1 Primary Articles	9.8	10.4	9.6	7.6	5.8
6.1.2 Fuel and Power	10.6	12.8	12.1	10.2	8.8
6.1.3 Manufactured Products	5.4	5.2	5.3	4.1	3.4
6.2 All India Consumer Price Index	10.21	9.4	10.3	10.4	9.4
6.3 Consumer Price Index for Industrial Workers	10.43	8.7	10.2	11.4	10.2
7 Foreign Trade (% Change)					
7.1 Imports	0.4	23.7	3.3	-4.3	11.0
7.2 Exports	-1.8	-5.2	1.3	6.6	1.7

Reserve Bank of India

No. 2: RBI - Liabilities and Assets

(₹ Billion)

Item	As on the Last Friday/ Friday						
	2012-13	2012	2013				
		May	Apr. 26	May 10	May 17	May 24	May 31
	1	2	3	4	5	6	7
1 Issue Department							
1.1 Liabilities							
1.1.1 Notes in Circulation	11,772.18	11,086.62	12,106.71	12,284.27	12,303.80	12,221.12	12,127.27
1.1.2 Notes held in Banking Department	0.08	0.12	0.15	0.12	0.16	0.12	0.12
1.1/1.2 Total Liabilities (Total Notes Issued) or Assets	**11,772.26**	**11,086.74**	**12,106.86**	**12,284.40**	**12,303.96**	**12,221.24**	**12,127.39**
1.2 Assets							
1.2.1 Gold Coin and Bullion	740.85	732.54	732.22	681.13	681.13	681.13	675.97
1.2.2 Foreign Securities	11,019.02	10,341.55	11,363.82	11,591.33	11,611.34	11,527.07	11,438.81
1.2.3 Rupee Coin	1.92	2.18	0.35	1.48	1.02	2.58	2.14
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	3,440.18	3,519.56	3,252.25	3,464.66	3,220.25	3,224.70
2.1.1.1 Central Government	817.59	1.01	103.05	1.00	1.00	1.00	1.01
2.1.1.2 Market Stabilisation Scheme	–	–	–	–	–	–	–
2.1.1.3 State Governments	0.42	0.42	0.42	0.42	0.42	5.39	0.42
2.1.1.4 Scheduled Commercial Banks	3,424.24	3,149.62	3,113.32	2,946.54	3,161.21	2,910.16	2,896.90
2.1.1.5 Scheduled State Co-operative Banks	41.29	34.11	32.22	30.46	30.57	31.54	32.86
2.1.1.6 Non-Scheduled State Co-operative Banks	2.37	0.77	2.93	2.89	3.96	2.94	2.81
2.1.1.7 Other Banks	152.48	145.92	145.05	144.34	141.16	142.48	141.69
2.1.1.8 Others	139.10	108.32	122.58	126.60	126.34	126.75	149.01
2.1.2 Other Liabilities	6,959.83	6,881.28	7,000.89	6,976.37	6,986.19	7,160.46	7,336.18
2.1/2.2 Total Liabilities or Assets	**11,537.33**	**10,321.45**	**10,520.46**	**10,228.62**	**10,450.85**	**10,380.71**	**10,560.88**
2.2 Assets							
2.2.1 Notes and Coins	0.08	0.12	0.15	0.12	0.16	0.12	0.12
2.2.2 Balances held Abroad	3,161.94	3,871.50	3,025.73	2,816.55	2,795.08	3,073.71	3,222.44
2.2.3 Loans and Advances							
2.2.3.1 Central Government	–	–	–	–	–	–	–
2.2.3.2 State Governments	3.70	1.42	4.85	1.20	4.16	4.22	3.65
2.2.3.3 Scheduled Commercial Banks	418.66	69.46	301.64	213.12	199.24	264.80	162.36
2.2.3.4 Scheduled State Co-op.Banks	–	–	0.40	–	–	–	–
2.2.3.5 Industrial Dev. Bank of India	–	–	–	–	–	–	–
2.2.3.6 NABARD	–	–	–	–	–	–	–
2.2.3.7 EXIM Bank	–	–	–	–	–	–	–
2.2.3.8 Others	19.00	25.28	6.79	8.72	8.72	9.49	12.94
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	5,600.95	6,437.63	6,489.24	6,741.04	6,325.20	6,457.02
2.2.6 Other Assets	748.93	752.73	743.26	699.68	702.46	703.16	702.35
2.2.6.1 Gold	672.98	665.43	665.14	618.73	618.73	618.73	614.04

No. 3: Liquidity Operations by RBI

(₹ Billion)

Date	Liquidity Adjustment Facility		MSF	Standing Liquidity Facilities	OMO (Outright)		Net Injection (+)/ Absorption (-) (1+3+4+6-2-5)
	Repo	Reverse Repo			Sale	Purchase	
	1	2	3	4	5	6	7
Apr. 1, 2013	–	–	–	–7.70	–	–	–7.70
Apr. 2, 2013	1,209.65	115.70	–	–73.00	–	–	1,020.95
Apr. 3, 2013	1,002.65	332.10	–	–97.30	–	–	573.25
Apr. 4, 2013	635.40	114.85	–	–4.60	–	–	515.95
Apr. 5, 2013	624.40	136.75	–	–18.50	–	–	469.15
Apr. 8, 2013	1,093.65	0.45	–	21.10	–	–	1,114.30
Apr. 9, 2013	1,035.90	6.25	–	2.50	–	–	1,032.15
Apr. 10, 2013	934.30	0.25	–	0.10	–	–	934.15
Apr. 11, 2013	–	–	–	1.50	–	–	1.50
Apr. 12, 2013	829.00	23.70	–	1.50	–	–	806.80
Apr. 15, 2013	596.75	0.50	–	15.80	–	–	612.05
Apr. 16, 2013	580.05	0.30	–	–0.30	–	–	579.45
Apr. 17, 2013	767.40	0.60	–	–70.72	–	–	696.09
Apr. 18, 2013	1,029.65	18.80	–	35.59	–	–	1,046.44
Apr. 22, 2013	797.45	0.70	–	65.40	–	–	862.15
Apr. 23, 2013	928.15	0.20	–	10.50	–	–	938.45
Apr. 25, 2013	989.95	0.50	–	13.23	–	–	1,002.68
Apr. 26, 2013	1,105.50	0.45	–	–27.84	–	–	1,077.21
Apr. 29, 2013	712.15	0.45	–	–31.10	–	–	680.60
Apr. 30, 2013	851.10	15.00	5.50	59.90	–	–	901.50

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

Item	2012-13	2012	2013	
		Apr.	Mar.	Apr.
	1	2	3	4
1 Net Purchase/ Sale of Foreign Currency (US$ Million) (1.1–1.2)	–2,601.00	–275.00	820.00	518.00
1.1 Purchase (+)	13,648.00	–	3,165.00	3,298.00
1.2 Sale (–)	16,249.00	275.00	2,345.00	2,780.00
2 ₹ equivalent at contract rate (₹ Billion)	–153.16	–14.31	40.11	22.14
3 Cumulative (over end-March 2013) (US $ Million)	–2,601.00	–275.00	–2,601.00	518.00
(₹ Billion)	–153.16	–14.31	–153.16	22.14
4 Outstanding Net Forward Sales (–)/ Purchase (+) at the end of month (US$ Million)	–11,006.00	–3,453.00	–11,006.00	–8,233.00

No. 5: RBI's Standing Facilities

(₹ Billion)

Item		As on the Last Reporting Friday						
	2012-13	2012			2013			
		Apr. 20	Nov. 30	Dec. 28	Jan. 25	Feb. 22	Mar. 22	Apr. 19
	1	2	3	4	5	6	7	8
1 MSF	–	1.2	–	–	1.8	–	–	–
2 Export Credit Refinance for Scheduled Banks								–
2.1 Limit	412.3	133.5	377.3	383.5	397.4	407.2	412.3	422.7
2.2 Outstanding	136.3	39.7	229.7	245.4	248.0	197.6	136.3	139.6
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	9.0	8.7	7.7	6.5	6.1	15.2	8.0
4 Others								–
4.1 Limit	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0
4.2 Outstanding	–	12.8	32.7	16.4	10.9	–	–	–
5 Total Outstanding (1+2.2+3.2+4.2)	151.5	62.7	271.1	269.5	267.1	203.7	151.5	147.6

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		
		Apr. 20	Mar. 22	Apr. 5	Apr. 19
	1	2	3	4	5
1 Currency with the Public (1.1 + 1.2 + 1.3 – 1.4)	11,445.3	10,648.6	11,414.9	11,525.3	11,805.7
1.1 Notes in Circulation	11,756.4	10,946.6	11,725.5	11,829.4	12,103.5
1.2 Circulation of Rupee Coin	143.9	128.3	143.9	143.9	143.9
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	433.8	462.0	455.4	449.2
2 Deposit Money of the Public	7,452.8	6,835.7	7,433.5	7,622.3	7,206.9
2.1 Demand Deposits with Banks	7,420.9	6,820.1	7,418.8	7,593.0	7,187.3
2.2 'Other' Deposits with Reserve Bank	32.0	15.6	14.7	29.3	19.6
3 M_1 (1 + 2)	18,898.2	17,484.2	18,848.3	19,147.6	19,012.5
4 Post Office Saving Bank Deposits	50.4	50.4	50.4	50.4	50.4
5 M_2 (3 + 4)	18,948.6	17,534.6	18,898.7	19,198.0	19,062.9
6 Time Deposits with Banks	64,546.7	57,833.1	64,544.5	65,909.8	65,661.6
7 M_3 (3 + 6)	83,444.9	75,317.3	83,392.9	85,057.4	84,674.1
8 Total Post Office Deposits	259.7	259.7	259.7	259.7	259.7
9 M_4 (7 + 8)	83,704.6	75,577.0	83,652.6	85,317.1	84,933.8

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		
		Apr. 20	Mar. 22	Apr. 5	Apr. 19
	1	2	3	4	5
1 Net Bank Credit to Government	**26,996.4**	**24,665.1**	**26,931.1**	**26,919.4**	**27,654.0**
1.1 RBI's net credit to Government (1.1.1–1.1.2)	5,923.9	5,493.9	5,854.2	5,578.2	6,440.1
1.1.1 Claims on Government	6,590.3	5,495.4	6,733.0	5,809.6	6,448.3
1.1.1.1 Central Government	6,580.2	5,479.6	6,732.6	5,791.8	6,445.1
1.1.1.2 State Governments	10.2	15.8	0.4	17.8	3.2
1.1.2 Government deposits with RBI	666.5	1.4	878.8	231.4	8.3
1.1.2.1 Central Government	666.0	1.0	878.3	231.0	1.7
1.1.2.2 State Governments	0.4	0.4	0.4	0.4	6.6
1.2 Other Banks' Credit to Government	21,072.6	19,171.2	21,076.9	21,341.2	21,214.0
2 Bank Credit to Commercial Sector	**56,405.5**	**49,716.7**	**56,396.7**	**57,232.4**	**56,767.2**
2.1 RBI's credit to commercial sector	30.6	35.0	28.4	21.7	21.2
2.2 Other banks' credit to commercial sector	56,375.0	49,681.7	56,368.3	57,210.7	56,746.0
2.2.1 Bank credit by commercial banks	52,628.3	46,192.5	52,628.3	53,463.8	52,899.3
2.2.2 Bank credit by co-operative banks	3,703.0	3,423.6	3,696.2	3,704.5	3,797.0
2.2.3 Investments by commercial and co-operative banks in other securities	43.6	65.6	43.7	42.4	49.6
3 Net Foreign Exchange Assets of Banking Sector (3.1 + 3.2)	**15,991.4**	**15,664.5**	**16,024.6**	**16,217.5**	**16,042.8**
3.1 RBI's net foreign exchange assets (3.1.1–3.1.2)	15,580.6	14,948.7	15,613.8	15,806.7	15,631.9
3.1.1 Gross foreign assets	15,580.8	14,948.8	15,615.1	15,806.9	15,632.1
3.1.2 Foreign liabilities	0.2	0.2	1.3	0.2	0.2
3.2 Other banks' net foreign exchange assets	410.8	715.8	410.8	410.8	410.8
4 Government's Currency Liabilities to the Public	**151.3**	**135.7**	**151.3**	**151.3**	**151.3**
5 Banking Sector's Net Non-monetary Liabilities	**16,099.8**	**14,864.7**	**16,110.9**	**15,463.2**	**15,941.2**
5.1 Net non-monetary liabilities of RBI	6,943.5	6,192.6	6,977.2	7,086.2	6,889.9
5.2 Net non-monetary liabilities of other banks (residual)	9,156.3	8,672.1	9,133.6	8,377.0	9,051.3
M_3 (1+2+3+4–5)	**83,444.9**	**75,317.3**	**83,392.9**	**85,057.4**	**84,674.1**

No. 8: Monetary Survey

(₹ Billion)

Item	Outstanding as on March 31/last reporting Fridays of the month/reporting Fridays				
	2012-13	2012	2013		
		Apr. 20	Mar. 22	Apr. 5	Apr. 19
	1	2	3	4	5
Monetary Aggregates					
M_1 (1.1 + 1.2.1+1.3)	18,813.0	17,397.7	18,763.1	19,063.2	18,926.9
NM_2 (M_1 + 1.2.2.1)	46,920.7	42,554.5	46,870.0	47,777.2	47,528.3
NM_3 (NM_2 + 1.2.2.2 + 1.4 = 2.1 + 2.2 + 2.3 – 2.4 – 2.5)	83,495.3	75,265.2	83,443.7	85,110.6	84,645.1
1 Components					
1.1 Currency with the Public	11,454.9	10,657.4	11,423.9	11,534.7	11,814.8
1.2 Aggregate Deposits of Residents	69,787.5	62,628.6	69,784.2	71,308.2	70,651.3
1.2.1 Demand Deposits	7,326.2	6,724.7	7,324.5	7,499.2	7,092.5
1.2.2 Time Deposits of Residents	62,461.3	55,903.9	62,459.7	63,808.9	63,558.7
1.2.2.1 Short-term Time Deposits	28,107.6	25,156.8	28,106.9	28,714.0	28,601.4
1.2.2.1.1 Certificates of Deposit (CDs)	3,831.4	4,498.2	3,831.4	3,878.0	3,774.3
1.2.2.2 Long-term Time Deposits	34,353.7	30,747.2	34,352.8	35,094.9	34,957.3
1.3 ‘Other’ Deposits with RBI	32.0	15.6	14.7	29.3	19.6
1.4 Call/Term Funding from Financial Institutions	2,220.9	1,963.5	2,220.9	2,238.5	2,159.5
2 Sources					
2.1 Domestic Credit	85,777.2	76,104.0	85,700.9	86,572.7	86,706.6
2.1.1 Net Bank Credit to the Government	26,584.5	24,289.6	26,513.8	26,505.9	27,245.7
2.1.1.1 Net RBI credit to the Government	5,923.9	5,493.9	5,854.2	5,578.2	6,440.1
2.1.1.2 Credit to the Government by the Banking System	20,660.6	18,795.7	20,659.6	20,927.7	20,805.7
2.1.2 Bank Credit to the Commercial Sector	59,192.8	51,814.3	59,187.1	60,066.7	59,460.8
2.1.2.1 RBI Credit to the Commercial Sector	30.6	35.0	28.4	21.7	21.2
2.1.2.2 Credit to the Commercial Sector by the Banking System	59,162.2	51,779.3	59,158.7	60,045.0	59,439.6
2.1.2.2.1 Other Investments (Non-SLR Securities)	3,674.6	2,939.3	3,674.6	3,713.2	3,726.2
2.2 Government’s Currency Liabilities to the Public	151.3	135.7	151.3	151.3	151.3
2.3 Net Foreign Exchange Assets of the Banking Sector	14,775.0	14,059.0	14,808.2	14,853.6	14,557.7
2.3.1 Net Foreign Exchange Assets of the RBI	15,580.6	14,948.7	15,613.8	15,806.7	15,631.9
2.3.2 Net Foreign Currency Assets of the Banking System	–805.6	–889.6	–805.6	–953.1	–1,074.2
2.4 Capital Account	12,869.4	11,782.7	12,897.8	13,158.5	13,106.4
2.5 Other items (net)	4,338.9	3,250.8	4,318.9	3,308.4	3,664.1

No. 9: Liquidity Aggregates

(₹ Billion)

Aggregates	2012-13	2012	2013		
		Apr.	Feb.	Mar.	Apr.
	1	2	3	4	5
1 NM_3	**83,495.3**	**75,265.2**	**81,310.9**	**83,495.3**	**84,645.1**
2 Postal Deposits	1,391.4	1,248.8	1,379.1	1,391.4	1,391.4
3 L_1 (1 + 2)	**84,886.7**	**76,513.9**	**82,689.9**	**84,886.7**	**86,036.6**
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)	**84,916.0**	**76,543.2**	**82,719.3**	**84,916.0**	**86,065.9**
6 Public Deposits with Non-Banking Financial Companies	99.4			99.4	
7 L_3 (5 + 6)	**85,015.4**			**85,015.4**	

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		
		Apr. 20	Mar. 22	Apr. 5	Apr. 19
	1	2	3	4	5
1 Components					
1.1 Currency in Circulation	11,907.7	11,082.3	11,876.8	11,980.7	12,254.8
1.2 Bankers' Deposits with the RBI	3,206.7	3,362.4	2,996.2	2,689.5	3,275.1
1.2.1 Scheduled Commercial Banks	3,018.9	3,185.8	2,822.7	2,522.4	3,101.8
1.3 'Other' Deposits with the RBI	32.0	15.6	14.7	29.3	19.6
Reserve Money (1.1 + 1.2 + 1.3 = 2.1 + 2.2 + 2.3 – 2.4 – 2.5)	15,146.4	14,460.3	14,887.7	14,699.6	15,549.5
2 Sources					
2.1 RBI's Domestic Credit	6,358.0	5,568.6	6,099.9	5,827.7	6,656.1
2.1.1 Net RBI credit to the Government	5,923.9	5,493.9	5,854.2	5,578.2	6,440.1
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)	5,914.1	5,478.6	5,854.3	5,560.8	6,443.5
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	5,477.6	6,730.3	5,790.1	6,444.4
2.1.1.1.3.1 Central Government Securities	6,567.8	5,467.1	6,719.8	5,779.7	6,433.9
2.1.1.1.4 Rupee Coins	1.9	2.0	2.3	1.6	0.8
2.1.1.1.5 Deposits of the Central Government	666.0	1.0	878.3	231.0	1.7
2.1.1.2 Net RBI credit to State Governments	9.7	15.4	–	17.4	–3.4
2.1.2 RBI's Claims on Banks	403.5	39.7	217.2	227.9	194.8
2.1.2.1 Loans and Advances to Scheduled Commercial Banks	403.4	39.3	215.9	226.4	193.0
2.1.3 RBI's Credit to Commercial Sector	30.6	35.0	28.4	21.7	21.2
2.1.3.1 Loans and Advances to Primary Dealers	17.4	9.0	15.2	8.5	8.0
2.1.3.2 Loans and Advances to NABARD	–	–	–	–	–
2.2 Government's Currency Liabilities to the Public	151.3	135.7	151.3	151.3	151.3
2.3 Net Foreign Exchange Assets of the RBI	15,580.6	14,948.7	15,613.8	15,806.7	15,631.9
2.3.1 Gold	1,397.4	1,382.5	1,413.8	1,397.4	1,397.4
2.3.2 Foreign Currency Assets	14,183.4	13,566.4	14,200.1	14,409.5	14,234.8
2.4 Capital Account	6,364.9	5,706.8	6,393.4	6,528.5	6,272.4
2.5 Other Items (net)	578.6	485.9	583.9	557.7	617.4

No. 11: Reserve Money - Components and Sources

(₹ Billion)

Item	Outstanding as on March 31/ last Fridays of the month/ Fridays						
	2012-13	2012	2013				
		Apr. 27	Mar. 29	Apr. 5	Apr. 12	Apr. 19	Apr. 26
	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)	15,146.4	14,498.2	15,579.7	14,699.6	15,445.9	15,549.5	15,570.9
1 Components							
1.1 Currency in Circulation	11,907.7	11,063.7	11,923.5	11,980.7	12,206.2	12,254.8	12,258.0
1.2 Bankers' Deposits with RBI	3,206.7	3,417.2	3,620.4	2,689.5	3,221.4	3,275.1	3,293.5
1.3 'Other' Deposits with RBI	32.0	17.3	35.9	29.3	18.3	19.6	19.3
2 Sources							
2.1 Net Reserve Bank Credit to Government	5,923.9	5,514.7	6,367.5	5,578.2	6,300.1	6,440.1	6,334.2
2.2 Reserve Bank Credit to Banks	403.5	78.5	420.1	227.9	258.6	194.8	303.9
2.3 Reserve Bank Credit to Commercial Sector	30.6	37.1	30.6	21.7	21.2	21.2	18.0
2.4 Net Foreign Exchange Assets of RBI	15,580.6	15,164.9	15,597.1	15,806.7	15,767.3	15,631.9	15,789.2
2.5 Government's Currency Liabilities to the Public	151.3	135.7	151.3	151.3	151.3	151.3	151.3
2.6 Net Non- Monetary Liabilities of RBI	6,943.5	6,432.7	6,986.7	7,086.2	7,052.6	6,889.9	7,025.7

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		
		Apr. 20	Mar. 22	Apr. 5	Apr. 19
	1	2	3	4	5
1 Components					
1.1 Aggregate Deposits of Residents	66,688.1	59,590.2	66,688.1	68,208.5	67,552.5
1.1.1 Demand Deposits	6,619.2	6,002.2	6,619.2	6,793.5	6,386.7
1.1.2 Time Deposits of Residents	60,068.9	53,588.0	60,068.9	61,415.0	61,165.8
1.1.2.1 Short-term Time Deposits	27,031.0	24,114.6	27,031.0	27,636.8	27,524.6
1.1.2.1.1 Certificates of Deposits (CDs)	3,831.4	4,498.2	3,831.4	3,878.0	3,774.3
1.1.2.2 Long-term Time Deposit	33,037.9	29,473.4	33,037.9	33,778.3	33,641.2
1.2 Call/Term Funding from Financial Institutions	2,220.9	1,963.5	2,220.9	2,238.5	2,159.5
2 Sources					
2.1 Domestic Credit	76,332.6	67,274.3	76,332.6	77,480.7	76,764.1
2.1.1 Credit to the Government	20,034.6	18,159.0	20,034.6	20,301.8	20,179.1
2.1.2 Credit to the Commercial Sector	56,298.0	49,115.2	56,298.0	57,178.9	56,585.0
2.1.2.1 Bank Credit	52,628.3	46,192.5	52,628.3	53,463.8	52,899.3
2.1.2.1.1 Non-food Credit	51,664.1	45,376.1	51,664.1	52,484.2	51,936.8
2.1.2.2 Net Credit to Primary Dealers	59.0	43.8	59.0	67.0	16.9
2.1.2.3 Investments in Other Approved Securities	25.8	29.3	25.8	24.6	32.2
2.1.2.4 Other Investments (in non-SLR Securities)	3,585.0	2,849.6	3,585.0	3,623.5	3,636.6
2.2 Net Foreign Currency Assets of Commercial Banks (2.2.1–2.2.2–2.2.3)	–805.6	–889.6	–805.6	–953.1	–1,074.2
2.2.1 Foreign Currency Assets	921.3	637.2	921.3	822.2	628.4
2.2.2 Non-resident Foreign Currency Repatriable Fixed Deposits	826.1	778.9	826.1	840.2	832.4
2.2.3 Overseas Foreign Currency Borrowings	900.8	748.0	900.8	935.1	870.3
2.3 Net Bank Reserves (2.3.1+2.3.2–2.3.3)	3,011.9	3,521.4	3,011.9	2,694.2	3,301.3
2.3.1 Balances with the RBI	2,822.7	3,185.8	2,822.7	2,522.4	3,101.8
2.3.2 Cash in Hand	405.1	375.0	405.1	398.3	392.4
2.3.3 Loans and Advances from the RBI	215.9	39.3	215.9	226.4	193.0
2.4 Capital Account	6,262.7	5,834.3	6,262.7	6,388.3	6,592.3
2.5 Other items (net) (2.1+2.2+2.3–2.4–1.1–1.2)	3,367.2	2,518.1	3,367.2	2,386.6	2,686.9
2.5.1 Other Demand and Time Liabilities (net of 2.2.3)	3,224.6	2,713.8	3,224.6	2,909.3	2,854.8
2.5.2 Net Inter-Bank Liabilities (other than to PDs)	–802.9	–561.1	–802.9	–782.9	–725.8

No. 13: Scheduled Commercial Banks' Investments

(₹ Billion)

Item	As on March 22, 2013	2012	2013		
		Apr. 20	Mar. 22	Apr. 5	Apr. 19
	1	2	3	4	5
1 SLR Securities	20,061.0	18,188.3	20,061.0	20,326.4	20,211.2
2 Commercial Paper	324.3	183.1	324.3	239.8	261.9
3 Shares issued by					
3.1 PSUs	86.8	74.3	86.8	88.6	89.4
3.2 Private Corporate Sector	338.0	238.6	338.0	336.6	328.0
3.3 Others	8.7	70.1	8.7	8.6	8.6
4 Bonds/Debentures issued by					
4.1 PSUs	460.5	407.2	460.5	440.5	399.3
4.2 Private Corporate Sector	1,026.2	764.0	1,026.2	1,046.6	1,012.1
4.3 Others	480.8	367.6	480.8	498.8	569.6
5 Instruments issued by					
5.1 Mutual funds	436.7	368.9	436.7	496.0	518.8
5.2 Financial institutions	489.5	375.7	489.5	467.9	448.9

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	2013	2012-13	2012	2013	2013
		Apr.	Mar.	Apr.		Apr.	Mar.	Apr.
	1	2	3	4	5	6	7	8
Number of Reporting Banks	218	237	218	220	151	169	151	153
1 Liabilities to the Banking System	1,368.2	1,320.5	1,368.2	1,247.5	1,331.0	1,283.2	1,331.0	1,212.1
1.1 Demand and Time Deposits from Banks	879.3	836.8	879.3	915.2	846.5	803.0	846.5	880.1
1.2 Borrowings from Banks	398.0	418.3	398.0	289.1	393.6	414.9	393.6	288.8
1.3 Other Demand and Time Liabilities	90.9	65.3	90.9	43.3	90.9	65.3	90.9	43.2
2 Liabilities to Others	75,820.7	67,855.9	75,820.7	76,746.5	73,837.5	66,056.0	73,837.5	74,714.4
2.1 Aggregate Deposits	69,422.0	62,252.4	69,422.0	70,267.5	67,504.5	60,531.3	67,504.5	68,320.5
2.1.1 Demand	6,783.6	6,221.6	6,783.6	6,664.1	6,623.0	6,075.7	6,623.0	6,503.2
2.1.2 Time	62,638.4	56,030.8	62,638.4	63,603.5	60,881.5	54,455.6	60,881.5	61,817.3
2.2 Borrowings	2,227.2	2,087.4	2,227.2	2,569.2	2,216.6	2,069.6	2,216.6	2,544.9
2.3 Other Demand and Time Liabilities	4,171.5	3,516.2	4,171.5	3,909.8	4,116.3	3,455.1	4,116.3	3,849.0
3 Borrowings from Reserve Bank	217.2	78.5	217.2	303.9	215.9	78.1	215.9	301.6
3.1 Against Usance Bills /Promissory Notes	–	–	–	–	–	–	–	–
3.2 Others	217.2	78.5	217.2	303.9	215.9	78.1	215.9	301.6
4 Cash in Hand and Balances with Reserve Bank	3,320.9	3,723.0	3,320.9	3,628.0	3,227.6	3,625.2	3,227.6	3,532.1
4.1 Cash in Hand	414.8	400.5	414.8	428.8	404.9	391.2	404.9	418.8
4.2 Balances with Reserve Bank	2,906.1	3,322.5	2,906.1	3,199.2	2,822.7	3,233.9	2,822.7	3,113.3
5 Assets with the Banking System	2,450.8	2,226.9	2,450.8	2,261.4	2,199.8	1,948.0	2,199.8	1,979.0
5.1 Balances with Other Banks	1,051.5	828.4	1,051.5	1,088.6	960.8	741.6	960.8	994.2
5.1.1 In Current Account	127.5	110.6	127.5	122.3	111.9	95.8	111.9	104.8
5.1.2 In Other Accounts	923.9	717.9	923.9	966.2	848.9	645.8	848.9	889.5
5.2 Money at Call and Short Notice	400.2	451.5	400.2	320.9	296.3	330.4	296.3	200.1
5.3 Advances to Banks	136.1	144.7	136.1	151.5	126.9	133.6	126.9	142.2
5.4 Other Assets	863.0	802.2	863.0	700.5	815.8	742.5	815.8	642.5
6 Investment	20,660.3	18,642.8	20,660.3	20,757.9	20,061.0	18,100.6	20,061.0	20,162.1
6.1 Government Securities	20,633.5	18,610.9	20,633.5	20,719.5	20,036.5	18,071.0	20,036.5	20,125.3
6.2 Other Approved Securities	26.7	31.9	26.7	38.5	24.5	29.5	24.5	36.8
7 Bank Credit	54,281.4	47,540.8	54,281.4	54,622.1	52,604.6	46,111.7	52,604.6	52,944.0
7a Food Credit	1,045.6	957.8	1,045.6	1,146.1	964.2	894.5	964.2	1,064.7
7.1 Loans, Cash-credits and Overdrafts	52,244.0	45,804.2	52,244.0	52,562.9	50,591.7	44,395.0	50,591.7	50,908.6
7.2 Inland Bills-Purchased	253.1	173.4	253.1	265.5	248.6	168.3	248.6	258.9
7.3 Inland Bills-Discounted	1,109.9	972.4	1,109.9	1,128.8	1,094.5	961.8	1,094.5	1,115.8
7.4 Foreign Bills-Purchased	216.6	200.1	216.6	211.9	214.9	199.0	214.9	210.8
7.5 Foreign Bills-Discounted	457.7	390.7	457.7	453.0	454.7	387.6	454.7	450.0

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
		Apr. 20	Mar. 22	Apr. 19	2013-14	2013
	1	2	3	4	5	6
1 Gross Bank Credit	**49,642**	**43,793**	**49,642**	**49,815**	**0.3**	**13.8**
1.1 Food Credit	**946**	**843**	**946**	**930**	**–1.7**	**10.4**
1.2 Non-food Credit	**48,696**	**42,950**	**48,696**	**48,884**	**0.4**	**13.8**
1.2.1 Agriculture & Allied Activities	**5,899**	**5,440**	**5,899**	**6,011**	**1.9**	**10.5**
1.2.2 Industry	**22,302**	**19,382**	**22,302**	**22,390**	**0.4**	**15.5**
1.2.2.1 Micro & Small	2,843	2,395	2,843	2,943	3.5	22.9
1.2.2.2 Medium	1,247	1,237	1,247	1,248	0.1	0.9
1.2.2.3 Large	18,211	15,749	18,211	18,198	–0.1	15.6
1.2.3 Services	**11,486**	**10,180**	**11,486**	**11,359**	**–1.1**	**11.6**
1.2.3.1 Transport Operators	796	784	796	815	2.3	3.9
1.2.3.2 Computer Software	169	145	169	169	–0.2	16.5
1.2.3.3 Tourism, Hotels & Restaurants	354	326	354	354	–0.1	8.7
1.2.3.4 Shipping	82	73	82	83	1.4	14.7
1.2.3.5 Professional Services	564	480	564	596	5.6	24.3
1.2.3.6 Trade	2,760	2,259	2,760	2,784	0.9	23.3
1.2.3.6.1 Wholesale Trade	1,501	1,231	1,501	1,492	–0.6	21.2
1.2.3.6.2 Retail Trade	1,259	1,028	1,259	1,292	2.7	25.7
1.2.3.7 Commercial Real Estate	1,261	1,143	1,261	1,274	1.1	11.5
1.2.3.8 Non-Banking Financial Companies (NBFCs)	2,570	2,442	2,570	2,570	0.0	5.2
1.2.3.9 Other Services	2,930	2,530	2,930	2,714	–7.4	7.3
1.2.4 Personal Loans	**9,009**	**7,948**	**9,009**	**9,125**	**1.3**	**14.8**
1.2.4.1 Consumer Durables	84	71	84	86	2.0	19.9
1.2.4.2 Housing	4,600	4,084	4,600	4,701	2.2	15.1
1.2.4.3 Advances against Fixed Deposits	611	552	611	601	–1.6	9.0
1.2.4.4 Advances to Individuals against share & bonds	31	32	31	30	–3.0	–4.3
1.2.4.5 Credit Card Outstanding	249	210	249	252	1.3	20.1
1.2.4.6 Education	550	500	550	548	–0.3	9.6
1.2.4.7 Vehicle Loans	1,111	902	1,111	1,142	2.8	26.6
1.2.4.8 Other Personal Loans	1,774	1,598	1,774	1,764	–0.5	10.4
1.2A Priority Sector	**15,398**	**14,039**	**15,398**	**15,892**	**3.2**	**13.2**
1.2A.1 Agriculture & Allied Activities	5,899	5,440	5,899	6,011	1.9	10.5
1.2A.2 Micro & Small Enterprises	5,623	4,939	5,623	5,823	3.6	17.9
1.2A.2.1 Manufacturing	2,843	2,395	2,843	2,943	3.5	22.9
1.2A.2.2 Services	2,779	2,544	2,779	2,880	3.6	13.2
1.2A.3 Housing	2,672	2,558	2,672	2,792	4.5	9.2
1.2A.4 Micro-Credit	165	163	165	172	4.0	5.6
1.2A.5 Education Loans	526	480	526	546	3.8	13.9
1.2A.6 State-Sponsored Orgs. for SC/ST	1	1	1	1	–2.4	–14.2
1.2A.7 Weaker Sections	2,734	2,392	2,734	2,890	5.7	20.8
1.2A.8 Export Credit	422	372	422	425	0.7	14.3

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
		Apr. 20	Mar. 22	Apr. 19	2013-14	2013
	1	2	3	4	5	6
1 Industry	**22,302**	**19,382**	**22,302**	**22,390**	**0.4**	**15.5**
1.1 Mining & Quarrying (incl. Coal)	**346**	**327**	**346**	**327**	**–5.7**	**–0.2**
1.2 Food Processing	**1,174**	**925**	**1,174**	**1,230**	**4.8**	**33.0**
1.2.1 Sugar	330	320	330	343	4.1	7.1
1.2.2 Edible Oils & Vanaspati	171	131	171	175	2.5	33.3
1.2.3 Tea	26	21	26	26	–0.5	24.5
1.2.4 Others	648	453	648	686	6.0	51.6
1.3 Beverage & Tobacco	**165**	**150**	**165**	**162**	**–1.9**	**7.7**
1.4 Textiles	**1,835**	**1,594**	**1,835**	**1,857**	**1.2**	**16.5**
1.4.1 Cotton Textiles	925	828	925	935	1.1	12.9
1.4.2 Jute Textiles	22	18	22	23	4.9	30.2
1.4.3 Man-Made Textiles	189	160	189	191	1.0	19.6
1.4.4 Other Textiles	699	589	699	708	1.2	20.3
1.5 Leather & Leather Products	**87**	**79**	**87**	**87**	**–0.3**	**9.1**
1.6 Wood & Wood Products	**77**	**62**	**77**	**79**	**3.0**	**26.7**
1.7 Paper & Paper Products	**283**	**248**	**283**	**294**	**3.8**	**18.2**
1.8 Petroleum, Coal Products & Nuclear Fuels	**643**	**571**	**643**	**534**	**–17.0**	**–6.5**
1.9 Chemicals & Chemical Products	**1,592**	**1,249**	**1,592**	**1,533**	**–3.8**	**22.7**
1.9.1 Fertiliser	269	154	269	273	1.5	76.7
1.9.2 Drugs & Pharmaceuticals	495	452	495	503	1.5	11.3
1.9.3 Petro Chemicals	441	325	441	371	–15.9	14.3
1.9.4 Others	387	317	387	385	–0.3	21.4
1.10 Rubber, Plastic & their Products	**312**	**297**	**312**	**317**	**1.5**	**6.6**
1.11 Glass & Glassware	**74**	**63**	**74**	**74**	**–1.3**	**17.5**
1.12 Cement & Cement Products	**459**	**370**	**459**	**457**	**–0.3**	**23.4**
1.13 Basic Metal & Metal Product	**3,141**	**2,625**	**3,141**	**3,149**	**0.2**	**20.0**
1.13.1 Iron & Steel	2,366	1,954	2,366	2,394	1.2	22.5
1.13.2 Other Metal & Metal Product	775	671	775	755	–2.6	12.5
1.14 All Engineering	**1,284**	**1,136**	**1,284**	**1,304**	**1.5**	**14.7**
1.14.1 Electronics	334	282	334	307	–8.2	8.7
1.14.2 Others	950	854	950	997	4.9	16.7
1.15 Vehicles, Vehicle Parts & Transport Equipment	**589**	**530**	**589**	**586**	**–0.5**	**10.5**
1.16 Gems & Jewellery	**611**	**522**	**611**	**630**	**3.1**	**20.8**
1.17 Construction	**522**	**490**	**522**	**532**	**2.1**	**8.6**
1.18 Infrastructure	**7,297**	**6,275**	**7,297**	**7,595**	**4.1**	**21.0**
1.18.1 Power	4,158	3,290	4,158	4,353	4.7	32.3
1.18.2 Telecommunications	878	954	878	910	3.7	–4.6
1.18.3 Roads	1,313	1,109	1,313	1,343	2.3	21.2
1.18.4 Other Infrastructure	948	923	948	989	4.3	7.1
1.19 Other Industries	**1,810**	**1,867**	**1,810**	**1,646**	**–9.1**	**–11.9**

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					
	2011-12	2012			2013	
		Jan. 27	Dec. 14	Dec. 28	Jan. 11	Jan. 25
	1	2	3	4	5	6
Number of Reporting Banks	31	31	31	31	31	31
1 Aggregate Deposits (2.1.1.2+2.2.1.2)	315.3	304.4	340.9	339.7	352.3	352.6
2 Demand and Time Liabilities						
2.1 Demand Liabilities	126.1	107.5	124.3	120.1	126.2	127.0
2.1.1 Deposits						
2.1.1.1 Inter-Bank	19.6	13.0	22.9	19.1	20.6	17.9
2.1.1.2 Others	66.4	63.9	71.1	70.3	72.6	70.4
2.1.2 Borrowings from Banks	12.3	7.9	5.0	11.5	12.3	19.0
2.1.3 Other Demand Liabilities	27.8	22.8	25.4	19.2	20.9	19.7
2.2 Time Liabilities	715.1	693.7	753.8	762.6	770.4	783.1
2.2.1 Deposits						
2.2.1.1 Inter-Bank	455.4	446.8	476.4	483.1	483.2	486.8
2.2.1.2 Others	248.9	240.6	269.8	269.4	279.8	282.2
2.2.2 Borrowings from Banks	3.6	0.3	–	2.4	–	6.7
2.2.3 Other Time Liabilities	7.2	6.0	7.6	7.6	7.4	7.3
3 Borrowing from Reserve Bank	–	–	–	–	–	–
4 Borrowings from a notified bank / State Government	275.9	243.2	301.9	307.0	306.4	306.6
4.1 Demand	106.9	99.3	125.5	129.2	126.5	126.7
4.2 Time	169.0	143.8	176.4	177.8	179.9	180.0
5 Cash in Hand and Balances with Reserve Bank	37.1	40.7	34.6	34.2	32.3	33.8
5.1 Cash in Hand	1.9	1.8	2.1	2.1	2.0	1.9
5.2 Balance with Reserve Bank	35.2	38.9	32.5	32.0	30.3	31.8
6 Balances with Other Banks in Current Account	6.5	5.1	5.0	5.2	24.2	5.4
7 Investments in Government Securities	251.8	250.2	265.0	266.5	267.8	269.5
8 Money at Call and Short Notice	159.1	157.6	146.0	156.0	132.6	147.6
9 Bank Credit (10.1+11)	310.3	290.7	333.8	335.6	340.7	343.7
10 Advances						
10.1 Loans, Cash-Credits and Overdrafts	310.1	290.5	333.7	335.4	340.5	343.6
10.2 Due from Banks	461.6	441.4	561.2	561.9	565.1	567.1
11 Bills Purchased and Discounted	0.1	0.2	0.1	0.2	0.2	0.1

Prices and Production

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

Group/Sub group	2012-13			Rural			Urban			Combined		
	Rural	Urban	Combined	Apr. 12	Mar. 13	Apr. 13	Apr. 12	Mar. 13	Apr. 13	Apr. 12	Mar. 13	Apr. 13
	1	2	3	4	5	6	7	8	9	10	11	12
1 Food, beverages and tobacco	**125.0**	**124.3**	**124.8**	**117.2**	**128.9**	**129.5**	**117.3**	**128.9**	**130.2**	**117.2**	**128.9**	**129.7**
1.1 Cereals and products	117.8	115.2	117.1	109.5	125.8	125.9	104.2	126.1	126.8	108.1	125.9	126.1
1.2 Pulses and products	112.1	113.6	112.6	104.5	115.0	115.1	101.7	113.3	114.3	103.6	114.5	114.9
1.3 Oils and fats	138.5	145.6	140.8	129.8	142.6	141.8	139.6	146.5	145.3	132.9	143.9	142.9
1.4 Egg, fish and meat	128.8	128.8	128.8	120.9	135.2	135.7	120.0	138.1	139.5	120.6	136.2	137.0
1.5 Milk and products	132.6	128.0	130.9	127.2	136.1	137.0	124.1	131.2	131.6	126.1	134.3	135.0
1.6 Condiments and spices	126.1	121.9	124.9	121.5	128.6	128.5	119.6	124.6	125.9	120.9	127.4	127.7
1.7 Vegetables	129.8	121.7	127.2	118.1	123.0	125.3	117.2	116.1	121.7	117.8	120.8	124.2
1.8 Fruits	137.4	135.9	136.7	133.1	141.1	144.9	134.7	139.1	144.0	133.8	140.2	144.5
1.9 Sugar etc	108.9	109.3	109.0	99.5	110.9	110.1	98.0	108.6	107.9	99.1	110.2	109.5
1.10 Non-alcoholic beverages	124.5	124.2	124.4	118.8	128.6	129.4	118.0	131.3	132.5	118.5	129.8	130.7
1.11 Prepared meals etc	124.1	125.2	124.6	118.7	128.4	128.8	118.5	131.9	132.9	118.6	130.1	130.8
1.12 Pan, tobacco and intoxicants	132.2	133.4	132.6	125.6	136.7	137.0	126.5	139.0	141.2	125.8	137.3	138.2
2 Fuel and light	**127.4**	**124.8**	**126.4**	**121.9**	**130.8**	**131.3**	**119.5**	**129.6**	**130.1**	**121.0**	**130.3**	**130.8**
3 Housing	**--**	**121.0**	**121.0**	**--**	**--**	**--**	**115.3**	**126.4**	**127.5**	**115.3**	**126.4**	**127.5**
4 Clothing, bedding and footwear	**131.6**	**132.5**	**131.9**	**124.6**	**136.9**	**137.6**	**126.6**	**137.9**	**139.0**	**125.3**	**137.3**	**138.1**
4.1 Clothing and bedding	132.1	133.8	132.7	125.0	137.6	138.3	127.8	139.4	140.5	126.0	138.2	139.1
4.2 Footwear	128.5	125.0	127.2	122.2	133.2	134.0	119.9	129.2	129.8	121.4	131.8	132.5
5 Miscellaneous	**120.7**	**116.8**	**118.9**	**116.4**	**123.7**	**123.6**	**112.5**	**120.8**	**121.1**	**114.6**	**122.4**	**122.4**
5.1 Medical care	116.6	115.2	116.2	112.8	119.2	119.7	111.5	119.1	119.7	112.4	119.2	119.7
5.2 Education, stationery etc	117.2	116.5	116.8	113.2	119.6	120.0	111.8	119.4	121.3	112.4	119.5	120.7
5.3 Recreation and amusement	114.4	106.6	109.7	111.3	116.9	117.2	104.2	109.1	109.8	107.0	112.2	112.7
5.4 Transport and communication	122.0	117.4	119.4	117.5	126.3	126.0	113.1	122.2	121.4	115.0	124.0	123.4
5.5 Personal care and effects	117.9	115.0	116.7	113.7	121.0	121.4	111.2	118.1	118.6	112.7	119.8	120.3
5.6 Household requisites	127.9	119.8	124.6	123.0	129.9	128.3	115.0	123.5	123.5	119.8	127.3	126.4
5.7 Others	131.5	132.6	131.9	124.7	136.5	136.8	125.3	140.8	142.0	124.9	138.2	138.9
General Index (All Groups)	**124.5**	**121.8**	**123.3**	**117.9**	**128.3**	**128.7**	**116.1**	**126.5**	**127.4**	**117.1**	**127.5**	**128.1**

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

No. 19: Other Consumer Price Indices

Item	Base Year	Linking Factor	2012-13	2012	2013	
				Apr.	Mar.	Apr.
	1	2	3	4	5	6
1 Consumer Price Index for Industrial Workers	2001	4.63	215	205	224	226
2 Consumer Price Index for Agricultural Labourers	1986-87	5.89	672	633	704	711
3 Consumer Price Index for Rural Labourers	1986-87	–	673	634	705	711

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	
		Apr.	Mar.	Apr.
	1	2	3	4
1 Standard Gold (₹ per 10 grams)	30,164	28,563	29,514	27,743
2 Silver (₹ per kilogram)	57,602	56,678	54,995	48,845

Source: Bombay Bullion Association Ltd.

No. 21: Wholesale Price Index

(Base: 2004-05 = 100)

Commodities	Weight	2012-13	2012	2013		
			Apr.	Feb.	Mar. (P)	Apr. (P)
	1	2	3	4	5	6
1 ALL COMMODITIES	**100.000**	**167.7**	**163.5**	**170.9**	**170.6**	**171.5**
1.1 PRIMARY ARTICLES	**20.118**	**220.0**	**215.6**	**224.4**	**223.6**	**228.0**
1.1.1 Food articles	**14.337**	**211.8**	**207.2**	**215.4**	**214.3**	**219.8**
1.1.1.1 Food Grains	4.090	207.2	188.9	216.0	216.7	216.5
1.1.1.1.1 Cereals	3.373	199.9	184.3	211.4	213.4	213.1
1.1.1.1.2 Pulses	0.717	241.3	211.0	237.7	232.4	232.7
1.1.1.2 Fruits & Vegetables	3.843	198.4	215.3	190.0	186.3	206.4
1.1.1.2.1 Vegetables	1.736	210.2	237.6	193.0	188.2	216.1
1.1.1.2.2 Fruits	2.107	188.7	197.0	187.5	184.7	198.4
1.1.1.3 Milk	3.238	208.1	202.9	210.6	210.2	211.1
1.1.1.4 Eggs, Meat & Fish	2.414	244.4	229.8	258.9	254.7	253.8
1.1.1.5 Condiments & Spices	0.569	209.9	207.4	220.1	227.1	229.8
1.1.1.6 Other Food Articles	0.183	242.8	225.4	235.0	250.5	251.6
1.1.2 Non-Food Articles	**4.258**	**201.9**	**194.9**	**206.8**	**206.9**	**209.7**
1.1.2.1 Fibres	0.877	208.4	197.2	207.6	220.5	219.1
1.1.2.2 Oil Seeds	1.781	197.9	178.0	204.3	203.8	210.1
1.1.2.3 Other Non-Food Articles	1.386	211.1	225.2	210.3	211.4	210.2
1.1.2.4 Flowers	0.213	148.2	130.5	202.4	148.2	164.3
1.1.3 Minerals	**1.524**	**347.4**	**351.9**	**357.8**	**357.4**	**355.0**
1.1.3.1 Metallic Minerals	0.489	438.9	430.1	447.0	446.0	447.6
1.1.3.2 Other Minerals	0.135	204.7	174.2	217.4	216.9	217.6
1.1.3.3 Crude Petroleum	0.900	319.0	335.9	330.3	330.3	325.3
1.2 FUEL & POWER	**14.910**	**186.9**	**178.8**	**195.5**	**195.9**	**194.6**
1.2.1 Coal	2.094	210.3	210.3	210.3	210.4	210.4
1.2.2 Mineral Oils	9.364	202.6	194.5	215.6	216.0	214.0
1.2.3 Electricity	3.452	129.8	117.0	132.4	132.4	132.4
1.3 MANUFACTURED PRODUCTS	**64.972**	**147.0**	**143.8**	**148.6**	**148.4**	**148.7**
1.3.1 Food Products	**9.974**	**163.4**	**155.5**	**166.7**	**164.9**	**165.8**
1.3.1.1 Dairy Products	0.568	176.1	177.1	176.1	176.1	176.3
1.3.1.2 Canning, Preserving & Processing of Food	0.358	143.7	142.4	145.6	144.4	146.6
1.3.1.3 Grain Mill Products	1.340	156.0	146.7	167.0	165.8	165.5
1.3.1.4 Bakery Products	0.444	130.0	128.3	130.1	133.3	133.6
1.3.1.5 Sugar, Khandsari & Gur	2.089	185.8	170.5	186.8	184.5	184.9
1.3.1.6 Edible Oils	3.043	148.0	144.2	149.1	145.0	145.2
1.3.1.7 Oil Cakes	0.494	210.9	186.1	211.9	218.5	225.0
1.3.1.8 Tea & Coffee Proccessing	0.711	163.1	154.7	170.1	166.8	169.3
1.3.1.9 Manufacture of Salt	0.048	182.2	181.8	182.4	185.4	185.4
1.3.1.10 Other Food Products	0.879	164.5	159.2	170.8	170.1	171.8
1.3.2 Beverages, Tobacco & Tobacco Products	**1.762**	**175.1**	**169.7**	**178.5**	**178.1**	**181.2**
1.3.2.1 Wine Industries	0.385	124.8	123.6	125.8	125.8	125.8
1.3.2.2 Malt Liquor	0.153	171.5	170.2	170.1	170.1	170.1
1.3.2.3 Soft Drinks & Carbonated Water	0.241	152.8	150.3	157.4	157.3	157.6
1.3.2.4 Manufacture of Bidi, Cigarettes, Tobacco & Zarda	0.983	200.8	192.5	205.7	204.9	210.5
1.3.3 Textiles	**7.326**	**131.3**	**128.7**	**132.8**	**132.7**	**133.6**
1.3.3.1 Cotton Textiles	2.605	146.1	142.5	147.8	148.7	150.7
1.3.3.1.1 Cotton Yarn	1.377	157.0	151.7	159.4	161.5	164.8
1.3.3.1.2 Cotton Fabric	1.228	133.9	132.2	134.7	134.4	134.8
1.3.3.2 Man-Made Textiles	2.206	124.1	120.6	127.8	127.2	127.1
1.3.3.2.1 Man-Made Fibre	1.672	124.0	120.3	127.9	127.2	127.2
1.3.3.2.2 Man-Made Fabric	0.533	124.3	121.4	127.7	127.0	126.7
1.3.3.3 Woollen Textiles	0.294	142.5	135.3	146.7	148.1	150.0
1.3.3.4 Jute, Hemp & Mesta Textiles	0.261	177.7	173.9	180.4	180.4	180.9
1.3.3.5 Other Misc. Textiles	1.960	111.9	112.6	110.0	109.0	109.2
1.3.4 Wood & Wood Products	**0.587**	**170.9**	**166.1**	**173.4**	**173.5**	**174.0**
1.3.4.1 Timber/Wooden Planks	0.181	140.5	138.3	141.8	141.8	141.8
1.3.4.2 Processed Wood	0.128	178.9	175.2	180.5	180.4	179.9
1.3.4.3 Plywood & Fibre Board	0.241	193.5	186.3	197.5	197.5	198.7
1.3.4.4 Others	0.038	145.9	140.0	147.3	148.8	151.7

No. 21: Wholesale Price Index (Concld.)

(Base: 2004-05 = 100)

Commodities	Weight	2012-13	2012	2013		
			Apr.	Feb.	Mar. (P)	Apr. (P)
	1	2	3	4	5	6
1.3.5 Paper & Paper Products	**2.034**	**136.6**	**133.8**	**139.4**	**140.0**	**140.0**
1.3.5.1 Paper & Pulp	1.019	135.8	133.8	137.9	138.4	138.5
1.3.5.2 Manufacture of boards	0.550	128.2	126.1	129.9	130.2	130.2
1.3.5.3 Printing & Publishing	0.465	148.3	142.7	153.9	155.3	155.1
1.3.6 Leather & Leather Products	**0.835**	**134.2**	**132.1**	**134.1**	**134.3**	**135.1**
1.3.6.1 Leathers	0.223	112.2	111.5	112.1	112.7	112.8
1.3.6.2 Leather Footwear	0.409	149.8	146.8	149.0	149.2	150.0
1.3.6.3 Other Leather Products	0.203	126.8	125.0	128.1	128.2	129.8
1.3.7 Rubber & Plastic Products	**2.987**	**137.5**	**135.1**	**139.3**	**139.4**	**139.5**
1.3.7.1 Tyres & Tubes	0.541	163.1	162.6	162.9	162.8	162.8
1.3.7.1.1 Tyres	0.488	162.9	162.4	162.8	162.6	162.6
1.3.7.1.2 Tubes	0.053	165.1	164.8	165.1	165.1	165.1
1.3.7.2 Plastic Products	1.861	127.0	123.8	129.6	129.7	130.1
1.3.7.3 Rubber Products	0.584	147.4	145.6	148.3	148.5	148.0
1.3.8 Chemicals & Chemical Products	**12.018**	**143.6**	**140.3**	**145.8**	**145.5**	**145.8**
1.3.8.1 Basic Inorganic Chemicals	1.187	147.8	143.0	149.3	149.0	148.9
1.3.8.2 Basic Organic Chemicals	1.952	140.2	139.6	142.3	142.2	142.3
1.3.8.3 Fertilisers & Pesticides	3.145	144.8	138.7	148.0	148.0	147.6
1.3.8.3.1 Fertilisers	2.661	149.0	142.3	152.5	152.4	152.5
1.3.8.3.2 Pesticides	0.483	121.3	118.9	122.9	124.1	120.5
1.3.8.4 Paints, Varnishes & Lacquers	0.529	143.6	139.6	144.4	144.4	144.5
1.3.8.5 Dyestuffs & Indigo	0.563	126.9	124.5	127.4	127.9	128.0
1.3.8.6 Drugs & Medicines	0.456	124.2	122.5	125.3	125.2	125.5
1.3.8.7 Perfumes, Cosmetics, Toiletries etc.	1.130	151.9	149.8	152.9	152.6	152.6
1.3.8.8 Turpentine, Plastic Chemicals	0.586	139.9	138.8	141.9	142.6	145.3
1.3.8.9 Polymers including Synthetic Rubber	0.970	135.3	134.7	136.9	136.2	138.1
1.3.8.10 Petrochemical Intermediates	0.869	164.1	161.3	167.6	165.3	166.3
1.3.8.11 Matches, Explosives & other Chemicals	0.629	142.5	138.4	144.8	144.1	145.6
1.3.9 Non-Metallic Mineral Products	**2.556**	**163.4**	**159.7**	**165.6**	**167.7**	**166.6**
1.3.9.1 Structural Clay Products	0.658	165.0	161.8	167.8	171.4	167.6
1.3.9.2 Glass, Earthenware, Chinaware & their Products	0.256	130.8	129.2	131.5	131.6	131.1
1.3.9.3 Cement & Lime	1.386	168.6	164.9	169.9	171.9	171.8
1.3.9.4 Cement, Slate & Graphite Products	0.256	163.2	156.4	171.0	171.0	171.0
1.3.10 Basic Metals, Alloys & Metal Products	**10.748**	**166.1**	**165.9**	**165.1**	**164.8**	**164.3**
1.3.10.1 Ferrous Metals	8.064	156.3	157.9	154.6	154.6	154.8
1.3.10.1.1 Iron & Semis	1.563	161.6	168.0	154.8	154.8	155.5
1.3.10.1.2 Steel: Long	1.630	169.7	172.7	167.0	166.9	166.3
1.3.10.1.3 Steel: Flat	2.611	154.3	154.6	153.6	154.0	153.8
1.3.10.1.4 Steel: Pipes & Tubes	0.314	128.1	126.0	128.1	127.9	128.4
1.3.10.1.5 Stainless Steel & alloys	0.938	156.7	154.9	158.6	157.9	158.4
1.3.10.1.6 Castings & Forgings	0.871	138.7	137.8	139.8	139.6	140.8
1.3.10.1.7 Ferro alloys	0.137	151.5	151.7	151.1	150.8	153.3
1.3.10.2 Non-Ferrous Metals	1.004	161.0	158.7	161.9	162.2	161.9
1.3.10.2.1 Aluminium	0.489	134.2	130.4	135.5	136.1	135.9
1.3.10.2.2 Other Non-Ferrous Metals	0.515	186.4	185.6	187.0	187.1	186.7
1.3.10.3 Metal Products	1.680	216.0	208.8	217.0	215.1	211.9
1.3.11 Machinery & Machine Tools	**8.931**	**128.4**	**126.4**	**129.3**	**129.5**	**129.6**
1.3.11.1 Agricultural Machinery & Implements	0.139	137.0	135.6	137.4	137.3	137.4
1.3.11.2 Industrial Machinery	1.838	146.2	144.5	147.4	147.5	147.4
1.3.11.3 Construction Machinery	0.045	135.7	132.5	136.5	136.9	136.9
1.3.11.4 Machine Tools	0.367	154.4	145.9	157.6	157.8	157.8
1.3.11.5 Air Conditioner & Refrigerators	0.429	112.5	110.2	113.6	113.9	113.9
1.3.11.6 Non-Electrical Machinery	1.026	122.9	122.1	123.5	123.5	123.9
1.3.11.7 Electrical Machinery, Equipment & Batteries	2.343	133.0	130.7	133.8	134.2	134.2
1.3.11.8 Electrical Accessories, Wires, Cables etc.	1.063	143.4	140.4	144.5	145.0	145.3
1.3.11.9 Electrical Apparatus & Appliances	0.337	117.6	117.1	117.0	118.7	117.2
1.3.11.10 Electronics Items	0.961	86.7	85.9	87.4	87.4	87.2
1.3.11.11 IT Hardware	0.267	89.2	89.1	89.2	89.2	89.2
1.3.11.12 Communication Equipments	0.118	94.1	95.1	93.7	93.7	93.7
1.3.12 Transport, Equipment & Parts	**5.213**	**129.8**	**126.8**	**132.0**	**132.3**	**132.4**
1.3.12.1 Automotives	4.231	129.0	126.0	131.5	131.7	131.9
1.3.12.2 Auto Parts	0.804	130.3	127.8	131.1	131.4	131.2
1.3.12.3 Other Transport Equipments	0.178	147.3	143.3	149.8	149.8	149.8

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-March		March	
				2011-12	2012-13	2012	2013
	1	2	3	4	5	6	7
General Index	**100.00**	**170.3**	**172.0**	**170.3**	**172.0**	**187.6**	**192.3**
1 Sectoral Classification							
1.1 Mining and Quarrying	14.16	128.5	125.3	128.5	125.3	149.6	145.3
1.2 Manufacturing	75.53	181.0	183.1	181.0	183.1	198.7	205.0
1.3 Electricity	10.32	149.3	155.2	149.3	155.2	158.6	164.2
2 Use-Based Classification							
2.1 Basic Goods	45.68	150.0	153.5	150.0	153.5	163.3	167.5
2.2 Capital Goods	8.83	267.8	251.0	267.8	251.0	313.2	334.9
2.3 Intermediate Goods	15.69	144.4	146.2	144.4	146.2	155.1	154.8
2.4 Consumer Goods	29.81	186.1	190.6	186.1	190.6	204.7	207.9
2.4.1 Consumer Durables	8.46	295.1	301.2	295.1	301.2	327.1	312.5
2.4.2 Consumer Non-Durables	21.35	142.9	146.8	142.9	146.8	156.2	166.4

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

Government Accounts and Treasury Bills

No. 23: Union Government Accounts at a Glance

(Amount in ₹ Billion)

Item	Financial Year			April 2013	Percentage to Revised Estimates	Percentage to Budget Estimates
	2012-13	2012-13	2013-14			
	(Revised Estimates)	(Provisional Accounts)	(Budget Estimates)			
	1	2	3	4	5	6
1 Revenue Receipts	8,718.3	8,788.0	10,563.3	79.0	100.8	0.7
1.1 Tax Revenue (Net)	7,421.2	7,410.6	8,840.8	31.9	99.9	0.4
1.2 Non-Tax Revenue	1,297.1	1,377.4	1,722.5	47.1	106.2	2.7
2 Capital Receipts	5,590.0	5,306.2	6,089.7	937.7	94.9	15.4
2.1 Recovery of Loans	140.7	148.4	106.5	1.2	105.4	1.2
2.2 Other Receipts	240.0	258.9	558.1	0.3	107.9	0.1
2.3 Borrowings and Other Liabilities	5,209.3	4,898.9	5,425.0	936.1	94.0	17.3
3 Total Receipts (1+2)	14,308.3	14,094.2	16,653.0	1,016.6	98.5	6.1
4 Non-Plan Expenditure	10,016.4	9,951.4	11,099.8	765.9	99.4	6.9
4.1 On Revenue Account	9,197.0	9,129.0	9,929.1	737.5	99.3	7.4
4.1.1 Interest Payments	3,166.7	3,120.0	3,706.8	169.0	98.5	4.6
4.2 On Capital Account	819.4	822.4	1,170.7	28.5	100.4	2.4
5 Plan Expenditure	4,291.9	4,142.8	5,553.2	250.7	96.5	4.5
5.1 On Revenue Account	3,433.7	3,293.6	4,432.6	206.9	95.9	4.7
5.2 On Capital Account	858.1	849.2	1,120.6	43.9	99.0	3.9
6 Total Expenditure (4+5)	14,308.3	14,094.2	16,653.0	1,016.6	98.5	6.1
7 Revenue Expenditure (4.1+5.1)	12,630.7	12,422.6	14,361.7	944.3	98.4	6.6
8 Capital Expenditure (4.2+5.2)	1,677.5	1,671.6	2,291.3	72.3	99.6	3.2
9 Revenue Deficit (7-1)	3,912.5	3,634.6	3,798.4	865.3	92.9	22.8
10 Fiscal Deficit {6-(1+2.1+2.2)}	5,209.3	4,898.9	5,425.0	936.1	94.0	17.3
11 Gross Primary Deficit [10-4.1.1]	2,042.5	1,778.9	1,718.1	767.2	87.1	44.7

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

No. 24: Treasury Bills – Ownership Pattern

(₹ Billion)

Item	2012-13	2012	2013					
		Apr. 27	Mar. 22	Mar. 29	Apr. 5	Apr. 12	Apr. 19	Apr. 26
	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	831.2	1,588.5	1,422.2	1,098.4	940.8	840.4	1,004.4
1.4 Others	3.7	12.2	3.7	3.7	6.7	8.2	7.9	13.0
2 91-day								
2.1 Banks	345.6	501.2	342.1	345.6	336.5	356.9	363.0	400.2
2.2 Primary Dealers	248.9	428.6	261.2	248.9	286.4	270.5	253.7	234.7
2.3 State Governments	282.0	232.9	292.6	282.0	317.0	312.0	362.0	337.0
2.4 Others	174.4	190.4	145.6	174.4	147.8	145.4	166.3	128.6
3 182-day								
3.1 Banks	234.9	127.9	216.0	234.9	222.6	237.4	218.3	217.5
3.2 Primary Dealers	207.9	252.1	225.0	207.9	234.8	210.9	249.3	283.4
3.3 State Governments	–	–	2.4	–	–	–	–	–
3.4 Others	199.2	160.1	200.9	199.2	189.8	193.7	187.8	138.8
4 364-day								
4.1 Banks	335.7	198.0	324.8	335.7	374.7	358.4	349.4	367.6
4.2 Primary Dealers	447.9	441.1	511.8	447.9	562.2	499.4	533.0	511.0
4.3 State Governments	3.8	4.2	3.8	3.8	3.8	3.8	3.8	3.8
4.4 Others	517.4	310.5	464.3	517.4	428.8	445.8	426.2	419.6
5 Total	4,423.5	3,690.4	4,582.8	4,423.5	4,209.4	3,983.2	3,961.1	4,059.6

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										
Apr. 3	50	84	280.13	45.38	37	50.00	45.38	95.38	98.08	7.8519
Apr. 10	50	68	239.70	40.74	24	50.00	40.74	90.74	98.09	7.8102
Apr. 17	50	82	323.35	50.16	44	50.00	50.16	100.16	98.11	7.7268
Apr. 23	50	67	247.57	10.15	40	50.00	10.15	60.15	98.13	7.6435
Apr. 30	50	73	269.07	18.61	33	50.00	18.61	68.61	98.15	7.5602
182-day Treasury Bills										
2012-13										
Mar. 26	50	60	145.64	–	24	50.00	–	50.00	96.16	8.0086
2013-14										
Apr. 10	50	71	177.41	0.01	28	50.00	0.01	50.01	96.26	7.7920
Apr. 23	50	54	138.46	–	26	50.00	–	50.00	96.33	7.6406
364-day Treasury Bills										
2012-13										
Mar. 20	50	82	172.77	0.02	37	50.00	0.02	50.02	92.79	7.7916
2013-14										
Apr. 3	50	69	131.25	0.11	35	50.00	0.11	50.11	92.83	7.7450
Apr. 17	50	74	205.99	0.04	29	50.00	0.04	50.04	92.97	7.5824
Apr. 30	50	77	176.74	0.03	23	50.00	0.03	50.03	93.06	7.4780

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
April	2, 2013	5.50-7.70	7.58
April	3, 2013	5.50-7.65	7.38
April	4, 2013	6.00-7.55	7.32
April	5, 2013	6.00-7.75	7.36
April	6, 2013	6.60-8.30	7.88
April	8, 2013	6.10-7.70	7.61
April	9, 2013	6.10-7.65	7.57
April	10, 2013	6.10-7.90	7.59
April	12, 2013	6.10-7.65	7.56
April	13, 2013	6.50-7.36	7.14
April	15, 2013	6.30-7.65	7.54
April	16, 2013	6.10-7.70	7.53
April	17, 2013	6.10-7.65	7.53
April	18, 2013	6.00-7.60	7.51
April	20, 2013	6.70-7.50	7.24
April	22, 2013	6.00-7.70	7.56
April	23, 2013	6.40-7.80	7.60
April	25, 2013	6.40-7.65	7.57
April	26, 2013	6.40-7.60	7.55
April	27, 2013	6.50-7.60	7.11
April	29, 2013	6.40-7.60	7.55
April	30, 2013	6.40-8.50	7.76
May	2, 2013	6.40-7.65	7.55
May	3, 2013	6.30-7.60	7.42
May	4, 2013	6.40-7.30	6.99
May	6, 2013	6.25-7.40	7.29
May	7, 2013	6.25-7.50	7.33
May	8, 2013	6.00-7.40	7.31
May	9, 2013	6.30-7.35	7.31
May	10, 2013	6.25-7.35	7.29
May	11, 2013	6.40-7.35	6.98
May	13, 2013	6.25-7.45	7.29
May	14, 2013	6.25-7.35	7.28
May	15, 2013	6.25-7.40	7.27

No. 27: Certificates of Deposit

Item	2012	2013			
	Apr. 20	Mar. 8	Mar. 22	Apr. 5	Apr. 19
	1	2	3	4	5
1 Amount Outstanding (₹ Billion)	4,447.5	3,402.5	3,896.1	3,931.2	3,860.4
1.1 Issued during the fortnight (₹ Billion)	119.2	837.5	877.5	773.2	86.6
2 Rate of Interest (per cent)	9.00-10.60	7.95-10.13	8.80-10.12	7.78-9.90	7.95-9.26

No. 28: Commercial Paper

Item	2012	2013			
	Apr. 30	Mar. 15	Mar. 31	Apr. 15	Apr. 30
	1	2	3	4	5
1 Amount Outstanding (₹ Billion)	1,310.0	1,810.7	1,092.6	1,503.6	1,574.9
1.1 Reported during the fortnight (₹ Billion)	353.3	308.7	192.7	509.8	277.2
2 Rate of Interest (per cent)	8.02-14.25	7.90-13.61	8.05-13.42	7.80-13.25	7.85-13.30

No. 29: Average Daily Turnover in Select Financial Markets

(₹ Billion)

Item	2012-13	2012	2013				
		Apr. 27	Mar. 29	Apr. 5	Apr. 12	Apr. 19	Apr. 26
	1	2	3	4	5	6	7
1 Call Money	250.1	452.4	296.8	361.7	329.0	295.8	225.7
2 Notice Money	73.2	105.6	54.0	135.7	90.6	95.5	76.5
3 Term Money	9.4	8.6	12.3	18.8	12.1	5.1	14.9
4 CBLO	832.7	609.3	698.6	1,162.3	1,265.1	1,139.5	1,136.5
5 Market Repo	747.8	573.2	481.9	1,183.9	886.4	1,211.3	1,060.6
6 Repo in Corporate Bond	0.1	0.4	–	–	2.1	0.6	–
7 Forex (US $ million)	51,021	51,428	79,630	67,383	58,025	54,722	60,755
8 Govt. of India Dated Securities	491.3	291.5	511.3	489.8	1,008.5	1,281.2	1,304.4
9 State Govt. Securities	10.0	4.6	19.7	11.1	15.7	16.4	16.7
10 Treasury Bills							
10.1 91-Day	20.7	24.0	23.3	36.7	19.1	33.5	15.7
10.2 182-Day	9.3	6.8	22.3	13.7	11.8	8.4	9.3
10.3 364-Day	17.2	5.6	36.9	45.8	40.6	54.4	35.7
10.4 Cash Management Bills	–	–	–	–	–	–	–
11 Total Govt. Securities (8+9+10)	548.5	332.5	613.5	597.2	1,095.8	1,394.0	1,381.8
11.1 RBI	7.3	3.3	21.6	0.8	3.7	0.7	1.2

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

(Amount in ₹ Billion)

Security & Type of Issue	2012-13		2011-12 (Apr.-Mar.)		2012-13 (Apr.-Mar.)		Mar. 2012		Mar. 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	49	81.5	48	138.8	5	2.9	11	10.7
1A Premium	44	120.9	47	65.6	44	120.9	5	2.5	10	3.8
1.1 Prospectus	32	49.4	33	57.8	32	49.4	2	1.2	8	3.5
1.1.1 Premium	30	46.0	33	44.2	30	46.0	2	1.0	8	3.1
1.2 Rights	16	89.4	16	23.7	16	89.4	3	1.7	3	7.2
1.2.1 Premium	14	74.9	14	21.3	14	74.9	3	1.5	2	0.7
2 Preference Shares	–	–	–	–	–	–	–	–	–	–
2.1 Prospectus	–	–	–	–	–	–	–	–	–	–
2.2 Rights	–	–	–	–	–	–	–	–	–	–
3 Debentures	6	22.2	14	75.3	6	22.2	2	4.4	–	–
3.1 Prospectus	6	22.2	14	75.3	6	22.2	2	4.4	–	–
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	14	75.3	6	22.2	2	4.4	–	–
3.2.2.1 Prospectus	6	22.2	14	75.3	6	22.2	2	4.4	–	–
3.2.2.2 Rights	–	–	–	–	–	–	–	–	–	–
4 Bonds	–	–	–	–	–	–	–	–	–	–
4.1 Prospectus	–	–	–	–	–	–	–	–	–	–
4.2 Rights	–	–	–	–	–	–	–	–	–	–
5 Total (1+2+3+4)	54	161.0	63	156.8	54	161.0	7	7.3	11	10.7
5.1 Prospectus	38	71.6	47	133.1	38	71.6	4	5.6	8	3.5
5.2 Rights	16	89.4	16	23.7	16	89.4	3	1.7	3	7.2

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			
			Apr.	Dec.	Jan.	Feb.	Mar.	Apr.
		1	2	3	4	5	6	7
1 Exports	₹ Billion	16,352.6	1,231.4	1,394.6	1,394.8	1,430.9	1,672.5	1,314.0
	US $ Million	300,570.6	23,766.1	25,519.7	25,679.5	26,610.1	30,742.2	24,164.4
1.1 Oil	₹ Billion	3,261.1	242.8	298.7	277.8	297.8	307.6	..
	US $ Million	60,002.4	4,686.8	5,465.7	5,114.1	5,538.0	5,654.5	..
1.2 Non-oil	₹ Billion	13,091.5	988.5	1,095.9	1,117.0	1,133.1	1,364.9	..
	US $ Million	240,568.2	19,079.3	20,054.0	20,565.4	21,072.2	25,087.7	..
2 Imports	₹ Billion	26,731.1	1,958.9	2,369.7	2,480.7	2,221.5	2,206.0	2,281.2
	US $ Million	491,487.2	37,807.4	43,362.9	45,670.2	41,312.4	40,548.2	41,951.7
2.1 Oil	₹ Billion	9,200.9	702.2	800.9	874.2	816.0	728.7	765.9
	US $ Million	169,253.0	13,553.5	14,655.8	16,094.7	15,175.4	13,393.5	14,085.0
2.2 Non-oil	₹ Billion	17,530.2	1,256.6	1,568.8	1,606.4	1,405.5	1,477.3	1,515.3
	US $ Million	322,234.3	24,253.9	28,707.1	29,575.4	26,136.9	27,154.7	27,866.7
3 Trade Balance	₹ Billion	–10,378.5	–727.5	–975.1	–1,085.8	–790.6	–533.5	–967.2
	US $ Million	–190,916.6	–14,041.3	–17,843.2	–19,990.6	–14,702.2	–9,805.9	–17,787.4
3.1 Oil	₹ Billion	–5,939.8	–459.4	–502.2	–596.4	–518.2	–421.0	..
	US $ Million	–109,250.5	–8,866.7	–9,190.1	–10,980.6	–9,637.5	–7,739.0	..
3.2 Non-oil	₹ Billion	–4,438.7	–268.1	–472.9	–489.4	–272.4	–112.5	..
	US $ Million	–81,666.1	–5,174.6	–8,653.1	–9,010.0	–5,064.8	–2,067.0	..

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

No. 32: Foreign Exchange Reserves

Item	Unit	2012	2013					
		May 18	Apr. 12	Apr. 19	Apr. 26	May 3	May 10	May 17
		1	2	3	4	5	6	7
1 Total Reseves	**₹ Billion**	**15,852**	**16,073**	**15,935**	**16,094**	**15,885**	**16,011**	**16,009**
	US $ Million	**290,001**	**295,247**	**294,761**	**296,371**	**294,307**	**293,690**	**291,966**
1.1 Foreign Currency Assets	₹ Billion	14,056	14,313	14,178	14,335	14,228	14,353	14,351
	US $ Million	256,117	262,900	262,411	264,028	263,728	263,160	261,472
1.2 Gold	₹ Billion	1,398	1,397	1,397	1,397	1,300	1,300	1,300
	US $ Million	26,618	25,692	25,692	25,692	23,974	23,974	23,974
1.3 SDRs	SDRs Million	2,885	2,887	2,887	2,887	2,887	2,887	2,887
	₹ Billion	241	237	235	236	235	236	236
	US $ Million	4,399	4,345	4,347	4,342	4,362	4,330	4,306
1.4 Reserve Tranche Position in IMF	₹ Billion	157	126	125	125	121	121	122
	US $ Million	2,866	2,310	2,311	2,309	2,243	2,227	2,214

No. 33: NRI Deposits

(US$ Million)

Scheme	Outstanding				Flows	
	2012-13	2012	2013		2012-13	2013-14
		Apr.	Mar.	Apr.	Apr.-Apr.	Apr.-Apr.
	1	2	3	4	5	6
1 NRI Deposits	**70,823**	**59,309**	**70,823**	**72,566**	**1,997**	**1,284**
1.1 FCNR(B)	15,188	14,739	15,188	15,537	–229	348
1.2 NR(E)RA	45,924	32,591	45,924	47,341	2,125	1,036
1.3 NRO	9,710	11,979	9,710	9,689	102	–100

No. 34: Foreign Investment Inflows

(US$ Million)

Item	2012-13	2012-13	2013-14	2012	2013	
		Apr.-Apr.	Apr.-Apr.	Apr.	Mar.	Apr.
	1	2	3	4	5	6
1 Foreign Investment Inflows	**50,062**	**133**	**3,949**	**133**	**2,531**	**3,949**
1.1 Net Foreign Direct Investment (1.1.1–1.1.2)	**22,798**	**1,542**	**2,596**	**1,542**	**1,344**	**2,596**
1.1.1 Direct Investment to India (1.1.1.1–1. 1.1.2)	**30,086**	**2,358**	**2,663**	**2,358**	**2,553**	**2,663**
1.1.1.1 Gross Inflows/Gross Investments	**36,860**	**2,821**	**3,563**	**2,821**	**3,002**	**3,563**
1.1.1.1.1 Equity	22,884	1,942	2,402	1,942	1,616	2,402
1.1.1.1.1.1 Government (SIA/FIPB)	2,319	356	108	356	14	108
1.1.1.1.1.2 RBI	15,967	1,161	836	1,161	1,008	836
1.1.1.1.1.3 Acquisition of shares	3,539	340	1,377	340	503	1,377
1.1.1.1.1.4 Equity capital of unincorporated bodies	1,059	85	81	85	91	81
1.1.1.1.2 Reinvested earnings	11,025	761	723	761	936	723
1.1.1.1.3 Other capital	2,951	118	438	118	450	438
1.1.1.2 Repatriation/Disinvestment	**6,775**	**463**	**900**	**463**	**449**	**900**
1.1.1.2.1 Equity	6,071	344	868	344	444	868
1.1.1.2.2 Other capital	704	119	32	119	5	32
1.1.2 Foreign Direct Investment by India (1.1.2.1+1.1.2.2+1.1.2.3–1.1.2.4)	**7,287**	**816**	**66**	**816**	**1,209**	**66**
1.1.2.1 Equity capital	7,339	371	355	371	1,432	355
1.1.2.2 Reinvested Earnings	1,188	99	99	99	99	99
1.1.2.3 Other Capital	4,332	634	148	634	281	148
1.1.2.4 Repatriation/Disinvestment	5,572	288	535	288	603	535
1.2 Net Portfolio Investment (1.2.1+1.2.2+1.2.3–1.2.4)	**27,264**	**–1,409**	**1,352**	**–1,409**	**1,187**	**1,352**
1.2.1 GDRs/ADRs	187	–	–	–	–	–
1.2.2 FIIs	27,583	–1,306	1,542	–1,306	1,246	1,542
1.2.3 Offshore funds and others	–	–	–	–	–	–
1.2.4 Portfolio investment by India	506	103	190	103	59	190

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

(US$ Million)

Item	2012-13	2012	2013		
		Mar.	Jan.	Feb.	Mar.
	1	2	3	4	5
1 Outward Remittances under the LRS	**1,206.4**	**150.6**	**98.9**	**96.2**	**180.2**
1.1 Deposit	20.1	8.8	2.8	2.5	4.2
1.2 Purchase of immovable property	77.7	8.1	6.9	8.0	16.6
1.3 Investment in equity/debt	236.9	46.8	13.5	18.2	52.4
1.4 Gift	261.6	31.0	22.6	24.3	35.7
1.5 Donations	4.5	0.3	0.2	0.1	–
1.6 Travel	44.8	3.5	4.8	3.4	3.7
1.7 Maintenance of close relatives	226.6	24.3	20.8	20.7	31.1
1.8 Medical Treatment	4.9	0.3	0.4	0.1	0.7
1.9 Studies Abroad	124.7	11.1	15.4	9.3	10.7
1.10 Others	204.1	16.3	11.5	9.7	25.0

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	
			May	April	May
	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	78.33	78.68	78.74	77.95
1.2 REER	101.38	94.62	91.53	95.40	94.45
2 Export-Based Weights					
2.1 NEER	89.13	80.05	80.08	80.48	79.73
2.2 REER	104.05	97.42	93.09	97.73	96.82
6-Currency Trade Based Weights					
1 Base: 2004-05 (April-March) =100					
1.1 NEER	84.86	76.11	76.10	76.31	75.48
1.2 REER	111.86	105.46	104.12	106.90	105.74
2 Base: 2010-11 (April-March) =100					
2.1 NEER	92.41	82.87	82.86	83.10	82.19
2.2 REER	97.35	91.77	90.61	93.03	92.01

No. 37: External Commercial Borrowings (ECBs)

(Amount in US$ Million)

Item	2012-13	2012	2013	
		Apr.	Mar.	Apr.
	1	2	3	4
1 Automatic Route				
1.1 Number	825	71	86	45
1.2 Amount	18,395	1,617	3,439	601
2 Approval Route				
2.1 Number	92	5	16	8
2.2 Amount	13,651	1,111	1,643	524
3 Total (1+2)				
3.1 Number	917	76	102	53
3.2 Amount	32,046	2,728	5,082	1,125
4 Weighted Average Maturity (in years)	6.27	4.84	4.56	5.28
5 Interest Rate (per cent)				
5.1 Weighted Average Margin over 6-month LIBOR or reference rate for Floating Rate Loans	2.73	3.06	2.31	4.19
5.2 Interest rate range for Fixed Rate Loans	0.00-12.44	0.00-10.00	0.00-7.40	0.00-8.00

No. 38: India's Overall Balance of Payments

(US $ Million)

Item	Oct-Dec 2011 (PR)			Oct-Dec 2012 (P)		
	Credit	Debit	Net	Credit	Debit	Net
	1	2	3	4	5	6
Overall Balance of Payments(1+2+3)	**234,890**	**247,703**	**–12,812**	**250,140**	**249,359**	**781**
1 CURRENT ACCOUNT	**128,266**	**148,220**	**–19,954**	**127,825**	**160,371**	**–32,546**
1.1 MERCHANDISE	**71,400**	**120,104**	**–48,704**	**71,833**	**131,437**	**–59,604**
1.2 INVISIBLES	**56,866**	**28,116**	**28,750**	**55,993**	**28,934**	**27,059**
1.2.1 Services	37,552	21,385	16,167	36,502	18,912	17,590
1.2.1.1 Travel	5,068	3,530	1,538	5,050	3,010	2,039
1.2.1.2 Transportation	4,705	4,444	260	4,215	3,570	645
1.2.1.3 Insurance	799	440	359	524	552	–28
1.2.1.4 G.n.i.e.	145	186	–40	140	153	–13
1.2.1.5 Miscellaneous	26,835	12,785	14,050	26,574	11,628	14,946
1.2.1.5.1 Software Services	16,123	317	15,806	16,466	565	15,901
1.2.1.5.2 Business Services	6,806	6,950	–143	7,135	7,906	–770
1.2.1.5.3 Financial Services	1,613	2,189	–577	1,382	898	484
1.2.1.5.4 Communication Services	456	341	115	358	250	108
1.2.2 Transfers	17,024	614	16,410	16,827	1,081	15,745
1.2.2.1 Official	351	149	202	336	261	75
1.2.2.2 Private	16,673	465	16,208	16,491	821	15,670
1.2.3 Income	2,290	6,118	–3,827	2,664	8,940	–6,276
1.2.3.1 Investment Income	1,707	5,566	–3,859	1,898	8,372	–6,474
1.2.3.2 Compensation of Employees	583	551	32	766	568	198
2 CAPITAL ACCOUNT	**106,624**	**98,944**	**7,680**	**120,749**	**88,988**	**31,761**
2.1 Foreign Investment	**49,784**	**42,922**	**6,861**	**53,077**	**41,771**	**11,306**
2.1.1 Foreign Direct Investment	10,434	5,470	4,963	9,126	6,600	2,526
2.1.1.1 In India	9,432	2,559	6,873	7,530	2,720	4,810
2.1.1.1.1 Equity	7,149	2,515	4,634	4,363	2,624	1,739
2.1.1.1.2 Reinvested Earnings	2,051	–	2,051	3,092	–	3,092
2.1.1.1.3 Other Capital	232	44	188	75	96	–21
2.1.1.2 Abroad	1,001	2,911	–1,910	1,595	3,880	–2,284
2.1.1.2.1 Equity	1,001	1,385	–384	1,595	2,167	–571
2.1.1.2.2 Reinvested Earnings	–	302	–302	–	297	–297
2.1.1.2.3 Other Capital	–	1,223	–1,223	–	1,416	–1,416
2.1.2 Portfolio Investment	39,350	37,452	1,898	43,951	35,171	8,781
2.1.2.1 In India	39,149	37,204	1,945	43,448	33,444	10,004
2.1.2.1.1 FIIs	39,065	37,204	1,861	43,289	33,444	9,845
2.1.2.1.2 ADR/GDRs	84	–	84	159	–	159
2.1.2.2 Abroad	201	248	–47	503	1,727	–1,224
2.2 Loans	**35,183**	**33,581**	**1,602**	**40,721**	**30,092**	**10,630**
2.2.1 External Assistance	2,209	856	1,353	2,250	851	1,399
2.2.1.1 By India	17	57	–39	13	68	–55
2.2.1.2 To India	2,191	800	1,392	2,237	783	1,454
2.2.2 Commercial Borrowings	7,827	8,153	–327	7,400	4,379	3,021
2.2.2.1 By India	1,405	901	504	409	498	–89
2.2.2.2 To India	6,422	7,252	–830	6,991	3,881	3,110
2.2.3 Short Term to India	25,148	24,572	576	31,071	24,861	6,210
2.2.3.1 Suppliers' Credit > 180 days & Buyers' Credit	25,148	23,897	1,251	29,402	24,861	4,541
2.2.3.2 Suppliers' Credit up to 180 days	–	675	–675	1,669	–	1,669
2.3 Banking Capital	**16,146**	**21,632**	**–5,487**	**20,245**	**14,964**	**5,281**
2.3.1 Commercial Banks	16,143	21,505	–5,362	20,245	14,927	5,318
2.3.1.1 Assets	393	2,770	–2,377	2,688	1,540	1,148
2.3.1.2 Liabilities	15,750	18,735	–2,985	17,557	13,386	4,170
2.3.1.2.1 Non-Resident Deposits	15,698	12,375	3,323	15,505	12,853	2,651
2.3.2 Others	3	127	–124	–	37	–37
2.4 Rupee Debt Service	–	–	–	–	–	–
2.5 Other Capital	**5,511**	**808**	**4,703**	**6,706**	**2,162**	**4,544**
3 Errors & Omissions	**–**	**538**	**–538**	**1,566**	**–**	**1,566**
4 Monetary Movements	**12,812**	–	**12,812**	–	**781**	**–781**
4.1 I.M.F.	–	–	–	–	–	–
4.2 Foreign Exchange Reserves (Increase - / Decrease +)	12,812	–	12,812	–	781	–781

No. 39: India's Overall Balance of Payments

(₹ Billion)

Item	Oct-Dec 2011 (PR)			Oct-Dec 2012 (P)		
	Credit	Debit	Net	Credit	Debit	Net
	1	2	3	4	5	6
Overall Balance of Payments(1+2+3)	**11,963**	**12,616**	**–653**	**13,545**	**13,503**	**42**
1 CURRENT ACCOUNT	**6,533**	**7,549**	**–1,016**	**6,922**	**8,684**	**–1,762**
1.1 MERCHANDISE	**3,636**	**6,117**	**–2,481**	**3,890**	**7,117**	**–3,228**
1.2 INVISIBLES	**2,896**	**1,432**	**1,464**	**3,032**	**1,567**	**1,465**
1.2.1 Services	1,913	1,089	823	1,977	1,024	952
1.2.1.1 Travel	258	180	78	273	163	110
1.2.1.2 Transportation	240	226	13	228	193	35
1.2.1.3 Insurance	41	22	18	28	30	–1
1.2.1.4 G.n.i.e.	7	9	–2	8	8	–1
1.2.1.5 Miscellaneous	1,367	651	716	1,439	630	809
1.2.1.5.1 Software Services	821	16	805	892	31	861
1.2.1.5.2 Business Services	347	354	–7	386	428	–42
1.2.1.5.3 Financial Services	82	111	–29	75	49	26
1.2.1.5.4 Communication Services	23	17	6	19	14	6
1.2.2 Transfers	867	31	836	911	59	853
1.2.2.1 Official	18	8	10	18	14	4
1.2.2.2 Private	849	24	825	893	44	849
1.2.3 Income	117	312	–195	144	484	–340
1.2.3.1 Investment Income	87	284	–197	103	453	–351
1.2.3.2 Compensation of Employees	30	28	2	41	31	11
2 CAPITAL ACCOUNT	**5,430**	**5,039**	**391**	**6,538**	**4,819**	**1,720**
2.1 Foreign Investment	**2,536**	**2,186**	**349**	**2,874**	**2,262**	**612**
2.1.1 Foreign Direct Investment	531	279	253	494	357	137
2.1.1.1 In India	480	130	350	408	147	260
2.1.1.1.1 Equity	364	128	236	236	142	94
2.1.1.1.2 Reinvested Earnings	104	–	104	167	–	167
2.1.1.1.3 Other Capital	12	2	10	4	5	–1
2.1.1.2 Abroad	51	148	–97	86	210	–124
2.1.1.2.1 Equity	51	71	–20	86	117	–31
2.1.1.2.2 Reinvested Earnings	–	15	–15	–	16	–16
2.1.1.2.3 Other Capital	–	62	–62	–	77	–77
2.1.2 Portfolio Investment	2,004	1,907	97	2,380	1,904	475
2.1.2.1 In India	1,994	1,895	99	2,353	1,811	542
2.1.2.1.1 FIIs	1,990	1,895	95	2,344	1,811	533
2.1.2.1.2 ADR/GDRs	4	–	4	9	–	9
2.1.2.2 Abroad	10	13	–2	27	94	–66
2.2 Loans	**1,792**	**1,710**	**82**	**2,205**	**1,629**	**576**
2.2.1 External Assistance	112	44	69	122	46	76
2.2.1.1 By India	1	3	–2	1	4	–3
2.2.1.2 To India	112	41	71	121	42	79
2.2.2 Commercial Borrowings	399	415	–17	401	237	164
2.2.2.1 By India	72	46	26	22	27	–5
2.2.2.2 To India	327	369	–42	379	210	168
2.2.3 Short Term to India	1,281	1,251	29	1,682	1,346	336
2.2.3.1 Suppliers' Credit > 180 days & Buyers' Credit	1,281	1,217	64	1,592	1,346	246
2.2.3.2 Suppliers' Credit up to 180 days	–	34	–34	90	–	90
2.3 Banking Capital	**822**	**1,102**	**–279**	**1,096**	**810**	**286**
2.3.1 Commercial Banks	822	1,095	–273	1,096	808	288
2.3.1.1 Assets	20	141	–121	146	83	62
2.3.1.2 Liabilities	802	954	–152	951	725	226
2.3.1.2.1 Non-Resident Deposits	800	630	169	840	696	144
2.3.2 Others	–	–	–6	–	–	–2
2.4 Rupee Debt Service	–	–	–	–	–	–
2.5 Other Capital	**281**	**41**	**240**	**363**	**117**	**246**
3 Errors & Omissions	–	**27**	**–27**	**85**	–	**85**
4 Monetary Movements	**653**	–	**653**	–	**42**	**–42**
4.1 I.M.F.	–	–	–	–	–	–
4.2 Foreign Exchange Reserves (Increase - / Decrease +)	653	–	653	–	42	–42

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

(US $ Million)

Item	Oct-Dec 2011 (PR)			Oct-Dec 2012 (P)		
	Credit	Debit	Net	Credit	Debit	Net
	1	2	3	4	5	6
1 Current Account	**127,674**	**147,830**	**–20,156**	**127,490**	**160,121**	**–32,632**
1.A Goods and Services	**108,711**	**141,248**	**–32,536**	**108,335**	**150,349**	**–42,014**
1.A.a Goods	**71,459**	**120,104**	**–48,645**	**71,833**	**131,437**	**–59,604**
1.A.a.1 General merchandise on a BOP basis	71,400	107,373	–35,973	69,629	112,732	–43,103
1.A.a.2 Net exports of goods under merchanting	59	–	59	2,204	1,154	1,049
1.A.a.3 Non-monetary gold	–	12,731	–12,731	–	17,550	17,550
1.A.b Services	**37,252**	**21,144**	**16,108**	**36,502**	**18,912**	**17,590**
1.A.b.1 Manufacturing services on physical inputs owned by others	–	–	–	28	10	18
1.A.b.2 Maintenance and repair services n.i.e.	–	–	–	33	78	–45
1.A.b.3 Transport	4,709	4,451	257	4,215	3,570	645
1.A.b.4 Travel	5,068	3,530	1,538	5,050	3,010	2,039
1.A.b.5 Construction	204	155	49	252	264	–12
1.A.b.6 Insurance and pension services	799	440	359	524	552	–28
1.A.b.7 Financial services	1,613	2,189	–577	1,382	898	484
1.A.b.8 Charges for the use of intellectual property n.i.e.	78	919	–841	71	1,084	–1,012
1.A.b.9 Telecommunications, computer, and information services	16,605	764	15,842	16,928	930	15,997
1.A.b.10 Other business services	6,506	6,708	–203	7,135	7,906	–770
1.A.b.11 Personal, cultural, and recreational services	67	48	20	238	141	97
1.A.b.12 Government goods and services n.i.e.	145	186	–40	140	153	–13
1.A.b.13 Others n.i.e.	1,458	1,754	–296	506	317	190
1.B Primary Income	**2,290**	**6,118**	**–3,827**	**2,664**	**8,940**	**–6,276**
1.B.1 Compensation of employees	583	551	32	766	568	198
1.B.2 Investment income	1,607	5,529	–3,922	1,568	8,274	–6,706
1.B.2.1 Direct investment	607	5,444	–4,837	592	4,572	–3,980
1.B.2.2 Portfolio investment	–	–	–	73	1,056	–983
1.B.2.3 Other investment	–	80	–80	102	2,645	–2,543
1.B.2.4 Reserve assets	1,000	5	995	801	–	800
1.B.3 Other primary income	100	37	63	330	98	231
1.C Secondary Income	**16,673**	**465**	**16,208**	**16,491**	**832**	**15,659**
1.C.1 Financial corporations, nonfinancial corporations, households, and NPISHs	16,673	465	16,208	16,222	828	15,394
1.C.1.1 Personal transfers (Current transfers between resident and/ non-resident households)	16,018	396	15,622	15,559	741	14,818
1.C.1.2 Other current transfers	655	69	586	663	87	577
1.C.2 General Government	–	–	–	22	4	18
2 Capital Account	**352**	**232**	**120**	**740**	**730**	**10**
2.1 Gross acquisitions (DR.)/disposals (CR.) of non-produced nonfinancial assets	–	83	–83	12	59	–46
2.2 Capital transfers	351	149	202	728	671	56
3 Financial Account	**119,436**	**98,860**	**20,575**	**120,834**	**89,779**	**31,055**
3.1 Direct Investment	**10,434**	**5,470**	**4,963**	**9,126**	**6,600**	**2,526**
3.1.A Direct Investment in India	9,432	2,559	6,873	7,530	2,720	4,810
3.1.A.1 Equity and investment fund shares	9,200	2,515	6,685	7,455	2,624	4,831
3.1.A.1.1 Equity other than reinvestment of earnings	7,149	2,515	4,634	4,363	2,624	1,739
3.1.A.1.2 Reinvestment of earnings	2,051	–	2,051	3,092	–	3,092
3.1.A.2 Debt instruments	232	44	188	75	96	–21
3.1.A.2.1 Direct investor in direct investment enterprises	232	44	188	75	96	–21
3.1.B Direct Investment by India	1,001	2,911	–1,910	1,595	3,880	–2,284
3.1.B.1 Equity and investment fund shares	1,001	1,687	–686	1,595	2,464	–869
3.1.B.1.1 Equity other than reinvestment of earnings	1,001	1,385	–384	1,595	2,167	–571
3.1.B.1.2 Reinvestment of earnings	–	302	–302	–	297	–297
3.1.B.2 Debt instruments	–	1,223	–1,223	–	1,416	–1,416
3.1.B.2.1 Direct investor in direct investment enterprises	–	1,223	–1,223	–	1,416	–1,416
3.2 Portfolio Investment	**39,266**	**37,452**	**1,814**	**43,792**	**35,171**	**8,622**
3.2A Portfolio Investment in India	39,065	37,204	1,861	43,289	33,444	9,845
3.2A.1 Equity and investment fund shares	23,325	25,055	–1,731	33,735	25,617	8,118
3.2A.2 Debt securities	15,740	12,148	3,592	9,554	7,827	1,727
3.2.B Portfolio Investment by India	201	248	–47	503	1,727	–1,224
3.3 Financial derivatives (other than reserves) and employee stock options	**–**	**–**	**–**	**840**	**1,200**	**–360**
3.4 Other investment	**56,924**	**55,938**	**985**	**67,068**	**46,019**	**21,049**
3.4.1 Other equity (ADRs/GDRs)	84	–	84	159	–	159
3.4.2 Currency and deposits	15,701	12,502	3,199	15,505	12,891	2,614
3.4.2.1 Central bank (Rupee Debt Movements; NRG)	3	127	–124	–	37	–37
3.4.2.2 Deposit-taking corporations, except the central bank (NRI Deposits)	15,698	12,375	3,323	15,505	12,853	2,651
3.4.2.3 General government	–	–	–	–	–	–
3.4.2.4 Other sectors	–	–	–	–	–	–
3.4.3 Loans (External Assistance, ECBs and Banking Capital)	10,480	18,139	–7,659	14,391	7,304	7,087
3.4.3A Loans to India	9,058	17,181	–8,124	13,969	6,738	7,231
3.4.3B Loans by India	1,422	958	464	422	566	–144
3.4.4 Insurance, pension, and standardized guarantee schemes	–	–	–	8	8	–
3.4.5 Trade credit and advances	25,148	24,572	576	31,071	24,861	6,210
3.4.6 Other accounts receivable/payable - other	5,511	725	4,786	5,943	963	4,979
3.4.7 Special drawing rights	–	–	–	–	–	–
3.5 Reserve assets	**12,812**	**–**	**12,812**	**–**	**781**	**–781**
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)	12,812	–	12,812	–	781	–781
3 Total assets/liabilities (Instrument wise)	**119,436**	**98,860**	**20,575**	**119,986**	**88,571**	**31,415**
3.0.1 Equity and investment fund shares	33,727	29,506	4,221	43,289	32,432	10,857
3.0.2 Debt instruments	67,301	68,630	–1,328	70,596	54,394	16,201
3.0.3 Other financial assets and liabilities	18,407	725	17,682	6,102	1,745	4,357
4 Net errors and omissions	**–**	**538**	**–538**	**1,566**	**–**	**1,566**

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

(₹ Billion)

Item	Oct-Dec 2011 (PR)			Oct-Dec 2012 (P)		
	Credit	Debit	Net	Credit	Debit	Net
	1	2	3	4	5	6
1 Current Account	**6,503**	**7,529**	**–1,027**	**6,903**	**8,670**	**–1,767**
1.A Goods and Services	**5,537**	**7,194**	**–1,657**	**5,866**	**8,141**	**–2,275**
1.A.a Goods	**3,639**	**6,117**	**–2,477**	**3,890**	**7,117**	**–3,228**
1.A.a.1 General merchandise on a BOP basis	3,636	5,469	–1,832	3,770	6,104	–2,334
1.A.a.2 Net exports of goods under merchanting	3	–	3	119	63	57
1.A.a.3 Non-monetary gold	–	648	–648	–	950	–950
1.A.b Services	**1,897**	**1,077**	**820**	**1,977**	**1,024**	**952**
1.A.b.1 Manufacturing services on physical inputs owned by others	–	–	–	2	1	1
1.A.b.2 Maintenance and repair services n.i.e.	–	–	–	2	4	–2
1.A.b.3 Transport	240	227	13	228	193	35
1.A.b.4 Travel	258	180	78	273	163	110
1.A.b.5 Construction	10	8	3	14	14	–1
1.A.b.6 Insurance and pension services	41	22	18	28	30	–1
1.A.b.7 Financial services	82	111	–29	75	49	26
1.A.b.8 Charges for the use of intellectual property n.i.e.	4	47	–43	4	59	–55
1.A.b.9 Telecommunications, computer, and information services	846	39	807	917	50	866
1.A.b.10 Other business services	331	342	–10	386	428	–42
1.A.b.11 Personal, cultural, and recreational services	3	2	1	13	8	5
1.A.b.12 Government goods and services n.i.e.	7	9	–2	8	8	–1
1.A.b.13 Others n.i.e.	74	89	–15	27	17	10
1.B Primary Income	**117**	**312**	**–195**	**144**	**484**	**–340**
1.B.1 Compensation of employees	30	28	2	41	31	11
1.B.2 Investment income	82	282	–200	85	448	–363
1.B.2.1 Direct investment	31	277	–246	32	248	–216
1.B.2.2 Portfolio investment	–	–	–	4	57	–53
1.B.2.3 Other investment	–	4	–4	6	143	–138
1.B.2.4 Reserve assets	51	–	51	43	0	43
1.B.3 Other primary income	5	2	3	18	5	13
1.C Secondary Income	**849**	**24**	**825**	**893**	**45**	**848**
1.C.1 Financial corporations, nonfinancial corporations, households, and NPISHs	849	24	825	878	45	834
1.C.1.1 Personal transfers (Current transfers between resident and/ non-resident households)	816	20	796	842	40	802
1.C.1.2 Other current transfers	33	4	30	36	5	31
1.C.2 General Government	–	–	–	1	0	1
2 Capital Account	**18**	**12**	**6**	**40**	**40**	**1**
2.1 Gross acquisitions (DR.)/disposals (CR.) of non-produced nonfinancial assets	0	4	–4	1	3	–3
2.2 Capital transfers	18	8	10	39	36	3
3 Financial Account	**6,083**	**5,035**	**1,048**	**6,543**	**4,861**	**1,682**
3.1 Direct Investment	**531**	**279**	**253**	**494**	**357**	**137**
3.1.A Direct Investment in India	480	130	350	408	147	260
3.1.A.1 Equity and investment fund shares	469	128	340	404	142	262
3.1.A.1.1 Equity other than reinvestment of earnings	364	128	236	236	142	94
3.1.A.1.2 Reinvestment of earnings	104	–	104	167	–	167
3.1.A.2 Debt instruments	12	2	10	4	5	–1
3.1.A.2.1 Direct investor in direct investment enterprises	12	2	10	4	5	–1
3.1.B Direct Investment by India	51	148	–97	86	210	–124
3.1.B.1 Equity and investment fund shares	51	86	–35	86	133	–47
3.1.B.1.1 Equity other than reinvestment of earnings	51	71	–20	86	117	–31
3.1.B.1.2 Reinvestment of earnings	–	15	–15	–	16	–16
3.1.B.2 Debt instruments	–	62	–62	–	77	–77
3.1.B.2.1 Direct investor in direct investment enterprises	–	62	–62	–	77	–77
3.2 Portfolio Investment	**2,000**	**1,907**	**92**	**2,371**	**1,904**	**467**
3.2A Portfolio Investment in India	1,990	1,895	95	2,344	1,811	533
3.2A.1 Equity and investment fund shares	1,188	1,276	–88	1,827	1,387	440
3.2A.2 Debt securities	802	619	183	517	424	94
3.2.B Portfolio Investment by India	10	13	–2	27	94	–66
3.3 Financial derivatives (other than reserves) and employee stock options	**–**	**–**	**–**	**45**	**65**	**–19**
3.4 Other investment	**2,899**	**2,849**	**50**	**3,632**	**2,492**	**1,140**
3.4.1 Other equity (ADRs/GDRs)	4	–	4	9	–	9
3.4.2 Currency and deposits	800	637	163	840	698	142
3.4.2.1 Central bank (Rupee Debt Movements; NRG)	0	6	–6	–	2	–2
3.4.2.2 Deposit-taking corporations, except the central bank (NRI Deposits)	800	630	169	840	696	144
3.4.2.3 General government	–	–	–	–	–	–
3.4.2.4 Other sectors	–	–	–	–	–	–
3.4.3 Loans (External Assistance, ECBs and Banking Capital)	534	924	–390	779	395	384
3.4.3A Loans to India	461	875	–414	756	365	392
3.4.3B Loans by India	72	49	24	23	31	–8
3.4.4 Insurance, pension, and standardized guarantee schemes	–	–	–	0	0	0
3.4.5 Trade credit and advances	1,281	1,251	29	1,682	1,346	336
3.4.6 Other accounts receivable/payable - other	281	37	244	322	52	270
3.4.7 Special drawing rights	–	–	–	–	–	–
3.5 Reserve assets	**653**	**–**	**653**	**–**	**42**	**–42**
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)	653	–	653	–	42	–42
3 Total assets/liabilities (Instrument wise)	**6,083**	**5,035**	**1,048**	**6,497**	**4,796**	**1,701**
3.0.1 Equity and investment fund shares	1,718	1,503	215	2,344	1,756	588
3.0.2 Debt instruments	3,428	3,495	–68	3,823	2,945	877
3.0.3 Other financial assets and liabilities	937	37	901	330	94	236
4 Net errors and omissions	**–**	**27**	**–27**	**85**	**–**	**85**

No. 42: International Investment Position

(US$ Million)

Item	As on Financial Year /Quarter End							
	2011-12		2011		2012			
			Dec.		Sep.		Dec.	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
	1	2	3	4	5	6	7	8
1 Direct Investment Abroad/in India	112,376	222,250	109,519	206,454	115,882	229,929	118,167	226,370
1.1 Equity Capital and Reinvested Earnings	82,048	213,119	80,665	197,709	83,288	219,939	84,157	216,362
1.2 Other Capital	30,329	9,131	28,854	8,745	32,594	9,990	34,010	10,008
2 Portfolio Investment	1,472	165,782	1,487	146,597	1,536	164,635	1,536	169,543
2.1 Equity	1,455	125,330	1,462	109,730	1,448	125,683	1,448	129,090
2.2 Debt	17	40,453	25	36,867	87	38,952	87	40,454
3 Other Investment	29,524	298,283	24,327	287,728	29,662	318,878	26,570	328,018
3.1 Trade Credit	–39	67,320	1,345	67,228	5,606	76,925	3,020	83,070
3.2 Loan	6,067	160,220	4,975	157,702	3,761	164,785	3,610	165,540
3.3 Currency and Deposits	11,764	58,778	7,472	52,615	8,418	67,207	7,509	67,758
3.4 Other Assets/Liabilities	11,732	11,965	10,535	10,183	11,877	9,961	12,431	11,650
4 Reserves	294,397	–	296,688	–	294,812	–	295,638	–
5 Total Assets/ Liabilities	437,770	686,315	432,022	640,779	441,892	713,441	441,910	723,931
6 IIP (Assets - Liabilities)		–248,545		–208,757		–271,549		–282,021

Payment and Settlement Systems

No. 43: Payment System Indicators

System	Volume (Million)				Value (₹ Billion)			
	2012-13	2013			2012-13	2013		
		Feb.	Mar.	Apr.		Feb.	Mar.	Apr.
	1	2	3	4	5	6	7	8
1 RTGS	**68.52**	**5.82**	**7.30**	**6.46**	**1,026,350.05**	**63,890.48**	**90,683.94**	**74,641.77**
1.1 Customer Transactions	63.99	5.46	6.83	6.04	512,997.84	40,716.72	60,037.57	45,362.17
1.2 Interbank Transactions	4.52	0.36	0.46	0.42	163,843.20	12,165.99	17,371.98	15,698.95
1.3 Interbank Clearing	0.009	0.001	0.001	0.001	349,509.02	11,007.77	13,274.39	13,580.65
2 CCIL Operated Systems	**2.26**	**0.19**	**0.21**	**0.22**	**501,598.49**	**41,639.11**	**47,793.81**	**54,741.98**
2.1 CBLO	0.16	0.01	0.01	0.01	120,480.39	9,906.50	11,076.41	12,983.21
2.2 Govt. Securities Clearing	0.70	0.07	0.06	0.09	119,947.98	12,896.52	11,833.04	16,248.21
2.2.1 Outright	0.66	0.07	0.06	0.09	65,920.33	7,249.47	6,532.37	10,213.01
2.2.2 Repo	0.041	0.004	0.003	0.004	54,027.65	5,647.05	5,300.67	6,035.20
2.3 Forex Clearing	1.40	0.11	0.13	0.12	261,170.12	18,836.09	24,884.36	25,510.56
3 Paper Clearing	**1,300.18**	**110.92**	**115.76**	**108.82**	**100,184.67**	**8,030.12**	**9,915.25**	**8,541.79**
3.1 Cheque Truncation System (CTS)	274.70	26.10	31.43	31.65	21,731.91	2,001.27	2,539.50	2,619.90
3.2 MICR Clearing	817.77	66.95	66.47	59.05	57,051.30	4,020.30	5,367.19	4,349.07
3.2.1 RBI Centres	491.52	34.38	38.62	35.73	35,679.97	2,435.61	2,957.09	2,754.61
3.2.2 Other Centres	325.96	32.57	27.85	23.32	21,412.71	1,584.68	2,410.10	1,594.46
3.3 Non-MICR Clearing	215.29	18.29	20.84	18.12	20,897.31	1,594.33	1,916.89	1,572.82
4 Retail Electronic Clearing	**694.07**	**62.21**	**73.92**	**66.48**	**31,881.14**	**2,785.01**	**3,868.68**	**3,546.13**
4.1 ECS DR	176.53	14.99	15.39	15.57	1,083.10	92.73	95.22	94.84
4.2 ECS CR (includes NECS)	122.18	8.70	11.15	9.99	1,771.28	131.06	170.55	191.59
4.3 EFT/NEFT	394.13	38.29	47.09	40.65	29,022.42	2,560.35	3,601.66	3,258.26
4.4 Interbank Mobile Payment Service (IMPS)	1.23	0.22	0.30	0.27	4.33	0.87	1.25	1.44
5 Cards	**6,398.35**	**528.36**	**590.37**	**584.52**	**18,637.39**	**1,531.37**	**1,735.83**	**1,765.63**
5.1 Credit Cards	399.13	33.03	35.85	37.79	1,243.93	102.22	112.71	125.51
5.1.1 Usage at ATMs	2.52	0.20	0.23	0.23	14.42	1.17	1.49	1.33
5.1.2 Usage at POS	396.61	32.83	35.62	37.56	1,229.51	101.05	111.22	124.18
5.2 Debit Cards	5,999.21	495.34	554.52	546.73	17,393.47	1,429.15	1,623.12	1,640.12
5.2.1 Usage at ATMs	5,530.16	454.31	508.85	501.07	16,650.08	1,367.67	1,556.15	1,563.87
5.2.2 Usage at POS	469.05	41.03	45.67	45.66	743.39	61.49	66.97	76.26
6 Prepaid Payment Instruments (PPIs)	**66.94**	**7.33**	**10.35**	**9.59**	**79.22**	**4.73**	**5.61**	**5.78**
6.1 m-Wallet	32.70	5.41	6.60	6.63	10.01	1.47	1.75	1.76
6.2 PPI Cards	33.76	1.89	3.71	2.91	49.62	1.88	2.10	1.90
6.3 Paper Vouchers	0.48	0.03	0.04	0.05	19.60	1.38	1.77	2.13
7 Mobile Banking	**53.30**	**5.44**	**6.40**	**6.33**	**59.90**	**8.07**	**9.92**	**9.89**
8 Cards Outstanding	**350.75**	**344.89**	**350.75**	**356.44**	–	–	–	–
8.1 Credit Card	19.55	19.24	19.55	19.57	–	–	–	–
8.2 Debit Card	331.20	325.65	331.20	336.87	–	–	–	–
9 Number of ATMs (in actuals)	**114014**	**109629**	**114014**	**116378**	–	–	–	–
10 Number of POS (in actuals)	**845653**	**819688**	**845653**	**913867**	–	–	–	–
11 Grand Total (1.1+1.2+2+3+4+5+6)	**8,530.30**	**714.83**	**797.91**	**776.10**	**1,329,221.92**	**106,873.05**	**140,728.70**	**129,662.44**

Occasional Series

No. 44: Small Savings

(₹ Billion)

Scheme		2011-12	2012		2013	
			Feb.	Dec.	Jan.	Feb.
		1	2	3	4	5
1 Small Savings	**Receipts**	**1,907.50**	**154.04**	**160.86**	**170.20**	**159.51**
	Outstanding	**6,065.85**	**6,057.95**	**6,019.61**	**6,016.26**	**6,020.72**
1.1 Total Deposits	**Receipts**	**1,665.51**	**133.14**	**140.79**	**147.37**	**134.38**
	Outstanding	**3,607.22**	**3,601.64**	**3,663.38**	**3,663.20**	**3,668.84**
1.1.1 Post Office Saving Bank Deposits	Receipts	859.05	73.83	70.94	75.63	67.32
	Outstanding	340.70	329.86	372.45	376.64	380.23
1.1.2 MGNREG	Receipts	9.38	1.34	2.89	3.15	4.60
	Outstanding	0.56	–	–9.36	–9.97	–10.14
1.1.3 National Saving Scheme, 1987	Receipts	1.38	0.03	–	0.01	0.04
	Outstanding	40.58	39.19	39.21	39.02	38.90
1.1.4 National Saving Scheme, 1992	Receipts	0.13	–0.01	–0.01	0.01	–0.09
	Outstanding	4.07	4.18	3.40	3.38	3.26
1.1.5 Monthly Income Scheme	Receipts	284.24	15.81	16.09	16.39	14.33
	Outstanding	2,052.88	2,069.88	2,019.69	2,016.29	2,016.16
1.1.6 Senior Citizen Scheme	Receipts	29.86	0.93	1.74	2.16	1.76
	Outstanding	267.63	269.56	245.68	242.43	241.58
1.1.7 Post Office Time Deposits	Receipts	136.52	12.98	18.06	18.60	16.60
	Outstanding	273.91	273.20	314.96	320.20	324.96
1.1.7.1 1 year Time Deposits	Outstanding	168.69	168.54	201.67	205.68	209.45
1.1.7.2 2 year Time Deposits	Outstanding	13.11	13.16	14.11	14.32	14.51
1.1.7.3 3 year Time Deposits	Outstanding	42.07	42.15	40.69	40.51	40.18
1.1.7.4 5 year Time Deposits	Outstanding	50.04	49.35	58.49	59.69	60.82
1.1.8 Post Office Recurring Deposits	Receipts	344.95	28.23	31.08	31.42	29.82
	Outstanding	626.61	615.49	677.09	674.94	673.62
1.1.9 Post Office Cumulative Time Deposits	Outstanding	0.06	0.06	0.04	0.05	0.05
1.1.10 Other Deposits	Outstanding	0.22	0.22	0.22	0.22	0.22
1.2 Saving Certificates	**Receipts**	**179.77**	**16.27**	**16.72**	**17.64**	**18.21**
	Outstanding	**2,098.70**	**2,115.84**	**1,981.76**	**1,970.80**	**1,963.67**
1.2.1 National Savings Certificate VIII issue	Receipts	103.26	16.02	16.36	17.81	18.07
	Outstanding	550.69	544.20	614.79	624.26	633.59
1.2.2 Indira Vikas Patras	Receipts	–	–	–0.01	–	–
	Outstanding	8.94	11.65	8.81	8.79	8.79
1.2.3 Kisan Vikas Patras	Receipts	76.51	0.25	0.37	–0.17	0.14
	Outstanding	1,539.60	1,560.54	1,346.64	1,324.11	1,305.22
1.2.4 National Saving Certificate VI issue	Outstanding	–0.69	–0.63	–0.74	–0.76	–0.76
1.2.5 National Saving Certificate VII issue	Outstanding	–0.49	–0.51	–0.64	–0.65	–0.64
1.2.6 Other Certificates	Outstanding	0.65	0.59	12.90	15.05	17.47
1.3 Public Provident Fund	**Receipts**	**62.22**	**4.63**	**3.35**	**5.19**	**6.92**
	Outstanding	**359.93**	**340.47**	**374.47**	**382.26**	**388.21**

Source: Accountant General, Post and Telegraphs.

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

(Per cent)

Category	2012				2013
	Mar.	Jun.	Sep.	Dec.	Mar.
	1	2	3	4	5
1 Commercial Banks	36.28	33.88	33.91	33.98	34.50
2 Bank-Primary Dealers	9.83	10.34	10.63	9.98	9.36
3 Non-Bank PDs	0.10	0.08	0.10	0.15	0.11
4 Insurance Companies	21.08	21.19	21.30	19.54	18.56
5 Mutual Funds	0.17	0.29	0.55	1.20	0.68
6 Co-operative Banks	2.98	3.07	3.03	2.89	2.81
7 Financial Institutions	0.37	0.34	0.37	0.64	0.75
8 Corporates	1.38	1.37	1.61	1.62	1.14
9 FIIs	0.88	0.89	1.10	1.24	1.61
10 Provident Funds	7.45	7.31	7.19	7.12	7.37
11 RBI	14.41	17.62	16.02	15.95	16.99
12 Others	5.07	3.63	4.20	5.68	6.12

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. 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**.

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Notes

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