RESERVE BANK OF INDIA
BULLETIN

JULY 2013

VOLUME LXVII NUMBER 7

The Reserve Bank of India Bulletin is issued monthly by the Department of Economic and Policy Research, Reserve Bank of India, under the direction of the Editorial Committee.
The Central Board of the Bank is not responsible for interpretation and opinions expressed. In the case of signed articles, the responsibility is that of the author.

For subscription to Bulletin, please refer to Section 'Recent Publications'

The Reserve Bank of India Bulletin can be accessed at **http://www.bulletin.rbi.org.in**

CONTENTS

SPEECHES

*The Global Financial Crisis and the Indian Financial Sector What Have We Learnt and How Have We Responded?**

Duvvuri Subbarao

Thank you very much for inviting me to speak at this conference of the Indian Merchants' Chamber on international finance and banking. I attach a lot of value to speaking from this platform and to sharing some thoughts on financial and banking sector reforms.

2. In a few months from now, we will be marking the fifth anniversary of the collapse of Lehman Brothers which will go down in popular perception as the trigger for the biggest financial crisis of our time. Five years on, the crisis is still with us – only the geography, the immediate concerns and pressure points have changed.

Our World View of the Crisis

3. Even as the crisis is not yet over, it has changed our view of the financial sector in a fundamental way. The world view before the crisis was that the growth of the financial sector, in and of itself, was desirable; indeed that real growth can be induced by sheer financial engineering. Our faith in the financial sector grew to such an extent that before the crisis, we believed that for every real sector problem, no matter how complex, there is a financial sector solution. The crisis changed that. We now know that for every real sector problem, no matter how complex, there is a financial sector solution, which is wrong. In the pre-crisis euphoria of financial alchemy, we forgot that the goal of all development effort is the growth of the real economy, and that the financial sector is useful only to the extent it helps deliver stronger and more secure long term growth.

Lessons of the Crisis

4. The crisis has also taught us to re-examine our understanding of the characteristics of financial markets and financial institutions. It will be instructive to briefly review what we learnt in this regard over the last five years.

5. The first thing we learnt is that price stability and macroeconomic stability do not guarantee financial stability. Note that the crisis erupted during a period of extraordinary price stability and macroeconomic stability. Indeed, some analysts have made an even stronger assertion, that an extended period of price and macroeconomic stability can blindside policy makers to seeing the festering financial instability underneath. We also learnt that no country is an island. Although the crisis originated in advanced economies, emerging economies too were affected, indeed by much more than they had thought possible. The contagion brought home a simple message. In a rapidly globalising world, national and international financial stability are interlinked. They are really two sides of the same coin.

6. Another important lesson we learnt is that financial markets are not self correcting. Indeed in the pre-crisis years, a consensus was building around the view that modern risk management has increased the resilience of the financial sector, and that any excess would self correct in good time. The crisis proved that to be wrong. As we unlearnt that, we also learnt some new insights – that it is difficult to detect signs of pressure building up in the system in real time, that the financial sector can contain pressure for a longer time than we think possible, and as a consequence, when the inevitable implosion takes place, it can be

* Address by Dr. Duvvuri Subbarao, Governor, Reserve Bank of India at the 7th International Banking & Finance Conference 2013 organised by the Indian Merchants' Chamber at Mumbai on June 5, 2013.

quite disastrous, or even catastrophic. We learnt that it is difficult to predict the precise nature of the implosion. For example, in the pre-crisis years, even the few who sensed stress building up in the system, thought there would be a currency crisis; in the event the implosion took the form of a financial sector crisis.

7. There were other lessons too. That a collection of rational financial institutions does not necessarily make a rational financial sector. In other words, rational behaviour at the individual institutional level does not aggregate to collective rationality because of the fallacy of composition. Financial institutions are notoriously prone to herd behaviour. They have a strong collective tendency to over expose themselves to the same type of risk during an upturn, and become overly risk averse during a downturn which can lead the whole system on a downward spiral of risk aversion, market seizure and instability.

Converting Lessons into Policies

8. I have so far spoken about the broader lessons of the crisis that have enhanced our understanding of the financial sector, especially of the financial sector in a highly integrated world. A logical question would be how are we converting those lessons into practical policies and systemic improvements. This is what I now want to turn to.

9. As you all know, the last four years have witnessed a vigorous debate internationally on how to foster a strong, stable and sustainable financial sector. There has already been significant agreement on some reforms while some important issues are still under debate.

Emerging Economies and Global Reforms

10. There have been some questions about why emerging economies too should adopt these reforms. Their argument is that it is the advanced economy financial sectors that had gone astray and it is they which need fixing. Emerging economy financial sectors, on the other hand, have been sound and resilient, and adopting reforms designed for the advanced economy context would be inappropriate, if also costly.

11. I believe such thinking is misguided. We live in a globalising world with strong and growing interconnections between our financial systems. What happens anywhere in the world will have an impact everywhere, as indeed demonstrated by the experience of the last five years. As foreign banks come into our country, and our banks expand their global footprint, we cannot afford to be offline on global standards and international best practices. Also, note that, as the former Managing Director of the IMF said, just because this crisis originated in advanced economies, emerging economies cannot assume that they have insulated themselves from all future crises. Such hubris can be dangerously costly.

Specific Issues

12. Having set that context, I now want to turn to specific reform issues and cover each of them under three questions: (i) What have we learnt at the global level? (ii) Reflecting those lessons, how have we responded at the global level? (iii) How have we, in India, responded? I will address five specific issues.

1st Issue: Migration to Basel III

What have We Learnt?

13. By far the most significant and broad based reforms at the global level has been the agreement on the Basel III package for bank regulation. This package, which was discussed for over two years, is an attempt to reform the capital, leverage and liquidity regulations on banks reflecting the lessons of the crisis.

14. What are those lessons? First, in the pre-crisis period, common equity requirements for banks were pegged too low to provide for adequate loss absorption

in a time of distress; second, there was no explicit regulation against leverage which allowed banks to become excessively leveraged without breaching the capital requirements; third, there were no explicit safeguards against liquidity risk, and this, in fact, proved to be the final straw for the crisis as liquidity shortage quickly snowballed into a crisis of confidence; and fourth, regulations demanded only light capital requirements against trading book exposures on the logic that trading book assets were low risk as they can be rapidly sold and positions can be quickly unwound.

What has Been the Global Response?

15. The Basel III package addresses these flaws. Most importantly, capital requirements have been tightened by more than doubling the minimum common equity requirement and also imposing, on top of that, a capital conservation buffer of 2.5 per cent of risk weighted assets (RWA) which can be drawn down in periods of stress. Further, new measures have been imposed to contain systemic risk in both the time and space dimensions. In the time dimension, the risk stems from the procyclical behaviour of financial institutions. This is sought to be mitigated through the requirement of a countercyclical capital buffer which will be built up during the upswing of the economic cycle to be drawn down if there is a system wide risk in the downturn. The risk in the spatial dimension arises from the behaviour and business models of large financial institutions which, because of interconnections among financial institutions, can have a disproportionately large systemic impact. The moral hazard of 'too big to fail' is therefore sought to be mitigated by requiring systemically important financial institutions (SIFIs) to hold higher loss absorbing capital.

16. To prevent excess leverage, the Basel III package introduces a simple non-risk based leverage ratio to back-stop the risk based capital requirements. Besides constraining the build up of excessive leverage in good times, the leverage ratio also serves as a safeguard against model risk and against attempts to circumvent the risk based capital requirements. Basel III package contains a liquidity standard to ensure that banks carry adequate liquidity both for the short-term and the medium term.

How have We, in India, Responded?

17. In India, the Reserve Bank introduced the Basel III capital regulations for banks effective April 1 this year. The capital requirements will be phased over a period extending upto March 31, 2018, nine months ahead of the Basel Committee phase-in. In addition, the Reserve Bank has introduced a minimum Tier I leverage ratio which will be reviewed after the Basel Committee on Banking Supervision (BCBS) finalises the leverage ratio calibration. We have also issued guidelines on 'Liquidity Risk Management' which include enhanced guidance on liquidity risk governance, measurement, monitoring and reporting to the Reserve Bank on liquidity positions. We will calibrate the precise parameters after the Basel Committee finalises the entire framework.

18. As per our standard practice, we have pegged our minimum capital requirements for banks a percentage point higher than the minimum standards under Basel III [See Table below]

Basel III Capital Requirements of Banks

(As a percentage of risk weighted assets)

	Basel III (International)	Basel III (RBI)
Common Equity		
Minimum	4.5	5.5
Capital Conservation buffer (CCB)	2.5	2.5
Total	7.0	8.0
Tier I Capital		
Minimum	6.0	7.0
Minimum + CCB	8.5	9.5
Total Capital		
Minimum	8.0	9.0
Minimum + CCB	10.5	11.5

19. What is the rationale for our more 'onerous' capital standards? The higher prescription is intended to address any judgemental error in capital adequacy *viz.*, wrong application of standardised risk weights, misclassification of asset quality *etc.* Also, while advanced approaches under Basel II have been strengthened, the calibration of standardised risk weights is yet to be comprehensively effected. And more importantly, Indian banks have not so far been subjected to comprehensive pillar 2 capital add-ons under Basel II. The higher prescription is therefore intended to address possible undercapitalisation of risky exposures. Experience shows that this prudence on our part was helpful and positive on the cost-benefit calculus.

20. How will Basel III impact the capital requirements of Indian banks? The Capital Adequacy Ratio (CAR) of the aggregate banking system as at end-December 2012 stood at 13.5 per cent with a Tier 1 capital ratio of 9.7 per cent. Initial estimates suggest that additional capital requirements would be of the order of ₹5 trillion, of which non-equity capital will be of the order of ₹3.25 trillion, while equity capital will be of the order of ₹1.75 trillion. It is expected that the long timeframe, upto March 2018, to phase in Basel III capital requirements will allow banks to make a smooth and non-disruptive transition.

2nd Issue: Shadow Banking – Extending the Perimeter of Regulation

What have We Learnt?

21. The crisis has demonstrated how shadow banking can destabilise the financial system reinforcing the need to more effectively regulate it.

22. First a bit of background. Shadow banking is credit intermediation involving entities and activities outside the regular banking system. The pre-crisis regulatory architecture and regulatory culture provided a fertile ground for a thriving shadow banking sector to emerge. Regulators focussed on securing the safety of banks, but it was that exclusive and straitjacketed focus on banks that opened up opportunities for regulatory arbitrage in the form of shadow banks which mushroomed and proliferated without the shackles of regulation. Banks also found out that it was possible to transfer risky businesses and assets to the balance sheets of the shadow banks without transgressing any regulations.

23. But shadow banks were a crisis waiting to happen because of their low capital base, high leverage, interconnection with banks and risky business models. According to an estimate by the Financial Stability Board (FSB), the global shadow banking system, as conservatively proxied by 'other financial intermediaries', grew rapidly before the crisis, more than doubling from USD 26 trillion in 2002 to USD 62 trillion in 2007.

What has Been the Global Response?

24. At the international level, the post-crisis consensus is that if an entity behaves like a bank, it must also be regulated like a bank. To safeguard financial stability, it is necessary to monitor shadow banking system (from micro and macroeconomic perspectives) and regulate it, both directly as well as by regulating banks' interactions with shadow banks.

25. The Financial Stability Board (FSB) issued a consultative document in November 2012 on 'Strengthening Oversight and Regulation of Shadow Banking' focusing on areas where policy intervention is warranted to mitigate the potential risks associated with shadow banking. The FSB, working with the BCBS and the International Organisation of Securities Commissions (IOSCO), has focused on five specific areas: (i) mitigating the spill-over effect between the regular banking system and the shadow banking system; (ii) reducing the susceptibility of money

market funds to "runs"; (iii) assessing and mitigating systemic risks posed by other shadow banking entities; (iv) assessing and aligning the incentives associated with securitisation; and (v) dampening risks and pro-cyclical incentives associated with secured financing contracts such as repos, and securities lending that may exacerbate funding strains in times of "runs".

How have We, in India, Responded?

26. Do we have shadow banking in India? In a sense yes, in the form of Non-Banking Finance Companies (NBFCs) which perform bank like financial intermediation. But what distinguishes our NBFCs from shadow banks is that unlike shadow banks which emerged and expanded outside of regulatory oversight, India's NBFC sector has always been regulated, although less tightly than the banking system.

27. It is important in this context to note that our non-bank financial sector is very large, diverse and complex. Some of it is in the corporate sector, but much of it is in unincorporated. Different segments are regulated by different regulators. Some of the deposits raised by these companies are legal, some are illegal. In the wake of the recent melt down of a few finance companies in parts of the country, in the process destroying the entire life savings of millions of low income households, there is need to review the regulatory oversight of this sector keeping in view the mandatory and relative comparative advantages of the financial sector regulators. While tightening regulation is important, it is not sufficient. What is to be noted is that much of the fraud in the non-bank sector happens through unlawful and fraudulent schemes which should not be operating. This reinforces the importance of surveillance and enforcement, especially by the state governments.

28. For the record, I must say that RBI's regulatory jurisdiction in the non-bank sector is restricted to NBFCs that are defined as companies in which financial assets comprise more than half the total assets and income from those financial assets constitutes more than half the gross income.

29. The Reserve Bank's regulation of the NBFC sector focuses on both financial stability and consumer protection. The focus on financial stability is important because many of these NBFCs borrow from banks and their failure will have a negative impact on the balance sheets of banks and eventually on financial stability. The focus on consumer protection is important because, as I said earlier, thousands of low income households are lured into fraudulent financial schemes by the promise of unviably high rates of interest. In the Reserve Bank's view, deposit taking should eventually be restricted only to banks which are tightly regulated. Deposit collection by non-banking companies should be gradually minimised, and eventually eliminated. Towards this endeavour, the Reserve Bank has been quite restrictive in authorising NBFCs to collect deposits. Indeed the number of NBFCs allowed to collect deposits has come down from 1420 in 1998 to less than a fifth, 257, by 2013. Also, deposit taking NBFCs comprise only about 2 per cent of the total number of NBFCs registered with the Reserve Bank.

3rd Issue: Subsidiarisation of Foreign Banks

What have We Learnt?

30. The operation of foreign banks attracted a lot of attention during the crisis. One thing that became clear was that cross-border banking transmitted the crisis ferociously across national jurisdictions, from the sub-prime US markets to financial markets around the world. At the same time, because of the complex structures of the large cross-border banks, it became difficult to determine where in the system the risk lay and how it would transmit. There was no information on the organisation structures of cross-border banks and their links with related entities which left national regulators bewildered about how to douse the raging

fires. The problem became more pronounced in cases where foreign banks were operating as branches rather than locally incorporated subsidiaries highlighting the importance of countries making an explicit determination of the mode of presence of foreign banks in the form of branch or subsidiary.

What has been the Global Response?

31. The crisis has shifted the bias towards domestic incorporation of foreign banks, *i.e.,* subsidiarisation. Indeed, even pre-crisis, a number of jurisdictions mandated local incorporation of foreign banks. The subsidiary form of presence provides several comforts to regulators. First, a subsidiary has its own board of directors, including independent directors, which provides sufficient separation between the bank and its owners to ensure that the interests of domestic depositors are not compromised; second, the clear delineation between the assets and liabilities of the bank and those of its parent affords greater leverage to the host country to ring fence the operations of the bank; third, it is local economic conditions, rather than global perspectives, that drive the managerial decisions of subsidiaries; and finally, it is easier to define the jurisdiction whose laws would apply to the subsidiary, thereby affording more effective control to regulators in a crisis situation.

How Have We, in India, Responded?

32. What is the policy in this regard in India? The road map for the presence of foreign banks in India put out by the Reserve Bank in 2005 allows foreign banks a choice – of coming in either as a branch or as a subsidiary – but not in both modes at the same time. Even so, all foreign banks operating in India, currently 43 in number, have chosen to come in only in the branch mode.

33. Reflecting the lessons of the crisis, we deliberated in the Reserve Bank on whether in India too we should require mandatory incorporation of foreign banks. Accordingly, the Reserve Bank put out a Discussion Paper in 2011 marshalling the merits and demerits of this initiative. The proposed framework leans towards the subsidiarisation model for fresh entrants while nudging existing foreign banks with a balance sheet size above a threshold to convert from a branch model to a subsidiary model. It is expected that this will level the playing field for foreign banks and make the overall Indian banking system more competitive and inclusive.

34. In order to reach a final decision on this issue, we needed to clarify some taxation and legal issues. Over the last two years, we have worked with the Government to resolve the major taxation issues such as exception from stamp duty and capital gains tax on conversion from a branch to a subsidiary. We have yet to resolve a few legal issues which we hope can be done in the next few months. Thereafter, we expect to issue final guidelines.

4th Issue: OTC Derivatives Market

What have We Learnt?

35. Financial innovation in the pre-crisis years led to a marked expansion of the OTC (over-the-counter) derivatives. The general sense was that the OTC derivatives, being tailored/bespoke products, were deepening the financial markets and adding value to the real sector.

36. The crisis, however, exposed several weaknesses: excessive bilateral exposures with insufficient collateralisation, the inability of the market participants to price and value the derivatives, insufficient risk assessment, complexity and opacity of the products traded, all of which combined together to brew the crisis to explosive proportions because of the interconnectedness of the OTC derivatives market participants. It was clear that the OTC derivatives market outpaced the regulatory regimes.

What has been the Global Response?

37. The G-20 has taken leadership of the reform of the OTC derivatives with the goals of mitigating systemic risk, improving market transparency and regulatory oversight of OTC derivatives. The focus areas are standardisation, central clearing, shifting all trading to exchanges or electronic platforms and reporting of trades to trade repositories. The FSB is monitoring the implementation of these reforms to ensure consistent and time bound implementation across all G-20 countries.

How have We, in India, Responded?

38. In India, the OTC derivative markets are relatively small and have developed within a regulated framework. As per the RBI Act, the validity of any OTC derivative contract is contingent on at least one of the parties to the transaction being a regulated entity. We introduced the OTC derivative products in a phased manner consistent with the hedging needs of the real sector. Even as the variety and complexity of OTC products in India are limited, the Reserve Bank has always been engaged in improving the transparency and reducing the counterparty risk in the OTC derivatives markets. As the products diversified, we focussed on the development of a robust market infrastructure for trading, settlement and reporting of transactions.

39. There have been significant reforms in OTC derivatives. In August 2007, we instituted a system for reporting the Rupee Forward Rate Agreement (FRA) and Interest Rate Swap (IRS) transactions to the CCIL's reporting platform. A Trade Repository (TR) for OTC foreign exchange derivative products was launched in July 2012 and reporting of all major OTC foreign exchange derivatives to the TR has commenced. Taking note of international experience, reporting arrangements were put in place for Credit Default Swaps (CDS), right from their introduction in December 2011. A Reserve Bank Working Group on Enhancing Liquidity in the Government Securities and Interest Rate Derivatives Markets recommended standardisation of IRS contracts in order to improve their tradability and facilitate centralised clearing and settlement. To begin with, the inter-bank Rupee Overnight Index Swap (OIS) contracts have been standardised. The inter-bank OTC forex derivative contracts are largely standardised.

40. Infrastructure for the central clearing and guaranteed settlement of US Dollar-Indian Rupee (INR) inter-bank forex forward transactions has been in place since December 2009, which currently caters to around 30 per cent of the transactions. The Reserve Bank is working towards making the guaranteed settlement of the US Dollar-INR mandatory. The FRA and IRS trades in the INR are currently being centrally cleared in a non-guaranteed mode. The proposal to bring IRS and FRA transactions in the INR within the ambit of guaranteed settlement is engaging our attention.

5th Issue: Safeguarding Financial Stability

What have We Learnt?

41. Some of the most forceful lessons of the crisis are in the area of financial stability. We learnt that financial stability is important, much more so than we thought, because the costs of financial instability can be very heavy. We learnt that financial stability is an international public good – a disruption in the financial system anywhere can cause disruption in the financial systems everywhere. We learnt that price stability and macroeconomic stability do not guarantee financial stability; financial stability has to be guarded as an explicit variable. We learnt that signs of financial instability are difficult to detect in real time and that pressure can build up in the system for much longer than we think possible before an eventual implosion takes place.

What has Been the Global Response?

42. The post crisis reforms effort has accordingly focussed on three questions: (i) How do we define financial instability? (ii) What are the policy instruments for safeguarding financial stability? (iii) What should be the institutional arguments for safeguarding financial stability? There are no definitive answers to any of these questions; they are still being debated. Nevertheless, let me give you a flavour of the general approach to answers.

43. There seems to be general agreement that financial stability is difficult to define in concrete and quantifiable terms to suit all contexts. The consensus is that financial stability is a condition in which the financial system can withstand shocks thereby reducing the probability of disruption or breakdown of the system. Conversely, financial instability is a situation characterised by erosion of confidence in the financial system that results in market seizure, panic and collapse.

44. There is also consensus around the view that the tool kit for safeguarding financial stability is macroprudential policy which throws sand in the wheels of financial exuberance and excessive credit build up. The instruments in this regard include risk weights, provisioning norms, and loan to value ratios. The countercyclical capital buffer too falls in this category.

45. While that much is clear, there are some intriguing questions and concerns on the way forward. What are the relative roles of monetary policy and macroprudential policies? Under what circumstances should one, rather than the other, be invoked? How do these policies interact with each other? If they are handled by different agencies, is it possible that they can work at cross purposes? Is there an inevitable political dimension to macroprudential policies? If yes, how does one protect the autonomy of the institution responsible for macroprudential policy?

46. That is a whole lot of deep and unsettled questions. Even as the search for answers is on, some countries, notably advanced economies where the crisis originated, have embarked on reforms of their institutional designs and regulatory architectures. These reforms reflect two clear trends: first, a decisive shift towards giving increased responsibility for both macroprudential oversight and microprudential regulation to central banks; and second, institutionalisation of collegial arrangements involving the central bank, other regulators and the Government, with the primary responsibility of identifying threats to financial stability. The councils can make recommendations for appropriate prudential standards in the interest of safety of the financial system, but notably, not for forbearance.

How have We, in India, Responded?

47. Historically, the Reserve Bank has played an important role in preserving financial stability – drawing from its wide mandate as the regulator of the banking system and of the payment and settlement systems, regulator of the money, forex, government securities and credit markets, as banker to banks, as also the lender-of-the last resort. This unique combination of responsibilities for monetary policy combined with macroprudential regulation and microprudential supervision with an implicit mandate for systemic oversight has allowed the Reserve Bank to exploit the synergies across various dimensions. The micro-level information coming from supervision of individual institutions has been a valuable input for shaping the macro perspective. On the other hand, the broad understanding from macroprudential regulation has been effective in instituting prudential safeguards at the micro institution level.

48. Recognising the importance of an institutional mechanism for coordination among regulators and the Government, in December 2010, the Government established the Financial Stability and Development Council (FSDC) to be chaired by the Finance Minister. The FSDC is to be assisted by a sub-committee to be

chaired by the Governor of the Reserve Bank. This sub-committee has replaced the erstwhile High Level Coordination Committee on Financial Markets (HLCC-FM). The Government has held out a clear assurance that the working of the FSDC will not in any way erode the autonomy of the regulators.

49. The way forward from here in India is still uncertain. The FSDC has been meeting regularly, about 3 or 4 times a year, and has been focussed so far on stock taking and discussing policy issues. The agenda has been set more by immediate concerns, and there has been no explicit attempt to define what constitutes a 'financial stability' issue that falls within the domain of the FSDC.

50. Meanwhile, the Financial Sector Legislative Reforms Commission (FSLRC) submitted its report to the Government in March this year. In its submission to the Commission during the consultative stage, the Reserve Bank argued that the financial stability mandate that the Reserve Bank has been carrying out historically by virtue of its broad mandate should be clearly defined and formalised.

51. Nevertheless, the FSLRC has envisaged a different arrangement for safeguarding financial stability. Under this arrangement, the FSDC is accorded statutory status. The responsibility for safeguarding systemic risk[1] is entrusted to the FSDC Board chaired by the Finance Minister and comprising all the regulators and agencies of the financial sector 'which allows it to combine the expertise of the multiple agencies involved in regulation, consumer protection and resolution'.

52. The FSLRC recommendation that the executive responsibility for safeguarding systemic risk should vest with the FSDC Board runs counter to the post-crisis trend around the world of giving the collegial bodies responsibility only for coordination and for making recommendations.

53. The Reserve Bank has always held that financial stability cannot be its exclusive mandate, and that all regulators and the Government have to share the responsibility for financial stability, that coordination is important and that the Government has a more active role to play in a crisis time than in normal times. The Reserve Bank is also of the view that in a bank dominated financial sector like that of India, the synergy between the central bank's monetary policy and its role as a lender of last resort on the one hand and policies for financial stability on the other is much greater.

54. In his speech at an ICSS Seminar on the Indian Financial Code last month, the Finance Minister alluded to the difficulties of getting legislation passed in India, especially a path breaking legislation of the type of the Indian Financial Code suggested by the FSLRC. He suggested that in the meanwhile, we should pursue the implementation of FSLRC suggestions within the framework of existing laws.

55. Within the task defined by the Finance Minister, on the issue of safeguarding systemic risk, we need to think through whether the responsibility of FSDC Board should be extended from being a coordination body to one having authority for executive decisions? What will that imply for the speed of decision making? Can we clearly define the boundaries between financial stability issues falling within the purview of the FSDC and regulatory issues falling exclusively within the domain of the regulators? Will this arrangement not mean compromising the synergy between monetary policy and policies for financial stability? And what will it mean for the autonomy of regulators?

Conclusion

56. Let me now sum up. I started with the broad lessons we learnt about the financial sector – markets and institutions – as a result of the crisis. I then talked about the efforts at the global level to reach agreements on financial sector reforms and argued why it is

[1] The FSLRC has preferred to use the term 'systemic risk' in preference to financial stability on the argument that 'systemic risk' renders clarity in communicating the problem and the risk.

important for emerging economies to adopt international standards. I then addressed five specific reform areas, in each case talking about the lessons of the crisis, the response at the global level and our response at the national level. I have concluded with the institutional arrangements for safeguarding financial stability, within the context of the FSLRC recommendations in this regard.

57. As someone said, this crisis is too important to waste. It has taken a devastating toll on global growth and welfare. All of us in the financial sector have a responsibility to distil the lessons of the crisis, reflect them in our policies and enforce those policies effectively so that we can minimise the probability of another crisis. What this means is that both the regulators and the regulated entities have to build internal capacities and become knowledge institutions. I hope this conference will be an important step forward in that direction.

I wish your deliberations all success.

*Revving up the Growth Engine through Financial Inclusion**

K. C. Chakrabarty

Mr. Montek Singh Ahluwalia, Deputy Chairman, Planning Commission; Mr. U. K. Sinha, Chairman, SEBI; Mr. Sameer Kochhar, Chairman, Skoch Group; Ms. Stuti Kacker, Secretary, Department of Disability Affairs, Ministry of Social Justice and Empowerment; Mr. S. S. Tarapore, Distinguished Fellow, Skoch Development Foundation; Ms. Chitra Ramkrishna, Managing Director and CEO, NSE; Mr. Bhaskar Pramanik, Chairman, Microsoft Corporation (India); delegates to the Summit; members of the print and electronic media; ladies and gentlemen. It is a pleasure and privilege for me to be present here today at the inaugural session of the 32nd Skoch Summit on the theme of 'Regaining 8 per cent Growth with Equity'. I find the theme of the conference particularly relevant now as the temporary loss of growth momentum provides us an opportunity to recalibrate our growth strategies to ensure that the benefits of future economic growth are shared by all sections of the society, particularly, the poor and excluded groups. This objective needs to be at the core of any strategy that we adopt to rekindle the growth momentum. Hence, I congratulate Skoch for choosing this particular theme for its Summit.

2. Considering the illustrious and respected bevy of speakers who would be sharing their views on regaining the higher growth trajectory during the day, I would concentrate on highlighting some of the recent initiatives that we have taken to ensure that the objective of equitable growth is achieved through financial inclusion (FI) particularly, inclusion of the poor and marginalised sections of the society. I would also share some of the challenges that currently hinder our FI initiatives.

* Address by Dr. K. C. Chakrabarty, Deputy Governor, Reserve Bank of India at the 32nd SKOCH Summit held at Mumbai on June 6, 2013.

Our Approach to Financial Inclusion

3. We have sought to adopt a structured and planned approach towards FI by not just focussing on improving access to financial services but also encouraging demand for financial services through financial literacy initiatives. Some of the defining features of our approach to FI are:

- We have adopted a bank-led model for FI, but have permitted non-bank entities to partner banks in their FI initiatives.
- We have encouraged banks to leverage technology to attain greater reach and penetration while keeping the cost of providing financial services to the minimum. While we remain technology neutral, we require banks to seamlessly integrate whatever technology they choose, with their CBS architecture.
- As a philosophy, we have always encouraged banks to pursue FI as a commercial activity and to not view it as social service or charity. The self-sustainability and commercial viability of the FI initiatives are important if banks have to scale up their operations to cover more unbanked areas.
- We have advised banks to adopt innovative business models and delivery channels to expand their FI efforts. There is a need for banks to develop new products and design new delivery models that are customised to the unique needs of the financially excluded population, both in the rural and urban areas.
- The Reserve Bank has sought to play a supportive role in FI by creating a conducive regulatory environment and providing institutional support to banks in their FI efforts. Importantly, we have provided banks the freedom and the space to determine their own strategies for rolling out FI and have encouraged them to identify their own goals and targets through their respective Financial Inclusion Plans.

Institutional Mechanism

4. Our strength lies in the fact that we have created a robust institutional mechanism to support the roll out of banking services across the country. This was essential considering the enormity of the task in terms of the number of excluded people and the geographical size of the country. Our institutional architecture includes:

- The Financial Stability and Development Council (FSDC) chaired by the Union Finance Minister and involving heads of all financial sector regulators, which has financial inclusion and financial literacy as one of its important mandates.
- A technical group on financial inclusion and financial literacy under the FSDC involving not just the financial sector regulators, but also the education boards and curriculum developers.
- A high level Financial Inclusion Advisory Committee (FIAC) set up by the Reserve Bank to focus on providing strategic direction to FI initiatives across various stakeholders.
- A strong institutional mechanism at the level of banks through 35 State level Bankers' Committees, 644 Lead District Managers and more than 100 thousand bank branches.
- More than 700 Financial Literacy Centres and Rural Self Employment Training Institutes (RSETIs) imparting financial literacy to complement the financial inclusion measures.

Recent Financial Inclusion Initiatives

5. Learning from the experience gained from the outcomes of our FI initiatives over the years, the Reserve Bank has taken certain additional steps to provide greater impetus to the process of financial inclusion.

- We have encouraged banks to adopt a structured and planned approach to financial inclusion with commitment at the highest levels, through preparation of Board approved Financial Inclusion Plans (FIPs). The first phase of FIPs was implemented over the period 2010-2013. The Reserve Bank has sought to use the FIPs as the basis for FI initiatives at bank level through certain measures:
  - o Banks advised to prepare Board approved FIPs for the period 2013-2016.
  - o RRBs also advised to prepare comprehensive FIPs, consequent to their migration to CBS in 2011.
  - o In order to ensure closer monitoring of FI performance of bank branches, banks have been advised to disaggregate their FIPs up to controlling office and branch level.
  - o Structured, comprehensive monitoring mechanism put in place by the Reserve Bank for evaluating banks' performance against their FIP plans. Annual review meetings are being held with CMDs of banks to ensure top management support and commitment to the FI process.
- In the Annual Policy Statement for 2013-14, banks have been advised to consider frontloading (prioritising) the opening of branches in unbanked rural centres over a three year cycle co-terminus with their FIPs. This is expected to facilitate the branch expansion in unbanked rural centres.
- After successful achievement of the target of ensuring provision of banking services through a banking outlet in every village with population above 2000 by March 2012, SLBCs were advised to prepare a road map for provision of banking services in all unbanked villages with population below 2000 in a time bound manner. Under the road map, SLBCs have identified about 4,85,000 unbanked villages with population less than 2000 and the same have been allotted to banks.

- An integrated approach has been adopted for achieving financial inclusion through financial literacy. Financial Literacy Centres and rural branches of scheduled commercial banks have been advised to conduct outdoor Financial Literacy Camps at least once a month.
- In order to ensure consistency in the messages reaching the target audience of financially excluded people through these financial literacy camps, the Reserve Bank has released a comprehensive Financial Literacy Guide containing guidance note for trainers, operational guidelines for conduct of financial literacy camps and financial literacy material.
- In order to ensure smooth roll out of the Government's Direct Benefit Transfer (DBT) initiative, banks have been advised to:
    - o Open accounts of all eligible individuals in camp mode with the support of local government authorities.
    - o Seed the existing and new accounts with Aadhaar numbers.
    - o Put in place an effective mechanism to monitor and review the progress in implementation of DBT.
- Emphasis is on increasing the proportion of brick and mortar branches *vis-a-vis* BC outlets. The guidelines on opening 25 per cent of all new branches in unbanked rural centres and opening of intermediate brick and mortar structures have been issued for this purpose.
- Greater emphasis is being placed on volume of transactions carried out through the newly opened bank accounts. The monitoring format for progress in FIP has been modified to include detailed coverage of transactions in savings, credit and EBT accounts through BCs. Besides, banks have also been advised to monitor cost incurred on financial inclusion activities.

Challenges to Financial Inclusion

6. While several initiatives are being taken for ensuring widespread financial access, certain factors continue to impede progress. Let me highlight some of the major issues that various stakeholders face in their quest for universal financial inclusion:

- The goal of universal financial access is yet to receive the complete conviction/commitment of the Board/top management of banks. This is often due to a lack of genuine belief that this can be pursued as a profitable business activity. I have always maintained that the expenses incurred on FI initiatives need to be viewed as an investment instead of being considered as expenses, and the same should be weighed against present/future benefits likely to accrue from the same.
- Another major challenge is that banks are yet to develop sustainable and scalable business and delivery models to guide their FI initiatives. While several alternate models have been tried out, the time has come for banks to zero in on the models that they find most suited to their goals and to focus on scaling up the same.
- While access to financial services has improved, the usage of the financial infrastructure continues to be tardy. While more than 2.70 lakh banking outlets are available across the country, the number of transactions in these accounts remains unimpressive. For instance, nearly half of the Basic Savings Bank Deposit accounts are not seeing transactions. This not only restricts the potential benefits that could accrue from increased financial access but also reduces the viability of FI activities for banks and BCs. The reduced viability, in turn, impacts the scalability of the model, thereby hampering FI efforts.
- **Technology issues:** While banks have innovated on technology, the same has not

resulted in significant reduction in the cost of providing financial services. Beneficiaries/ stakeholders often complain of constraints in digital/physical connectivity. This coupled with delays in issuance of smart cards, reliability issues in hardware infrastructure such as hand held devices, *etc* have impacted the quick roll out of financial services across the country. It is, indeed, disheartening to note that India, despite being the software service provider to the world, is unable to develop reliable software solutions and back office services for supporting our own FI activities.

- The process of seeding the bank accounts with Aadhaar numbers is faced with various constraints which could impact the roll out of the Government's DBT initiatives.
- At last, I would say that the collective will power of the society and of all the concerned stakeholders is lacking and, consequently, the mission of complete financial inclusion is yet to become a national ambition.

Conclusion

7. The task of financial inclusion in a country like ours with large population and geographical spread is, indeed, challenging. The data released from the recent census of India indicates that only 58.7% of households in India avail of banking services with the figure being 54.4% for rural areas and 67.8% for urban areas. While there is greater awareness among policy makers and financial sector participants about the importance of prioritising the goal of universal financial access, there is a need to ensure that progress on the ground is in line with these expectations. The opening of bank accounts is only the first stage and the focus now is not just on improving access but also on better use of the financial infrastructure. In this regard, the collaborative approach combining financial inclusion with financial literacy, along with closer monitoring of progress in transactions is expected to boost operations in FI accounts.

8. Considering the enormity of the task, the combined will power of the society is required to ensure success in this challenging objective. All stakeholders, including policy makers, regulators, state and district administration, IT solution providers, software and hardware vendors, civic society, media and public at large have to come together and pool their collective might if we have to ensure that the goal of meaningful financial inclusion and leveraging financial access as a means for economic empowerment of the excluded masses, is successfully achieved.

Thank you.

Annex
Progress in Financial Inclusion

SR	Particulars	Year ended March 2010	Year ended March 2011	Year ended March 2012	Year ended March 2013	Progress April 2010 – March 2013
1	Banking Outlets – Rural Branches	33378	34811	37471	40845	7467
2	Banking Outlets – BCs	34174	80802	141136	221341	187167
3	Banking Outlets – Other Modes	142	595	3146	8424	8282
4	Banking Outlets –TOTAL	67694	116208	181753	270610	202916
5	Urban Locations covered through BCs	447	3771	5891	27124	26677
6	BSBD Accounts (No. in lakh)	734.53	1047.59	1385.04	1833.30	1098.77
7	OD facility availed in BSBD Accounts (No. in lakh)	1.83	6.06	27.05	39.42	37.59
8	KCCs (No. in lakh)	243.07	271.12	302.35	337.87	82.43
9	GCC (No. in lakh)	13.87	16.99	21.08	36.29	22.28
10	BC-ICT Accounts (No. in lakh)	132.65	316.30	573.01	810.38	677.73
11	ICT Accounts-BC-Total Transactions (No. in lakh)	265.15	841.64	1410.93	2546.51	4799.08

*Challenges and Concerns of the Central Bank: Opportunities and Role for the Commercial Banks**

Harun R Khan

It is a pleasure to be in the midst of so many bankers & colleagues in this serene temple city of Thiruvananthapuram in God's own country of Kerala. Bankers' Club, as we all know, provides an informal platform for exchange of views and information on the banking system and about the economic environment in which banks operate. This has assumed added importance in these challenging times for the economy and the financial system. Today, I intend to cover ten major challenges confronting the Reserve Bank and focus on the opportunities available to the commercial banks in relation to some of those challenges and role that the bankers can play to meet the challenges. The 10 challenges & concerns I would focus today are: (i) propelling revival of domestic growth; (ii) controlling persistent inflation; (iii) mitigating external sector vulnerabilities; (iv) deepening the financial markets; (v) maintaining a robust banking system; (vi) ensuring integrity of the financial system; (vii) building efficient government banking business models; (viii) moving towards a less-cash society; (ix) better customer service orientation of banks and (x) enhancing the quality of financial inclusion.

I. Propelling revival of domestic growth

2. Several structural and transient factors, both global and local, have stymied the growth drivers in India in recent times. Given the persistence of inflation, challenge for Reserve Bank of India has been how to address growth risks without losing control over inflation. As you are aware, the global economic activity still remains moderated amidst signs of diverging growth paths across major economies. In India, recovery was rather sharp and swift in 2009-10 (8.6 per cent) and sustained in 2010-11 (9.3 per cent). Thereafter, overall GDP growth witnessed sharp decline to 6.2 per cent in 2011-12 and further to 5 per cent in 2012-13 (provisional). The potential growth, which was around 9 per cent in the pre-crisis period, has come down to about 7 per cent now. The Reserve Bank has been arguing that growth cannot be revived without increasing the level of investment or gross domestic capital formation. In India, the level of investment has been mostly financed by domestic savings. As inflation rate in India remained above the comfort level for a long period, the gross domestic savings as a percentage to GDP has fallen from 33.7 per cent in 2009-10 to 30.8 per cent in 2011-12. As inflation erodes the value of financial savings, there has been a compositional shift in household savings, *i.e.*, from financial savings to physical savings. In fact, the financial savings of the households as proportion to GDP which was about 12 per cent in 2009-10, has come down to around 8 per cent in 2011-12. Per contra, physical savings of households as percentage of GDP have increased from 13.2 per cent to 14.3 per cent during the same period. This trend is not conducive to growth as physical savings are not available for further investment.

3. During 2004-05 to 2008-09, investments in India were supplemented by external savings only to a limited extent as evident by the current account deficit (CAD) which averaged around 1.2 per cent of the GDP. Thereafter, the CAD widened further and has now reached a very high level of about 5 per cent. This has implication for composition of external debt, debt servicing ratio and risks associated with flight to safety in case of any adverse international developments. In view of the above, India has to finance higher level of investment through domestic savings. This could be possible only through containing inflation so that

* Address delivered by Shri Harun R Khan, Deputy Governor, Reserve Bank of India at the Bankers' Club, Thiruvananthapuram on June 10, 2013. The speaker acknowledges the contributions of colleagues in the Reserve Bank of India.

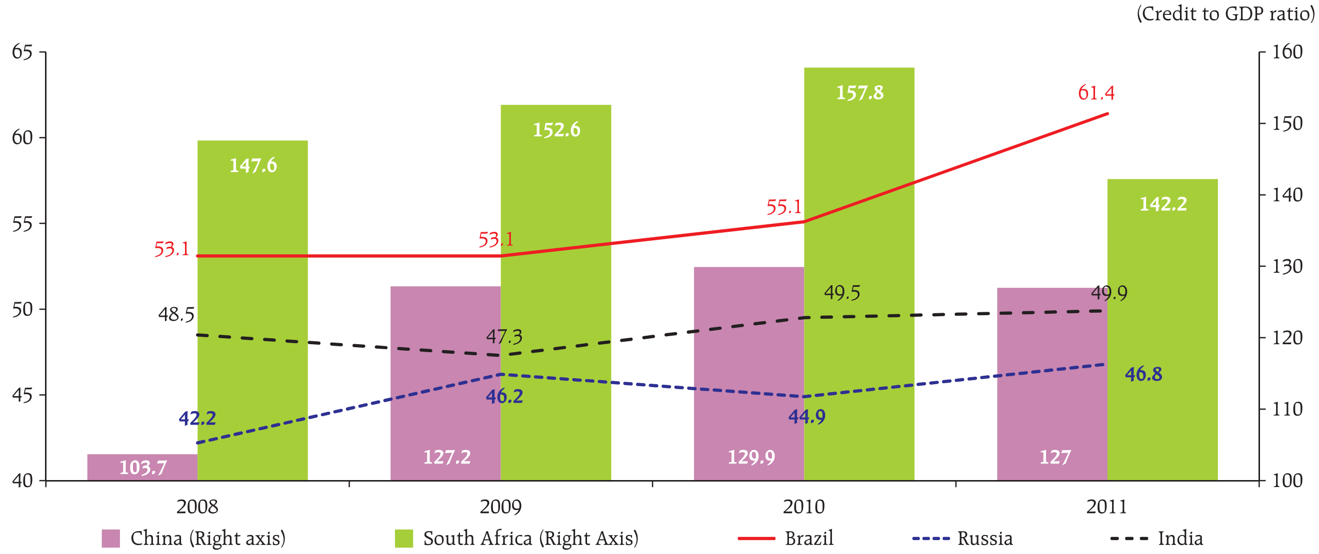
households can get a positive rate of return on their deposits and do not fall prey to unscrupulous offers made by unauthorised entities collecting public deposits under varied nomenclatures.

4. Given the uncertainties, both in the domestic and external fronts, one cannot be sure whether growth slowdown has bottomed out. Gradual recovery will be aided by the concerted efforts made by the Government for fiscal consolidation and boosting private investments. There are number of nascent signs of revival of growth which are likely to be supported by expected normal monsoon. Even in these trying economic conditions, there is a plethora of opportunities for the banks to provide the much needed fillip to the economy. Structural shift from services to manufacturing, greater focus on financial deepening leading to a wider base of consumers, particularly in the rural and small towns and more efficient credit markets are expected to be the factors in improving the country's credit-GDP ratio, which is one of the lowest amongst the BRICS nations (Chart 1).

5. Unlike in China, much of India's growth performance in the recent years has been contributed by the services sector with share of manufacturing sector stagnating at around 15 to 16 per cent of the GDP. A competitive manufacturing is not only necessary for taking advantage of the demographic surge that the country is now experiencing but also for sustaining growth. With the New Manufacturing Policy, India is refocusing on positioning manufacturing sector as drivers of growth. The policy aims at increasing the manufacturing sector growth to 12 – 14 per cent over the medium term, thereby enabling manufacturing to contribute at least 25 per cent of GDP over the next one decade and create additional 100 million jobs.

6. Banks should actively consider lending to the MSME sector as credit growth to this sector has decelerated. 14th Standing Advisory Committee on MSMEs was constituted a Committee (Chairman: Shri K. R. Kamath) to look into the entire gamut of credit flow related issues pertaining to the sector. It is heartening to note that a recent survey of the Confederation of Indian Industry (CII)[1] revealed that bankers expect 20 per cent increase in credit for the sector in the financial year 2013-14. Banks should also consider stepping up credit delivery to the agriculture sector, particularly for small & marginal farmers under

Chart 1: Domestic credit provided by the banking sector



Source: The World Bank

[1] CII Survey on Health of Indian Banking sector in current regulatory environment.

different aggregation models and investments, credit for value addition in the sector besides now forgotten project based lending to the allied sectors. With expected normal monsoon and good level of harvests, increasing purchasing power and huge labour shortage for farm activities demand for consumer goods and capital goods like farm equipments is likely to register growth. This opens up new opportunities for bank lending.

7. Recently, over half of economists surveyed by CNN Money have identified recovery in the housing sector as the primary driver of economic growth this year. In 2011-12, the housing sector contributed 5.9 per cent in the GDP of the country, five per cent of GDP in 2010-11 and 9.3 per cent of the GDP in the year 2009-10. In a report of 2012, ICRA has observed that during the period 2007-12, the level of mortgage penetration remained stagnant at around 7 per cent of the GDP and this is significantly lower than developed countries. Such low level of mortgage penetration, however, offers immense growth potential of the sector. The criticality of the sector further increases due to the fact that housing is the second largest generator of employment, next only to agriculture, with both forward and backward linkages in nearly 300 sub-sectors, such as, manufacturing (*e.g.*, steel, cement, and builders' hardware), transport, electricity, financial services, *etc.* Banks could grasp the opportunity of being part of the development of the affordable housing sector and, in turn, contribute more actively in the overall inclusive growth of the Indian economy.

8. Another important sector which offers tremendous business opportunity for the bankers is the infrastructure sector. It is well-proven that infrastructure development facilitates economic growth and economic growth increases demand for more infrastructure. Successful implementation of infrastructure projects is dependent, among others, on efficient financial intermediation. Banking services are required for the entire life cycle of the project and spread across a wide spectrum of products including advisory, lending, transaction banking, debt and equity raising. The banks could seize the new opportunities like take-out finance, transfer of liabilities to the Infrastructure Debt Funds (IDFs), *etc.* to manage their Asset Liability Management concerns while financing the infrastructure.

II. Controlling persistent inflation

9. Inflation-growth dynamics in India is more complex than in most other countries. Demand and supply side factors like high fiscal deficit aiding demand pressures, rising food prices due to structural factors like higher income levels of people, change in their dietary habits with focus on proteins, inefficient supply chain management, acceleration of wages, particularly rural wages and high commodity prices have contributed to the persistence of inflation. Recent trends are, however, comforting and show that inflation, at the wholesale level, is moderating.

10. Particularly, the dilemma is to decide about the overriding objective of monetary policy when growth is much below the potential and inflation persists. The challenge is to strike a balance between the two primary objectives of monetary policy. The Reserve Bank could not be more aggressive on monetary policy front as the battle against inflation is not yet over. The upside risks to inflation persists and is in fact more pronounced at the retail level. In this context, it is crucial to ascertain the threshold level of inflation which provides fillip to growth. Recent research studies indicate that the threshold level of inflation in India is about 5 per cent beyond which inflation harms growth by putting sands on the wheels of commerce. For example, given the level of disposable income, consumption of the same level of goods and services by households requires more spending and, therefore, less amount of disposable income is left for savings. It is not only the household savings but also government savings which could be augmented by inflation control. According to the recent Report on Currency & Finance published by the Reserve Bank, the elasticity of government expenditure with

respect to one percentage change in WPI inflation is as high as 2.7, while such elasticity with respect to collection of revenues in 0.9. Higher inflation thus entails higher net government expenditure, leading to higher gross fiscal deficit, other things remaining constant. As the Union Government is currently under the fiscal consolidation programme, unless inflation is controlled, it may be difficult to check revenue expenditures. Inflation control will help achieve fiscal consolidation without cutting capital expenditure. In fact, it is the quality of fiscal consolidation which matters much as this helps to improve investment climate in the country.

11. The challenges emanating from production and productivity constraints, particularly in the manufacturing sector and infrastructural deficits can to a large extent be met by sustainable bank financing. Another challenge emanating on the inflation front is the food inflation. The price increase in cereals and pulses have been significant during the current year. The increases have been persistent despite existence of large buffer stocks. The upward pressure has been reinforced with significant increase in the minimum support prices of most cereals and pulses. Apart from cereals, volatility in prices of vegetables and fruits added to domestic price pressures. Also, inflation in protein rich food items continued to remain elevated due to significant price increase in eggs, fish and meat. The persistence of food inflation calls for a relook at the agriculture price policy of the country. Further, there is a need to revisit the buffer stock policy as recent evidence reflects the absence of dampening of price rise even with availability of large buffer stocks. Another factor that is proving to be a major constraint in curbing food inflation is the rise in cost of agriculture largely driven by the rise in wage costs. It is a matter of concern that supply elasticity has not been sufficiently matching for the rise in demand for protein-rich food like milk, egg and meat.

12. Banks can play an important role in inflation fighting strategy of the country. In respect of food inflation the issues that could be addressed with the support of the banks would include banks focussing on supply and value chain financing, monitoring productivity of increasing bank credit disbursed to the agriculture sector, and helping in risk-proofing of the agriculture sector by adopting a credit plus approach. Timely, adequate and sustainable credit flows to various segments of the economy will also remove supply bottlenecks. Wide variance in the prices of vegetables and fruits the consumer level and mandi level is a common feature across the country. One plausible reason for the huge variance is the dependence of vendors on informal sources of finance for buying vegetables from the wholesale market in the cities/ towns. Such sources of funds, though easily accessible, are usually available at exorbitant rates. Banks can explore creating extremely short-term small denomination credit products for such vendors to provide them easy access to funds at relatively cheaper rates under a mobile banking model. Such a move will enable lowering the prices of food items and help in curbing the inflation to a large extent.

III. Mitigating external sector vulnerabilities

13. Till recently, external sector has been a source of strength for our economy; however, in the last few years, the vulnerabilities in the external sector (Table 1) have increased mainly due to unusually high CAD which increased from 4.2 per cent to 6.7 per cent in the third quarter of 2012-13 and likely to be around five (5) per cent for the year. The sustained capital flows to finance large CAD cannot be taken for granted as quantitative easing by the advanced economies may not continue indefinitely. A major source of concern is that a significant proportion of capital flows has been in the form of FII & other debt creating flows which are more volatile than FDI flows.

14. The positive trend in merchandise export growth since December 2012 has been encouraging. The global growth conditions are, however, projected to remain subdued (as projected by the IMF, output growth of

Table 1: External Sector Vulnerability Indicators

(in per cent)

Indicator	Mar '06	Mar '11	Mar '12	Jun '12	Sep '12	Dec '12
Ratio of Total Debt to GDP*	16.8	17.5	19.7	19.7	19.3	20.6
Ratio of Short-term to Total Debt (Original Maturity)	14	21.2	22.6	23.0	23.2	24.4
Ratio of Short-term to Total Debt (Residual Maturity)#	24.4	42.2	42.6	42.9	43.7	44.1
Ratio of Concessional Debt to Total Debt	28.4	15.5	13.9	13.5	13.2	12.5
Ratio of Reserves to Total Debt	109	99.7	85.2	83.0	80.7	78.6
Ratio of Short-term Debt to Reserves	12.9	21.3	26.6	27.8	28.7	31.1
Ratio of Short-term Debt (Residual Maturity) to Reserves#	32.6	42.3	50.1	51.8	54.1	56.2
Reserves Cover of Imports (in months)	11.6	9.6	7.1	7.0	7.2	7.1
Debt Service Ratio (Debt Service Payments to Current Receipts)	10.1	4.4	6.0	5.8	6.0	5.8
External Debt (US$ billion)	139.1	305.9	345.5	349.1	365.6	376.3
Net International Investment Position (IIP)	-60.0	-209.8	-248.5	-224.1	-271.5	-282.0
IIP/GDP ratio	-7.2	-12.3	-13.3	-12.2	-15.1	-15.4
CAD/GDP ratio	1.2	2.8	4.2	3.8	5.4	6.7

*: Annualised GDP at current market prices; #: RBI Estimate

world economy in 2013 will only be marginally higher than that in 2012). Unless the conditions, particularly in the advanced economies, improve significantly, a durable pick up in India's export cannot be taken for granted. On import side, oil and gold accounting for 45 per cent of total merchandise imports are also subject to global financial conditions. Although recent drop in their prices and restrictions imposed on gold imports and efforts made for passing on the actual price of fuel to the users could act as favourable triggers for India's CAD, there is still uncertainty regarding persistence of softening bias in international commodity prices and consumer behaviour regarding gold demand. Similarly, deceleration in private transfers, mainly the workers' remittances, from abroad also to a large extent depend on source countries economic conditions. The World Bank, in its April 2013 Report on remittances, made a forecast that remittances received by South Asian countries including India, may grow at a lower rate of 6.9 percent in 2013 as compared to 12.3 per cent in 2012. Fortunately, capital flows so far have been adequate to finance the current account gap and going forward pressures on CAD in terms of quantum, quality and safe financing are expected to moderate, particularly as various measures are being taken to improve pace of investment in the country.

15. It has been seen that India's exports were more severely impacted in recent period than many of the peer group economies (*e.g.*, China, Korea, Malaysia and Thailand) suggesting the need for building up of productivity based competitiveness and robust infrastructure to support our exports. The onus of boosting the export sector, however, does not necessarily fall only on the exporters and the government, bankers have an equally crucial role to play. Exporters, to maintain their cost effectiveness, need adequate, timely and cost effective lines of funding for both working capital and capacity creating expenditures. Reserve Bank had introduced a US Dollar - Indian Rupee swap facility for US$ 6.5 billion for extending export credit in foreign currency to exporters. The export credit refinance was earlier expanded to 50 per cent of the outstanding export credit of the banks from 15 per cent and the interest rates on export credit in foreign currency were also deregulated. Still exporters face a lot of difficulties many of which relate to availability of financial services, including timely and adequate export finance and other facilities extended by banks and financial institutions. Non-implementation of exporter friendly guidelines (*e.g.* export credit should constitute 12 per cent of the net bank credit of the banks, extension of hassle-free credit

availability under the Gold Card Scheme, transparency regarding bank charges for various services provided by Authorised Dealer banks, exercise of powers delegated to the AD banks in regard to availment of export advance, write-off of outstanding of export dues, extension of period for realisation of export proceeds, set-off of export receivables against import payables, *etc.* under the FEMA regulations) has been a cause of concern. Keeping these issues in view, a Technical Committee (Chairman: Shri G Padmanabhan) was constituted by the Reserve Bank. The Committee has looked into the entire gamut of facilities/services provided by banks/financial institutions {including the Exim Bank, Export Credit and Guarantee Corporation (ECGC) & Small Industries Development Bank of India (SIDBI)}, such as, export credit, in Indian Rupee as well as foreign currency, hedging instruments, factoring services, insurance coverage, *etc.* and suggested several important recommendations for implementation by the banks.

16. As on March 31, 2013, there were 285 overseas offices of Indian banks abroad spread across 55 countries. Such widespread network of branches can be tapped for providing useful inputs to the Indian exporters for exploring new markets and creating a niche in the untapped economies. Attracting investment into the country, especially in the form of foreign direct investments, is crucial for enhancing the technology-led production capacity and managerial expertise. Another area which the banks need to explore is tapping the Indian diaspora. As you are aware, India is one of the largest recipients of inward remittances, receiving approximately US$ 69 billion in 2012,[2] and this would not have been possible but for the connect of the Indian migrants with the country and efforts of Indian banks. I would, however, expect banks to be more proactive and innovative in developing new products for the non-resident Indians and ease the processes in timely transfer and credit of remitted funds. This is more critical from the point of view of banks in Kerala as the state is one of the largest recipients of remittances.

17. In the present context of high CAD, I intend to highlight the concerns of rising import of gold. The three sources of demand for gold are consumption, investment and speculative. The Reserve Bank has observed that while the growth in consumption demand, primarily driven by households, remained moderate, the demand for gold driven by investment and speculative motive has grown rapidly. The rising demand for gold is a cause of concern because of the management of CAD & financial stability and the larger issue of consumer protection. The Reserve Bank has also been concerned with the aggressive selling of gold and extending loans against gold. Banks should refrain from aggressive selling of gold coins as such an activity should not be construed as the core business activity. In order to moderate the demand for gold for domestic use, the Reserve Bank has issued instructions for restricting import of gold on consignment basis. These restrictions are, however, not applicable on the genuine needs of exporters of gold jewellery. Further, all nominated banks/agencies have been instructed to open letters of credit for import of gold only on 100 per cent cash margin and release documents against payment basis only. Banks also have to ensure that the weight of the specially minted coin(s) do not exceed 50 grams per customer and the amount of loan to any customer against gold ornaments, gold jewellery and gold coins (weighing up to 50 grams) should be within the Board approved limit. Realising the need to provide financial instruments to investors for protecting against inflation, the Reserve Bank in consultation with the Government of India has recently launched Inflation Index Bonds (IIBs) to provide an inflation protecting savings instrument. The first tranche of IIBs with a face value of ₹10 billion was recently auctioned and met with huge success. In the near future, IIBs would be made available to retail investors also. Banks should tap their wide network and huge customer base to educate and encourage retail participation.

[2] World Bank's Migration and Development Brief 2012.

IV. Deepening financial markets

18. Deeper and broader financial markets are desirable for public policy objectives as they play a critical role in improving the efficiency of capital allocation within the economy. The traditional investor base in Indian G-sec market comprises banks, provident funds, and insurance companies. With the entry of co-operative banks, regional rural banks, pension funds, mutual funds and non-banking finance companies, the institutional investor base has been reasonably diversified. Notwithstanding the predominantly institutional character of the market, the Reserve Bank has recognised merit in promoting retail participation. Small and medium sized investors have been enabled to participate in the primary auction of G-sec through a "Scheme of Non-competitive Bidding" and Primary Dealers (PDs) have been mandated minimum retailing targets. Web-based NDS-OM has also been enabled by the Reserve Bank to provide direct trading access to G-sec to non-NDS members like retail/mid-segment/corporate entities having gilt accounts with banks & PDs. Some major banks have also initiated measures like on-line trading portal for facilitating the retail investors. Banks need to focus on attracting more retail investors in the G-sec market by creating awareness and also providing enabling easy-to-use platforms besides sensitising the retail investors that loans against G-sec is permitted.

19. While India has a very advanced G-sec market, the corporate bond market is relatively under developed. Developing a more vibrant corporate bond market has, therefore, become an important agenda among the concerned stakeholders. Some of the challenges which need attention include taking measures to improve liquidity, such as, consolidation of particularly the privately placed bonds, setting up a suitable framework for market making in corporate bonds, providing tools to manage credit, market and liquidity risks {*e.g.,* CDS, Interest Rate Futures (IRF), Repo in corporate bonds, *etc.*}, developing a smooth yield curve for the government securities market for efficient pricing of the corporate bonds, calibrated opening of the corporate bond market to the foreign investors, developing safe and sound market infrastructure and wider participation of retail investors in the market through stock exchanges and mutual funds. Another challenge is the lack of appetite for new and innovative products that are available in the financial markets. The market has not displayed any appetite for instruments with varied structure. A similar response pattern has been observed in respect of products, such as, interest rate futures (IRFs) and repo in corporate bonds. The dilemma is that while participants do not want to trade till liquidity improves, liquidity will not improve till the participants trade. The bottom-line is that the market participants need to be more active in trading across the yield curve and across products. Given very low levels of participation of the treasuries of the public sector banks it is imperative that they look at the prevailing operating structure so that they participate actively in the market with a supportive risk management framework.

V. Maintaining robust banking system

20. Compared to the pre-90's reforms era, Indian banking has undergone a paradigm shift and evolved beyond the traditional role of financial intermediation. Over the last decade and a half, the health and resilience of the banking system has improved though there has been some deterioration in the recent past. Analysing the various components contributing to the recent concerns of the banking sector, the Financial Stability Report of the Reserve Bank (December 2012) found that tight liquidity, deteriorating asset quality and reduced soundness of the banking sector are the major contributors to the decline in the stability of the banking system. Indian banks currently meet the minimum capital requirements of Basel III at an aggregate level, even though some individual banks may have to top up their capital. Going forward, as growth accelerates, need for banking penetration becomes more pronounced and the economy goes

through a structural transformation, Indian banks will need to raise additional capital both to support the growth process and to meet regulatory requirements.

21. The lure of cheaper foreign currency denominated funds has led to higher foreign currency borrowings by Indian corporates. While the external debt could help the corporate sector diversify the funding sources, excessive reliance on the same could pose balance sheet risks. The risk is magnified when availability of funding liquidity is subject to sharp volatility in the international markets. The Reserve Bank has observed that banks generally do not rigorously evaluate the unhedged forex exposure risks and fail to build it into pricing of credit. It is important to appreciate that unhedged forex exposure of corporates is a source of risk to the corporates as well as to the financing banks and the financial system. The Reserve Bank has, therefore, decided to increase the risk weight and provisioning requirement on banks' exposures to corporates on account of their unhedged forex exposure positions.

22. Recent trends in the asset quality of the banking system have been somewhat disquieting. In 2012-13, the gross NPAs of banks increased by 31.8 per cent while restructured standard advances increased by over 40 per cent. The recent trends in asset quality can be largely attributed to the prevailing macroeconomic situation, domestic and global, besides some underlying issues in credit assessment and NPA management of banks. In the fourth quarter of 2012-13, the asset quality of banks has shown some improvement across different bank groups and various industry segments though it is too early to state with certainty that the trend of deteriorating asset quality has reversed. In view of extraordinary increase in restructuring of advances, a Working Group (Chairman: Shri B Mahapatra) was constituted to review the existing prudential guidelines on restructuring of advances by banks/financial institutions. In the background of many inadequacies/shortcomings on various aspects of restructuring, the Working Group came out with several recommendations, such as, withdrawal of regulatory forbearance on asset classification on restructuring after two years, provision on standard restructured accounts which get the asset classification benefit on restructuring be increased from the present two (2) per cent to five (5) per cent in a phased manner in case of existing accounts (stock) and immediately in case of newly restructured accounts (flow), increasing the promoters' stake in the restructured accounts by way of higher sacrifice and personal guarantee, *etc.* The implementation of these measures has already commenced and overtime will contribute to increased resilience of the banking system and more transparent accounting of asset quality.

23. Banks will need to gear up to the challenge of improving the health and resilience of the banking system even as domestic and global macro-financial conditions remain depressed. As Basel III is implemented, banks will need to re-engineer their internal systems and align the same to the forthcoming challenges of higher capital and liquidity. Appropriate strategies for meeting the capital adequacy requirements will need to be designed and the position of liquid assets bolstered. Banks will need to provide concerted attention to their ALM policies and reduce reliance on short term and volatile liabilities. Going forward, the Reserve Bank expects that the growth in NPAs would be contained at the current levels due to a) likely improvement in GDP growth in 2013-14 and beyond; b) improvement in project implementation due to Government's efforts in clearing the bottlenecks; and c) improved recovery efforts by banks. Nevertheless, asset quality needs to be closely monitored and the credit appraisal and monitoring system needs to be substantially upgraded. Risk management systems also need to be improved and early warning mechanisms strengthened. Information sharing arrangements between banks needs to be made more effective. It is, therefore, imperative that banks, at the levels of branches, controlling offices and head offices, are proactive in facing up to these challenges.

VI. Ensuring integrity of the financial system

24. High level of trust and integrity in the financial system is an important requirement if the financial sector has to serve the real sector in a sustainable manner. In the recent past, there have been reports about non-adherence to KYC/AML norms and adoption of unethical practices by officials of some banks. The Reserve Bank, during the course of scrutiny, has noticed certain irregularities/deviations/aberrations in conduct of banking transactions. The scrutiny revealed that customers, including walk-in customers, were undertaking cash transactions to buy third party products, such as, insurance, mutual funds, *etc.* and also purchasing massive quantities of gold. No doubt some banks had failed to adhere to the laid down guidelines pertaining to KYC/AML, *viz.*, splitting/ structuring of cash transactions, not quoting the PAN number or quoting dummy PAN number, non- reporting of transactions to FIU-IND for the latter to take appropriate action, if need be, *etc.* Though such irregularities have been noticed across many banks, the volume is not very high. In effect the Reserve Bank expects the banks to follow certain drill in the form of implementing and monitoring KYC/AML instructions.

25. There is a need to ensure better regulatory compliance by banks, both in letter and spirit, of the national objectives underlying the AML regulation. Such compliance is not possible in the absence of commitment of the banks. It is important to note that imposition of penalty for regulatory violations cannot be the only solution. Further, there is a need to address the incentive structure at the operating levels by segregating marketing function from the approval process. Banks should ensure that its employees do not receive cash/non-cash incentives directly from third parties, such as, insurance companies and mutual funds. The Reserve Bank is contemplating tightening of wealth management guidelines to avoid mis-selling of bank's own and third party products. Restructuring compensation models should be part of an on-going process as this will help to improve the reputation of banks and banking industry. Further, it will help ensure that incentive structures are aligned to desired behaviors across the organisation, helping to overcome potentially competing demands. Banks also need to assess strength and robustness of their KYC policies and procedures by analysing whether KYC due diligence requirements are understood unambiguously across the bank. Whether the existing infrastructure supports a risk-based KYC due diligence process with appropriate record keeping and documentation retention is the key question. Banks should also check whether their internal systems are strong enough to identify missing or invalid KYC profile certifications required to block transactions. Negative effects of non-adherence include possible reputational risk and brand degradation through negative publicity besides supervisory action. In addition, financial institutions face exposure to litigation from customers, investors and professional counterparties in the event that fraudulent activities are detected.

26. Of course, one has to keep in view the need for hassle-free KYC procedure for general customers, particularly those doing small ticket transactions. This is critical in the context of our thrust to strike balance between integrity of the financial system and expansion of banking outreach for financial inclusion. Reserve Bank is planning to come out with a detailed FAQs on KYC/AML requirements so that the frontline staff of banks and the customers are fully aware of the requirements for easy access to banking. Banks will have to proactively sensitise their staff in this regard.

VII. Building efficient Government banking business models

27. There is a growing need for electronification of Central and State Governments transaction processing. The migration of government payments to the e-mode would bring in higher efficiencies in operations. Banks would be spared of the work relating to issue, handling, clearing and passing of paper based instruments like

cheques which come with the attendant risks. Electronic payments can be processed in a 'Straight Through' manner with the banks effecting the payments/receipts directly using their Core Banking Systems (CBS) in a largely automated manner which would be safe and secure. Besides, e-transactions are superior to paper instruments in terms of traceability, transparency and efficiency, apart from being a green initiative. The resultant available time of the staff of banks can be used for other purposes which would ultimately augur well for banks. Central Government has already initiated action by implementing Government e-payment Gateway (GePG) for Civil Ministries. Some State Governments have been very proactive in this regard and the Reserve Bank has been actively involved with the Governments like those of Karnataka, Odisha, West Bengal, Uttar Pradesh and Uttarakhand for implementation of e-receipts. The Reserve Bank expects agency banks to play a more pro-active role in enhancing the coverage of government transactions under e-mode.

28. Collection of revenue is one of the major functions of an agency bank and in a CBS enabled environment, delay in remittance of such collections is inexcusable. Strict adherence to the timeline prescribed by the Reserve Bank is expected from the branches. Banks should also ensure complete error free reporting under OLTAS and, in particular, with regard to fund settlement, branch coverage, data quality, *etc.* to ensure that tax collected are timely and correctly accounted for without any reconciliation hassles.

29. A recent initiative by the Reserve Bank pertains to its CBS, named e-Kuber. This system, implemented a year ago, is one of the foremost central bank oriented Core Banking Systems in the world and has now well stabilised. The provision of a single current account for each bank across the country, decentralised access to this account from anywhere-anytime using the portal based services in a safe manner and ease of operations are some of the features of the e-Kuber which have been well received by banks. The system also has a host of offerings for the Government users as well. Some of the facilities offered include the provision of portal based access which allows Government departments to access on anywhere-anytime basis, view their balances – of all types including the Ways and Means Advances, drawings, funds positions and the like – all in a consolidated manner through the e-Kuber so as to help them in better funds management. The capability of consolidating revenue collections by banks through the e-Kuber offers the potential for better flexibility for the Government in managing its finances apart from moving over towards higher levels of electronic banking.

30. The scheme of Direct Benefit Transfer (DBT) envisages transfer of cash benefits, benefits and subsidies by lessening the tiers involved in flow of the transactions, accurate targeting of the beneficiaries and curbing pilferage and duplication. The rollout of DBT presents a number of challenges, such as, digitisation of beneficiary database, opening of bank accounts opened and enrolment for Aadhar followed by seeding of Aadhar number with the bank accounts. Reserve Bank has prepared ground for roll-out of DBT in lieu of product subsidies and has advised lead banks of the select districts to co-ordinate for roll out of Aadhar enabled payments. The challenges are not insurmountable but require closer co-ordination amongst the stakeholders, such as, the government bodies, UIDAI & banks. DBT presents a great business prospect as banks will be paid a transaction fee of one per cent of the value for every payment made to the beneficiaries of direct cash transfers, a move aimed at providing a boost to the scheme. Banks need to put in place a strategic action plan for account opening of all the beneficiaries followed by provision of door-step banking. Given the expected magnitude of volumes of DBT, banks need to put in place an effective mechanism to monitor and review progress in the implementation of DBT. Effective engagement with DBT should be seen

by banks as potential source of building a big market of small customers and thereby create a stable business base.

31. Overall, banks should recognise the immense business potential of conducting government business. Earlier business models have to be replaced and made suitable for the latest technology led banking platforms and payment system infrastructure. Greater efficiency in handling government business will create a distinct brand-value for the bank and will enable greater share of business and widening of customer base by catering to various departments of the Government. Unlike any other business, government business is also remunerative as Reserve Bank pays commission to the agency banks.

VIII. Moving towards a less-cash society

32. The dominance of cash in our economy, informal financial system, organisation of economic activity (*viz.*, dominance of retail *vis-à-vis* large-scale business), proportion of migrant workers, *etc.* are some of the factors driving the need for cash in our society. The preponderance and wide acceptance of cash can perhaps be explained by the ***c**onfidence* it exudes as it has very high ***a**cceptability*, it is extremely ***s**afe* for undertaking and completing a financial transaction and it is ***h**ighly* liquid. The importance of currency is prevalent even in the advanced economies. In the US, currency-GDP ratio remained stable around 6 per cent in the first decade of the 21st century whereas in Eurozone, it went up gradually to over 9 per cent in 2010. Further, the currency-GDP ratio in the UK remained in a narrow range of 2.3-3.1 per cent during 2001-10 whereas Japan registered a rise from 14.7 per cent to 18.1 per cent over the same period. India, however, has witnessed an increase in currency demand in relation to GDP with the average currency-GDP ratio hovering around 10 per cent in the 1970s, 1980s and 1990s, before increasing to over 13 per cent in the last decade.

33. Increased usage of currency poses several challenges to the Reserve Bank, such as, ensuring availability of adequate quantity of banknotes and coins in the system, ensuring good quality banknotes, ascertaining their genuineness besides incurring the high cost of printing which has increased by approximately 31 per cent from during the period 2008-09 to 2011-12. Even for individuals, there are associated risks, such as, fear of theft, idle cash itself does not generate income, time and cost for making payments can be exorbitantly high and last but not the least, the danger of forged currency notes in circulation. For banks, the cost of handling cash is higher as compared to electronic modes as it requires more manpower, more transaction time, more expensive to maintain security and segregating re-issuable notes to maintain good quality notes in circulation requires additional resources. Keeping these issues in perspective, the Reserve Bank in its Payment Systems in India Vision 2012-15 document has envisaged a less-cash society. Successful accomplishment of the objective is possible by concerted efforts of all the stakeholders and creation of a modern well-networked payment system.

34. A multi-pronged approach is required to reduce cash usage in the society and requires active support from the banking system. The Reserve Bank has been promoting usage of electronic payments like mobile payments, payments through internet banking, usage of Prepaid Payment Instruments, debit/credit card. In order to improve accessibility, the payment infrastructure is being constantly reviewed. One of the recent initiatives in this regard has been the decision to permit non-bank entities to launch the White Label ATMs (WLAs), thereby increasing the ATM penetration across the country. Banks, however, need to further improve the acceptance infrastructure like mobile POS and also ensure the products are simple to use and has all the critical safety and security features. As you are aware, the Reserve Bank has created NEFT/RTGS system

that is acting as de-facto remittance system in the country. The Reserve Bank is on the verge of putting in place the Next Gen RTGS which will be more secure, safe and efficient than the existing one. To enable remittance for walk-in customers, the Reserve Bank has put in place a very user-friendly Domestic Money Transfer scheme. Unfortunately, despite the business potential, these facilities are either not being extended by the banks or the target masses are not aware of the facility. Further, it is critical that banks tap technologies to cater to the growing needs of the customers and also to the growing number of customers. The notion that customers are unable to adopt to technology stands defeated with wide success and usage of mobile phones. Mobile banking offers a platform for offering a wide range of banking services to the customers anywhere and anytime. Similarly, banks should also endeavour to promote card based payments products, such as, the PPIs, debit cards, credit cards and the recent innovative product like mobile KCC/card-based KCC. Needless to stress, technology enabled banking products and processes are fraught with risks and the banks have to identify and put in place adequate risk mitigants to ensure the safety and security of the products. One such initiative by the Reserve Bank was mandating additional factor of authentication for all card not present (CNP) transactions. Banks have been advised that all new debit and credit cards to be issued only for domestic usage unless international use is specifically sought by the customer. Such cards enabling international usage will have to be essentially EMV Chip and PIN enabled. All the active Magstripe international cards issued by banks should have threshold limit for international usage. Banks have also been advised to frame rules based on the transaction pattern of the usage of cards by the customers in coordination with the authorised card payment networks for arresting fraud. To ensure greater security in electronic payments, banks have been advised to provide options to their customers for fixing a cap on the value/mode of transactions/beneficiaries and also limiting the number of beneficiaries that may be added in a day per account could be considered. Banks should also put in place mechanism for velocity check on the number of transactions effected per day/ per beneficiary and any suspicious operations should be subjected to alert within the bank and to the customer. Given the low level of awareness amongst the frontline staff of the banks and customers, the Reserve Bank has initiated a payment system literacy campaign – e-BAAT (electronic Banking And Awareness Training). The Reserve Bank is actively engaging the banks and payment system participants in raising the awareness of the various products and processes that our payment systems offer. I would expect that banks in Kerala play an active role in popularising the e-payments.

35. Recently a Technical Committee (Chairman: Shri G. Padmanabhan) submitted a report on implementation of GIRO based payment system in India. Bill payment, as you are aware, is a major component of the retail payment transactions and GIRO is expected to be a game-changer. It is estimated that over 30 billion bills are generated each year in the top 20 cities in the country. The cash and cheque collections constitute over 90 per cent and electronic payments through ECS, *etc.* continue to be low. GIRO is expected to address the needs of a consumer to pay the utility bills, school/university fee *etc.* The perceived benefits include interoperability in the bill payment processes thereby enabling consumers to make payments at any third bank/ branch/ATM/BC, a customer can do payment anytime anywhere at her will for any bill, customers can use cash, cheque or card or any other approved electronic mode for payment. With establishment of widespread network across the length and breadth of the country, GIRO will be a business model which perhaps no bank would like to miss.

36. Let me also briefly provide you some insight on a recent discussion paper on 'Disincentivising Issuance and Usage of Cheques'. The Reserve Bank has observed that the e-payment mode has picked up at a rapid pace

and April 2013 recorded higher e-payments as compared to cheque payments. The number of cheque payments are, however, still significantly high. It is important to realise that the safety and security features available in the electronic payment modes are not replicable on cheques, thereby making cheque payments riskier apart from the associated higher handling costs. The Reserve Bank has rolled out the CTS 2010 features envisages higher security features for the cheques and easier detection of modifications/alterations. I would like to urge the banks to realise the vast potential of electronic payments and strive to hand-hold customers for migration away from cheques, thereby reap the full potential of electronic banking.

IX. Better customer service orientation of banks

37. Given the increasing complexities of the economy and banking, banks need to be wary of retaining existing customers while working towards expanding the customer base. The key to an efficient and courteous customer service emanates from having the right orientation keeping different customer segments in mind. For example, one special category of customer – pensioners - require special attention and assistance. It is important that the frontline staff of banks show due respect and courtesy to these senior citizens and be more humane while dealing with pensioners. Keeping in view the large number of pensioners, the Reserve Bank has instructed the banks to disburse pension during the last four working days of the month. The instruction aims at avoiding crowding at the counters and facilitating better service. The Reserve Bank has also instructed banks to establish toll-free help-lines for pensioners, appoint nodal officers for grievance redressal and acceptance of life certificate at any CBS enabled branch. In order to check delay in credit of pension and related payments, Reserve Bank has set-up a mechanism for imposition of penalty at fixed rate of eight per cent on the erring banks. In an effort to improve the overall customer service in banks, the Reserve Bank had set-up a Committee (Chairman: Mr. Damodaran). Some of the major recommendations which have been accepted by the Reserve Bank and guidelines issued include facility of basic savings account, uniform account opening forms, issuance of ATM cards at the option of the customers, two-factor authentication for Internet Banking and debit card transactions at POS, SMS alert for all cheques returned, *etc.* An analysis of the complaints received by the Banking Ombudsmen reflects on the areas of deficient service (Table 2). Banks have to pay closer attention to eliminate these deficiencies in a sustainable manner.

38. A recent survey by the Ernst & Young[3] revealed that for the banks to remain competitive they must give customers the opportunity to choose by making service offers more transparent, rebalance fee structures to achieve transparency and sustainability required by the regulators and the investors. The survey revealed that 50 per cent of the global sample (37 per cent of the Indian sample) changed banks due to high fees or charges. The next major reason for change of bank is poor bank experience which was cited by 31

Table 2: Category-wise distribution of complaints

(per cent of total)

Area	2009-10	2010-11	2011-12
Failure to meet commitments/ BCSBI Codes / Non observance of fair practices code	14.60	22.87	25.20
Card Related (ATM/ Debit / Credit)	23.73	24.01	19.88
Deposit Accounts	4.64	2.42	11.95
Others	23.77	10.10	10.05
Loans and Advances	8.34	6.40	8.25
Pension Payments	6.09	8.32	8.15
Remittances	7.20	5.92	5.39
Levy of Charges without prior notice	6.01	5.82	5.22
Out of Subject	3.39	11.51	5.04
DSAs and Recovery Agents	2.03	2.42	0.63
Notes and Coins	0.20	0.20	0.23

Source: Annual Report of Banking Ombudsman Scheme.

[3] http://www.ey.com/GL/en/Industries/Financial-Services/Banking---Capital-Markets/Global-consumer-banking-survey-2012--Adapt-business-models

per cent of the global sample (32 per cent of Indian sample). Lack of personalised contacts, poor internet/ mobile experience, poor rates on accounts, *etc.* were some of the other major reasons cited. Banks also need to devise innovative plain vanilla products and easy to understand processes for the unbanked populace and also offer a slew of services encompassing conventional banking and more sophisticated financial services for the advanced customers. Banks have to cater to technology savvy customers and also customers who still prefer personal attention and human interface. Providing customer service and banking facilities to such a broad spectrum of customers poses several challenges to the banks. Banks need to develop business strategies that would amalgamate strength and immediacy of erstwhile style of banking with the capabilities of nex-gen multi-media collaborative technology. Recent experiences by banks have reflected that service expectations are higher than before, product demands are more varied and customer loyalty is no longer assured.

39. By rough estimates, more than half of India's population is under the age of 25, with 65 per cent of the population under 35. According to a study of the IMF, the working-age ratio in the country is set to rise from about 64 per cent currently to 69 per cent in 2040, reflecting the addition of over 300 million working-age adults. In other words, banks need to gear up to provide banking facility to more than 10 million customers every year for the next two and a half decade. This translates into re-orientation of customer service beyond applications that provide solutions to problems and needs of today.

X. Enhancing the quality of financial inclusion

40. In the recent past, financial inclusion has emerged as the buzzword in the Indian financial system. In the zeal to drive the policy initiative in a mission mode, banks have collaborated with Business Correspondents to extend the formal banking services to regions and people who remained unbanked even after six decades of independence of the country. In pursuit of financial inclusion, quantity has, however, become the more important factor than the quality. Banks went into an overdrive mode to open more and more accounts without really looking into the quality of associated services and perhaps and more often without focusing on the need of raising the awareness levels of the financially excluded. The significantly large number of inoperative No-Frill Accounts proves this point. Last year, the Reserve Bank and the Government of Kerala declared the district of Ernakulam as the first district to be 100 per cent meaningfully included. Meaningful inclusion envisages deeper and sustainable financial inclusion much beyond the basic objective of opening accounts. Meaningful financial inclusion hinges on four critical parameters (a) all adults in each family have an operative bank account through which regular credits and withdrawals take place; (b) providing small overdraft/credit facilities to the people who need it; (c) providing remittance services through the banks and (d) providing micro insurance through the banks.

41. Sustaining momentum of financial inclusion is dependent on the broader efforts for economic inclusion. Providing financial services alone would not suffice till the individual is provided guidance and hand-holding to pursue a sustainable economic activity. Economic inclusion efforts require not only banking the unbanked, but also retaining and better engaging current bank customers to prevent them from becoming unbanked or under-banked. The success of financial inclusion in the Ernakulam district needs to be replicated across all the areas of the State and country. As at end of March 2013, the state of Kerala has more than 5000 branches of banks of which 400 plus are rural branches and nearly 400 BCs and other service providers operating in different areas of the State. With this deep penetration and high level of literacy in the State, I am sure that banks are aware of the immense business potential of including more and more financial excluded population, *i.e.*, it is more of a business proposition and less of social obligation. A recent Reserve Bank

Research Project Study titled "*How the Poor Manage their Finances: A Study of the Portfolio Choices of Poor Households in Ernakulam District, Kerala*" has observed that meaningful financial inclusion of the poor by the commercial banks would critically depend on their ability to meet the credit gaps of the poor households. The Reserve Bank expects the level of banking sector engagement at the grass-root level is increased and higher levels of economic & financial activities through the banking system are facilitated even if it involves low-ticket business. This may provide more meaning to the spirit of financial inclusion than the statistics of financial inclusion. Looking beyond the business proposition and social obligations, it is important to appreciate that meaningful financial inclusion provides greater and sustainable financial stability. Recent global experience has revealed that undue reliance on borrowed funds can be a source of instability. In this context, small value deposits from the large source of customers at the 'bottom of the pyramid' can offer more stability and resilience to the deposit base of the bank. In other words, financial inclusion is much beyond social obligation and business proposition rather it is more about providing stability to the bottomline of the banks. Hence, banks, both at the corporate and the field levels, have to focus on both qualitative and quantitative aspects of financial inclusion.

Concluding thoughts

42. India faces several macro-economic challenges influenced by both global and domestic developments. In this background, I have briefly outlined ten major challenges & concerns confronting the Reserve Bank of India. I have touched upon challenges pertaining to domestic growth slowdown, persistence of inflation, external sector vulnerability, deepening of the financial markets, robustness of the Indian banking system, integrity of the financial system, efficiency in government banking business models, moving towards a less-cash society, re-orienting the customer service focus of banks and, finally, qualitative dimensions of financial inclusion. Given the magnitude of challenges, the Reserve Bank attaches a lot of significance to the role of banks. There is also tremendous scope for the banks to convert these challenges into opportunities for their sustainable business growth. Banks will have an important role in providing impetus to the domestic growth drivers and ease supply constraints, particularly with focus on production and productivity enhancement and supply chain management in agriculture so as to promote growth & moderate inflation. By providing boost to exports through hassle-free financial and non-financial services to the exporters, ensuring reduction of gold imports and facilitating FDI flows, they can help in mitigating the external sector vulnerability. By extending the investor base in debt market and increasing their participation in the new products launched in the financial markets, banks can deepen the financial market for improving the capital allocation in the economy. In the context of increasing need for financial stability and the tighter capital requirement regime, banks have to improve their soundness through efficient management of asset quality, better risk management practices & augmentation of their liquidity and capital buffers. Banks also need to tap each and every opportunity for improving their bottom-line by expanding their business including Government banking business under the emerging models and thereby augmenting their profitability and customer base. It is heartening to note the findings of a recent survey conducted by Gallup revealed that nearly 70 per cent of the respondents reposed faith in the Indian banking system. Nonetheless, recent revelations on non-adherence to KYC/AML norms and unethical practices of bankers in mis-selling financial products have potential of denting the system's respectability and integrity which banks ought to guard zealously. Conscious efforts therefore have to be made to ensure regulatory compliance both in letter and spirit. Further, banks should strive to raise the level of customer service and enhance the awareness for electronic

payment system products in pursuit of providing easy & efficient access to financial services with the aim to move towards a less-cash economy. Qualitative dimensions of financial inclusion also should receive serious attention of the banks so that efforts made in this regard result in enduring relationship with the bottom of the pyramid customers and sustainable business proposition for the banks.

43. In the end, I would like to convey my gratitude to the Bankers' Club, Thiruvananthapuram for providing me this platform to enumerate some of the challenges and concerns of the Reserve Bank and role and opportunities for the commercial banks in relation to these challenges. I hope that the issues highlighted by me would be recognised in the right earnest.

44. Thank you for patient listening.

*Impact of Euro Area Crisis on South Asia**

Deepak Mohanty

The global financial crisis originated in the US and then spread to Europe. While the global growth has recovered from the trough of 2009, Europe has lapsed into recession again. The continuing uncertainty in the euro area poses a major risk to the global economy today. It has affected the growth prospects of both advanced and emerging market economies through trade, financial and confidence channels. Given the interconnectedness of global financial markets, the principal risk to emerging markets and developing countries (EMDEs) arises from 'risk on' and 'risk off' behaviour of global financial market. Of late through following resolute policy actions, financial conditions have improved in the euro area (IMF, 2013)[1]. However, the real economy has shown no sign of improvement. With very little fiscal space, macro policy response to growth slowdown remains limited.

The euro area crisis first surfaced in 2009 when Portugal, Ireland, Greece and Spain slipped into recession with exceedingly high budget deficits. The crisis deepened further in 2010 with credit rating agencies downgrading the sovereigns and banks in the peripheral Europe. This significantly dented confidence, even threatening the very existence of the euro. Consequently, the risks to the global economy rose.

Against this backdrop, I briefly touch upon the causes of crisis and subsequent stability enhancing policy measures in euro area. I then turn to how the crisis affected South Asia, particularly India. I conclude by highlighting some mitigating measures that we have taken to strengthen our external account.

Causes of the Crisis

The problems in the euro area are largely structural in nature and existed even prior to the crisis. The global crisis only amplified the weaknesses in the system. "In the years preceding the crisis, the EU became divided between countries with positive trade balances and sound budgets – the core – and those with growing budget deficits and external deficits financed by private credit flows increasingly sourced from the first group of countries for unproductive spending – the periphery. With the onset of global financial crisis, the external deficits, budget deficits and levels of public debt of the countries in the second group largely became unsustainable once they were no longer financed by the rest of the EU (Draghi, 2013)[2]".

The origin of the euro area crisis is in the high level of fiscal deficit and debt. First, a large part of the fragile fiscal position in these economies is attributable to expenditure on entitlements due to an ageing population without commensurate increase in revenues and lack of growth-enhancing structural reforms. In this process, the public sector structure has become bloated. Second, due to low domestic saving rate, public debt had to be financed through borrowings resulting in widening of current account deficit and a growing external debt. While the membership of the euro area gave a false sense of comfort to the periphery countries, the intra-euro area financial imbalance remained severe. Third, as the euro area crisis unraveled, the interconnection between sovereigns and banks was reflected in the positive correlations between sovereign and bank credit default swap (CDS) spreads especially for the periphery countries.

---

* Paper presented by Shri Deepak Mohanty, Executive Director, Reserve Bank of India at the SAARCFINANCE Group Meeting on June 18, 2013 at Islamabad, Pakistan. The assistance provided by Dr. Mohua Roy and Shri Somnath Sharma is gratefully acknowledged.

1 IMF (2013): 'Old Risks, New Challenges', Global Financial Stability Report, April 2013.

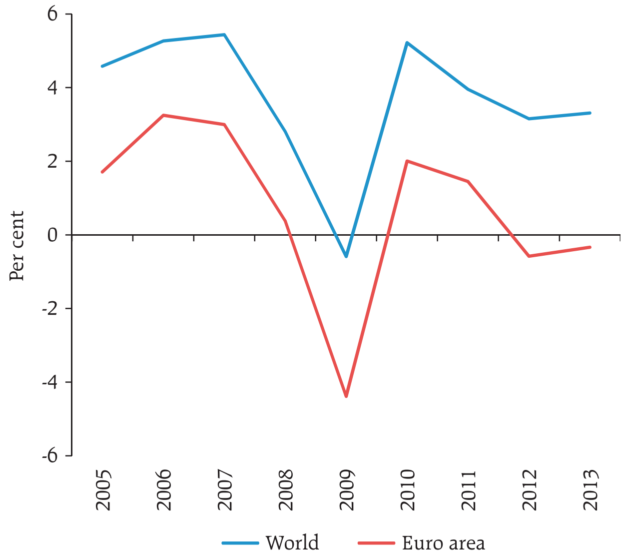
2 Draghi, Mario (2013): 'The euro, monetary policy and reforms', Speech on the occasion of receiving an honorary degree in political science at LUISS "Guido Carli" University, Rome, 6 May.

The management of the euro area crisis has become complex because of three reasons. First, consequent to rating downgrades, a number of countries have faced rising bond yields and challenges in funding the sovereign debt. Second, euro area banks are undercapitalised, mainly due to losses on sovereign bonds, and have faced liquidity problems leading to credit constraints. Third, slow/negative economic growth accentuated fiscal risks (Chart 1). Let me now turn to policy measures taken to stabilise the euro area.

Policy Measures

The crisis has prompted the European Union (EU), the European Central Bank (ECB) and the International Monetary Fund (IMF) to take several measures to stabilise the European economies. The creation of the European Financial Stability Facility (EFSF) in 2010 and the European Financial Stability Mechanism (EFSM) in 2011 responded to the urgency of crisis in the periphery. However, many subsequent improvements that led to the establishment of the European Stability Mechanism (ESM) have placed the regional financing arrangements on a much stronger footing.

Chart 1: Real GDP Growth



Source: WEO, IMF.

In addition, the EU is also addressing the institutional deficiencies in the monetary union by gradually moving towards banking and the fiscal union. Europe took its first big step towards banking union in December 2012, as EU finance ministers agreed to make the ECB the common bank supervisor.

The EU has also tried to make fiscal rules more stringent. In this regard, the treaty on stability, coordination and governance known as "fiscal compact" has come into force in January 2013. This is an intergovernmental Treaty which establishes that member states must enact laws, preferably at constitutional level, requiring their national budgets to be in balance or in surplus within the Treaty's definition. The laws must also contain a self-correcting mechanism to prevent any breach. The Treaty defines a balanced budget as a general budget deficit of less than 3.0 per cent of GDP, and a structural deficit of less than 1.0 per cent of GDP if the debt level is below 60 per cent. If the debt level is above 60 per cent of GDP, the structural deficit norm is more stringent at below 0.5 per cent of GDP. The "two-pack" regulations subject euro area countries to the obligation of *ex ante* notification of budgetary plans to the European Commission (EC). Should countries be subject to an excessive deficit procedure (EDP) or be involved in a financial assistance programme by the ESM, they will also be subject to an enhanced monitoring by the EC (Praet, 2013)[3].

The ECB has taken a number of policy measures ranging from lowering the policy interest rate, substantial bond buying and provision of concessional loans to banks. The ECB launched its Long Term Refinancing Operations(LTRO) which made available three-year loans to banks: 523 banks borrowed €489 billion in December 2011 and 800 banks borrowed €530 billion in February 2012. The ECB launched Outright Monetary Transactions (OMT) in September 2012 to make discretionary purchases of short-term

[3] Speech by Peter Praet, Member of the Executive Board of the ECB, 'The crisis response in the euro area', Beijing, 17 April 2013.

sovereign bonds with a prior request by the concerned sovereigns for international assistance via the EFSF/ ESM.

The IMF contributed to emergency lending and has elaborated and monitored the economic adjustments programmes for Greece, Ireland and Portugal in close cooperation with the EC and the ECB known as the 'Troika'. Even though the major share of the financial support has come from euro-zone countries, the scale of the IMF's lending has been substantial. Since the size of the rescue packages has been huge, the cooperation with the EC and ECB was important as IMF alone would not have been able to raise the entire quantum of emergency funds. Let me now turn to the impact of the euro area crisis on SAARC region.

Impact on South Asia

The euro area has traditionally been an important economic partner for South Asia. The share of exports to the euro area in total exports ranged from around 38 per cent for Maldives to 10 per cent for Nepal with India's share being 13 per cent in 2012. Between 2011 and 2012, share of SAARC's export to euro area has contracted significantly (Table 1).

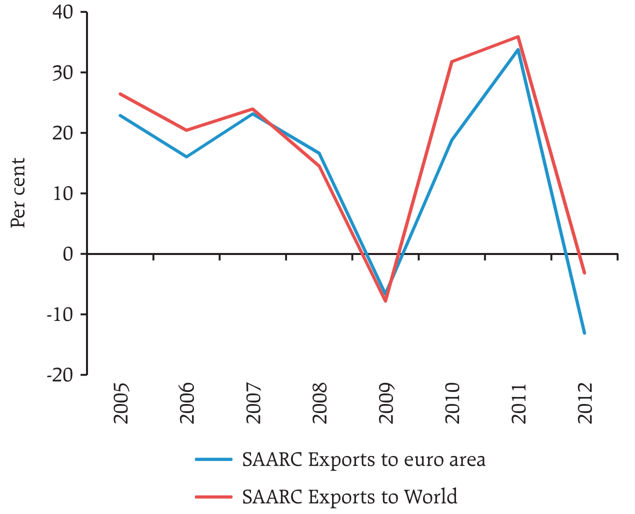
Table 1: Percentage Share of Exports to Euro Area out of Total Exports

	2008	2011	2012
Bangladesh	36.4	35.7	32.2
India	16.1	13.9	12.8
Maldives	29.6	37.7	37.8
Nepal	8.6	10.8	9.7
Pakistan	16.2	16.7	12.9
Sri Lanka	21.7	22.6	17.8

Source: Calculations based on DOTS, IMF data.

In addition to absorbing a significant share of the region's exports, it has been a source of foreign direct investment and other forms of capital flows (Lee *et al.* 2013)[4]. It is interesting to note that when the euro area crisis hit the global economy in 2010, our exports to that region did not decline immediately. This was mainly because of our two major trading partners, *viz.*, Germany and France, which were doing well. In the subsequent period, as the crisis intensified, our exports to euro area declined (Chart 2).

Chart 2: Change in South Asia's Exports to the World and Euro Area



Source: IFS, IMF.

Another way in which euro area crisis has impacted the South Asian economies is through the finance channel. European banks have been an important source of credit to South Asia. According to the Bank for International Settlements (BIS), at the end of December 2012 consolidated claims of the European banks on South Asia amounted to around US$164 billion, equivalent to 44 per cent of the region's total foreign banks' claims. There has also been an impact through the stock markets. While deleveraging by European banks reduced lending to emerging markets, shifting of investor sentiment reduced flow to emerging stock markets (Avdjiev *et al.* 2012)[5]. Let me now turn to the impact on India.

[4] Lee, Minsoo, Donghyun Park, Arnelyn Abdon, and Gemma Estrada, (2013) 'Economic Impact of Eurozone Sovereign Debt Crisis on Developing Asia' ADB Working Paper Series No. 336, January 2013.

[5] Avdjiev, Stefan , Zsolt Kut and Előd Takáts: (2012) 'The euro area crisis and cross-border bank lending to emerging markets', BIS Quarterly Review, December 2012.

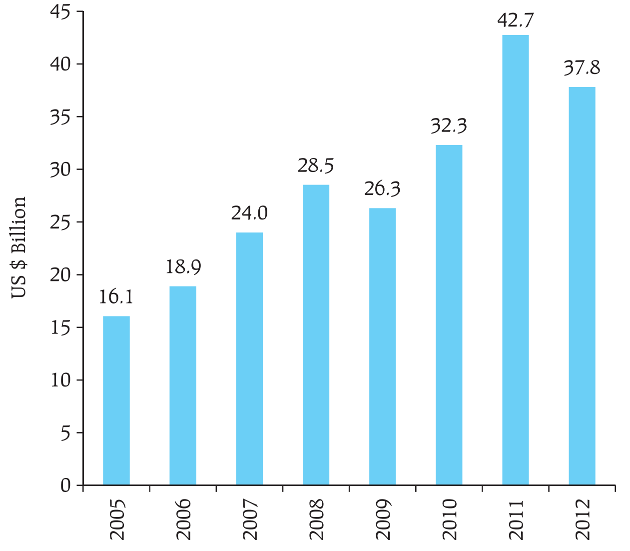
Impact on India

Indian economy is significantly integrated with the euro area. The impact so far has been mainly through trade and finance channels. As a result of slowdown in euro area, India's merchandise exports to the region declined from US$ 42.7 billion in 2011 to US$ 37.8 billion in 2012 (Chart 3). Consequently, its share in India's total exports declined from 13.9 per cent to 12.8 per cent. In fact, euro area's share in India's exports was much higher at 16 per cent in 2008 (Table 1).

Furthermore, the share of India's software services exports to Europe declined from 26 per cent of total software export earnings in 2009-10 to 24 per cent in 2011-12. Europe accounts for more than one-third of total tourist arrivals in India. Travel receipts have also suffered because of lower tourist arrivals from the euro area, particularly from the affected countries.

Deleveraging in European banking system impacted credit flows to India (Chart 4). The consolidated claims of the European banks on India declined from US$ 146 billion in December 2010 to US $ 139 billion in December 2012[6].

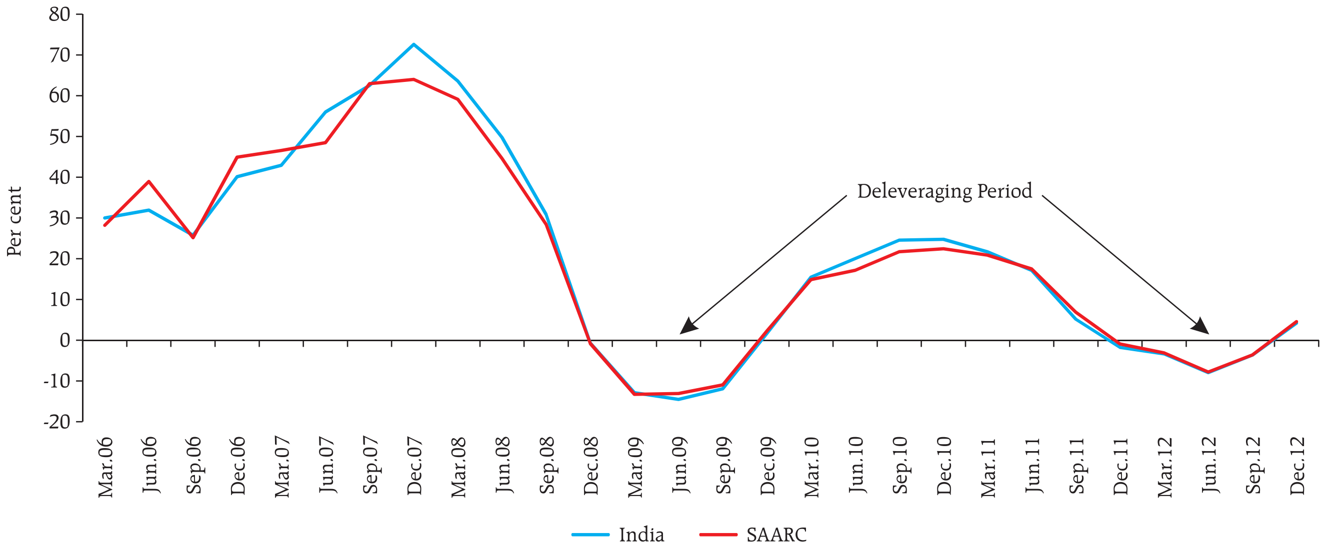
Chart 3: India's Merchandise Exports to Euro Area



Source: IFS, IMF.

Euro area is also an important source of foreign direct investment (FDI) to India. It accounted for around 18 per cent of the total FDI into India in 2012-13. Given

Chart 4: Change in Consolidated Foreign Claims of Europen Banks on SAARC and India (y-o-y)



Source: BIS

6 Excluding UK and Switzerland, European banks' claim on India stood at US $ 56 billion at end-December 2012.

Table 2: Foreign Direct Investment Flows to India: Country-Wise

(US $ million)

	2009-10	2010-11	2011-12	2012-13
Total FDI	**22,461**	**14,939**	**23,473**	**18,286**
Country-wise Inflows				
Cyprus	1,623	571	1,568	415
Netherlands	804	1,417	1,289	1,700
Germany	602	163	368	467
France	283	486	589	547
Spain	125	183	251	348
Luxembourg	40	248	89	34
Euro Area (6)	3,477	3,068	4,154	3,511
Euro Area (6) share in total FDI	15.5	20.5	17.7	19.2

Source: RBI

the more stable nature of these flows as compared to foreign institutional investment (FII) flows, the crisis has had a marginal impact on the FDI flows to India. When the crisis began, the FDI flows from euro area economies declined from about US$ 3.5 billion in 2009-10 to about US$ 3.1 billion in 2010-11. However, it recovered to US$ 4.2 billion in 2011-12 and around US$ 3.5 billion in 2012-13 (Table 2).

In addition, Europe constitutes a major source of private transfer inflows to India, around 19 per cent in 2008-09. As the unemployment situation in euro area continues to deteriorate, it may have an adverse impact on remittance flow to India.

Conclusion

The uncertainty about the duration of the euro area crisis persists as there has not been much improvement in its real economy despite a string of policy steps. While reforms are being initiated, fresh concerns are surfacing: for example, recent downgrade of both Italy and France.

In India, we have been proactive in addressing the challenges posed by the uncertainties in the global economy, particularly in the euro area. As capital inflows to our economy have turned volatile, financing of our large current account deficit has become a challenge. In this context, various policy measures have been undertaken by the Reserve Bank and the Government to moderate imports and to improve capital inflows.

Oil and gold are the two major items of our imports. With regard to oil, the domestic pricing has increasingly been made market determined. It is expected that this will help economising the domestic oil consumption. Recently import duty on gold has been raised and bank finance against pledge of gold has been restricted. The efficacy of these measures, however, is yet to be tested. We have also introduced inflation indexed bonds which should help contain gold demand to the extent these bonds are used as an investment hedge against inflation. Notwithstanding these measures for a fast growing economy like ours, import demand is bound to be high. Hence, we have to step up exports to narrow the trade gap. But in a phase of sluggish global economy, it is difficult to push up exports. Nevertheless, initiatives have been taken to diversify trade towards emerging markets. On balance, however, the current account deficit remains high thus needs to be financed through capital inflows.

The policy measures taken to encourage capital inflows include liberalisation of the interest rates on non-resident deposits and external commercial borrowings, rationalisation of norms related to FII in infrastructure debt and allowing FDI in multi-brand retail. The sectoral limit for FII investment in government securities and corporate bonds has been hiked.

To sum up, while national authorities are taking steps, international financial institutions (IFIs) like the IMF need to be more proactive to suggest ways to limit the spillover and prompt actions to be taken to arrest further deterioration in global economic condition. In this context, speedy implementation of a complete banking union in the euro area with an integrated regulatory and supervisory structure assumes importance. In this scenario our economies need to strive for increasing resilience while being prepared to deal with the negative spillovers from the crisis. The immediate concern for India is to reduce the current account deficit from its present high level. Over the medium-term, efforts made to diversify trade towards emerging market and developing economies should be stepped up. In this context, there is greater scope for trade and financial integration in the SAARC region which will be mutually beneficial.

*Achieving Professional Excellence**

P. Vijaya Bhaskar

I. Introduction

At the outset, I thank the organisers of the Silver Jubilee Function of Institute of Chartered Secretaries of India (ICSI) for giving me an opportunity to share my thoughts on the very topical subject of "Achieving Professional Excellence". A Silver Jubilee has a special significance in the life of any institution as it signifies a coming of age and maturity. It's also a time to look back and thank every person who has contributed.

II. 'Profession' and 'Excellence'

(a) Profession

Post the industrial revolution, there has been a knowledge explosion which led to an exponential increase in the number of professions. In fact, we are living in exponential times. The world's knowledge is increasing at exponential rates, as is our technology. In the history of mankind, it is widely acknowledged that the explosion of knowledge in the last 200 years is unprecedented. A profession, as we are all well aware, is an occupation especially one that involves knowledge and training in a branch of advanced learning like your profession – secretarial practice.

(b) Excellence

It is a truism that "Excellence is a journey not a destination". Pursuit of professional excellence, as such is a life long continuous journey. Such professional excellence is essentially a subset of Human Excellence.

Bhagavad Gita talks about "*Yogah Karmasu Kaushalam*" – Yoga is excellence at work. This verse advises us to perform our allocated duty in an excellent manner. Kaushalam signifies doing work with devotion and without attachment. Such detached attitude enhances its values and improves the concentration and skill of the individual concerned.

Swamy Vivekananda's golden words on excellence, whose 150th birth anniversary we are celebrating this year, are not only worth committing to memory by all of us but are worthy of emulation, if we are serious enough, about achieving 'Excellence' in our lives and profession. He says – "*In the little things that you do, un-observed by anybody else, if you are excellent, then you are truly excellent. When people are watching and praising you and you do well that is not the true test of excellence. Nobody is watching you, what you do in the most private aspect of your life, there if you are excellent, you will be excellent everywhere.*"

Swamy Vivekananda has also talked about the essential ingredients for achieving human excellence. He particularly emphasises on *Atma Shraddha* – Self confidence, *i.e.,* having faith in oneself – which brings out the best out of us and a sense of honour and self-respect. If we work with such self-confidence, we put our heart and soul in whatever tasks we undertake. It's only soulful work which becomes excellent. Wherever there is no sense of honour, personal worth and dignity, one's work becomes sloppy and slipshod. Professionals need to especially remember this all through. Following *Atma Shraddha*, the other ingredients for achieving human excellence are knowledge, responsibility, love and concern for others, as expounded by Swamy Vivekananda.

III. Other Essentials of Human Excellence

At a technical level, human excellence is achieved when there is a harmonious blend of Intelligence, Emotional and Spiritual Quotients (IQ, EQ and SQ respectively).

IQ represents material capital reflected in rational intelligence and concerned about "What I think"?

EQ represents social capital reflected in emotional intelligence and concerned about "What I feel"? The

* Address given by Shri P. Vijaya Bhaskar, Executive Director, Reserve Bank of India at the Silver Jubilee Function of Institute of Chartered Secretaries of India (ICSI) at Mumbai on June 15, 2013.

level of EQ determines how one handles relationships. In a profession, EQ is most important because it's all about handling relationships with one's clients, peers, professional associations, regulators and the society around.

SQ represents spiritual capital reflected in spiritual intelligence and concerned about "What I am"?

Physiologically, left brain is used for IQ (thinking – serial processing) while right brain is used for EQ (feeling – parallel processing). Given its expansive and all encompassing nature, the whole brain is pressed into service for SQ (about "being" – synchronous processing).

The above can also be grouped as hard and soft skills. As a general rule, hard skills are relatively easy to acquire; while soft skills are hard to come by.

In other words, human excellence calls for qualities of both the head and the heart.

IV. Essentials of Professional Excellence

Knowledge, skills and management of conflicts of interest are the three most essential ingredients of Professional Excellence. Professional Excellence predominantly calls for both personal competence (How we manage ourselves!) and social competence (How we manage relationships!).

(a) Knowledge – On the knowledge front, adequate care is being taken, particularly by professional bodies such as yours. A set of standard syllabi, periodically revised to take care of the new developoments, minimum criteria for acquiring the professional degree and the ongoing continuous education programme to avoid practicing professionals from becoming stale, as also compulsions of competition from other allied professions ensure that knowledge levels are reasonably taken care of, on a continuous basis.

(b) Skills – Both hard and soft skills have an overwhelming bearing on professional excellence. Ensuring knowledge levels is the easier part. Acquiring skills is the more difficult part of the equation. Among skills, soft skills are of great significance because, as I said earlier, as a general rule, relatively speaking, soft skills are hard to come by; while hard skills are easy to acquire.

(c) Conflicts of Interest Management – What is conflict of interest (COI)? In the code of ethics of your institute, A "Conflict of Interest" has been defined as a situation wherein the interests/benefits of one person or entity conflict with the interests/benefits of the institute.

They are situations in which an interest interferes, or has the potential to interfere, with a person, organisation or institution's ability to act in accordance with the interest of another party, assuming that the person, organisation or institution has a (legal, conventional or fiduciary) obligation to do so. The interests which lead to conflicts may be pecuniary or non-pecuniary, personal/social/other competing professional interests or human emotions of greed/ kinship or friendship/anger/hatred. Such conflicts may be actual or potential.

Conflict of interest, thus, fundamentally represents – a ***'Dharma Sankat'*** - an ethical dilemma. Such conflicts are a part and parcel of one's existence, but the conflicts of interest in the financial world have a special and particular lure because of huge financial benefits involved in exploitation thereof.

All professionals – doctors, lawyers, engineers *etc.*, including finance professionals, generally, play a dual role, *i.e.*, that of being the principal and an agent to their customers, in the discharge of their functions. Consequently, finance professionals jointly act as an agent of the customer when they provide the diagnosis to their finance related problems and consider the best remedial action therefor, besides acting as a principal in executing with the customer the prescribed action. *Mutatis mutandis*, the same holds good for almost all professional services. This inherent dual capacity, common to most professional services, naturally gives rise to conflicts of interest in cases where the professional acting as an agent, prescribes actions which he knows are to his own benefit as principal, rather than to the customers. There is nothing special about financial services in this respect. Agency theory (principal-agent relationship) offers a valuable lens for assessing, *inter alia*, conflicts of interests.

Financial services come jointly under the category of 'experience goods' and 'credence goods;' wherein, information is obtained by the consumers only during/after the services have been purchased or, perhaps, may not be able to obtain the same even after purchasing. In other words, the consumers will find it that much more difficult in obtaining information about the quality of services offered by the finance professionals, due to the inherent nature of financial services.

In such circumstances, exploitation of conflicts of interest by finance professionals due to the classic 'principal-agent' conflict, away from the glare of the public could lead to loss of trust in the profession. As Walter Bagehot put it so elegantly, "*One terra incognita seen to be faulty; every other terra incognita will be suspected.*" The inevitable credibility contagion catches on. All professionals, especially in the finance world should be very wary and watchful to prevent such an eventuality. Otherwise, disastrous consequences would follow, which would be difficult to tackle.

It is a matter of fact, which has repeatedly come to the fore that conflicts of interest cannot be legislated/regulated away, despite having the best prescribed standards. Management of conflict of interest calls for adherence to ethics and values. In fact, a value-oriened individual is the cornerstone in the entire process of mitigation of interests. As famously said, "the greatest conflicts are not between two people/institutions/nations, but between one person and himself." Hence, ethical conduct should be developed, sustained and fostered in the professional atmosphere through enabling legal, regulatory and institutional environment.

Management of conflicts of interest calls for a high degree of maturity and a sense of balance and proportion. The reason is that conflicts of interest situations predominantly carry shades of grey rather than being black and white.

Hence, above all, a sense of values and ethics is the very foundation to manage conflicts of interest – ***"Dharma Sankat"***. Professionals with high knowledge and skills, but without values and ethics, more often than not, could end up as disasters.

In other words, the framework for mitigating conflicting interests should be constructed inside-out, from the core point of an individual's value-oriented personality to an outer layer of enabling environment, through all possible means available to your profession. The conflict mitigation process, at its absolute broadest, should strike a reasonable balance that helps guard against present and future problems of conflicts of interst while preserving those traits of your profession which are the source of its creative and competive genius.

Sometimes, due to certain professional/personal problems or set-backs, one may not be able to focus fully on one's profession. That is quite understandable, but the touchstone is as to whether, over one's entire career, one has been able to constantly deliver to the highest standards of professional excellence which is achieved through high levels of knowledge and skills coupled with an unshakable sense of values and ethics. Another important aspect is that the top professionals in high positions should be very measured in their talk and behaviour, because they are looked upon as role models for the profession in particular and the society in general.

(d) Conflicts of Interest and Finance Professionals – An Uneasy Relationship – In contemporary times, especially since the onset of the present ongoing crisis in 2008, among the professions – finance related professionals have been in the limelight due to all the wrong reasons. In the period immediately prior to 2008, the continuous saga of financial scandals involving high profile companies like Enron, Worldcom, Arthur Andersen, Tyco in USA; Ahold, Parmalat in Europe, Citi bank's activities in Europe and Japan, BNP Paribas are still fresh in one's memory. More recently, those involving J P Morgan, Standard Chartered, HSBC in the international arena serve as examples. The recent episodes of proven transgressions by some of our banks also raise concerns and highlight the critical role of ethics in business. In all these cases, expert observers have concluded that the role of the finance professionals and, more importantly, their exploitation of conflicts of interests as being at or near the centre of such scandal-driven financial storms.

Conflicts of interest, of late, have reappeared in our public discourse. It is alleged that, we in India, are not appreciative enough of the world of Conflicts of Interests. It is also argued that we do not appreciate the separation of roles and responsibilities of our private and public lives; and that we freely mix both together for our gains. It is further said that for us, there is no conflicts of interests and it is only maximisation or juggling of interests, *etc.*

In such a milieu, there is an onerous responsibility on professional bodies like yours. You need to adequately demonstrate that you are not only aware of such situations but are doing everything at your command to ensure that your members are indeed "Walking the talk !"

ICSI's Code of Conduct

A look at the Institute's code of conduct available on the website reveals that the two most important principles of professional excellence *viz.*, management of conflicts of interest and adherence to ethics & values have been alluded to, but perhaps need to be elaborated, against the backdrop of the above. Further, adequate training in this regard to all the members is an imperative. This is the paramount need of the hour for all professional bodies, especially the ones related to the financial world.

Summing up

Let me conclude by recapitulating what I have tried to put forth in front of you. I started off by briefly defining and describing the two important words of profession and excellence. Thereafter, I highlighted the generic principles and human excellence and derived the principles of professional excellence therefrom. As stated, hard skills are relatively easy while soft skills, by and large, are hard to develop. To effectively play the dual role of both the principal and agent of one's customers, while all along maintaining a sense of ethics and values is a feat which is akin to walking on a razor's edge. I am sure, your Institute will resolve in the Silver Jubilee year to throw light on a path which would enable all the professionals of your Institute to walk the razor's edge continuously and consistently without any slip up.

I wish ICSI good luck and god's grace in its race for celebrating the oncoming Golden Jubilee.

Thank You.

ARTICLE

International Banking Statistics of India:
June, September and December 2012

Survey on International Trade in Banking Services: 2011-12

India's Foreign Trade: 2012-13

Industrial Outlook Survey: 2012-13

*International Banking Statistics of India: June, September and December 2012**

This article presents an analysis of trends in international liabilities and assets of Banks in India at quarterly intervals from 2009 onwards with special focus on the recent period pattern observed for the quarters ending June, September and December 2012[1]. For this purpose, International Banking Statistics (IBS)[2] collected as per the reporting system of the Bank for International Settlements (BIS)[3] is used. The article also gives a broad comparison of external debt with the international liabilities of banks in India. From a global perspective, the article provides a broad picture of foreign claims on the BRICS countries. The related data were released on the RBI website on June 21 2013.

Highlights

- International liabilities (in ₹ terms) of the banks located in India grew substantially (y-o-y) by 25.5 per cent in December 2012, whereas their international assets declined by 1.4 per cent. This is in contrast with the position observed during the financial year 2011-12. Business in India of such banks also recorded some deceleration in the quarter ended December 2012.
- Globally, international banking business contracted throughout 2012.
- The growth in international liabilities is contributed mainly by NRE deposits and Foreign Currency borrowings and decline in international assets is due to substantial decline in NOSTRO balances.
- During 2012, increase in international liabilities was reflected in increase in exposure towards the USA, UK and UAE, whereas the decline in international assets was reflected towards the USA, Singapore, Hong Kong and France.
- As at end-December 2012, the US Dollar comprised the major component of international liabilities with a share of 80.5 per cent and for international assets the INR was the major component with a share of 57.0 per cent.
- The international claims of Indian banks, on immediate risk basis, on all other countries grew at a lower rate of 15.0 per cent as at end-December 2012 than 16.2 percent for the previous year. Out of total international claims, the exposure towards banking sector grew at 11.7 per cent and that towards non-bank sector grew at 16.8 per cent.
- The consolidated foreign claims on ultimate risk basis grew at 11.2 per cent at end-December 2012 compared to 15.4 per cent observed a year ago, the growth is reflected towards Hong Kong, UAE and Canada.
- The growth in consolidated foreign claims towards India was below that of BRICS nations put together till Q2:2012. However, the situation reversed in Q4:2012 when claims in India grew by 10.0 per cent which was higher than 6.8 per cent for BRICS nations.

---

* Previous articles on the subject were published in various issues of the Reserve Bank of India Bulletin.

[1] The article based on December 2011 and March 2012 data on IBS was published in the September 2012 issue, wherein a brief on related data reporting for International Banking Statistics (IBS), purpose of IBS, BIS reporting area for IBS, the methodology of compilation of LBS/CBS, the distinction/relation between IBS *vis-à-vis* external debt of India, *etc.*, has been provided as Annex.

[2] IBS comprises Locational Banking Statistics (LBS) and Consolidated Banking Statistics (CBS). This article presents analysis of the LBS based on assets and liabilities by type of instrument/components, currency, country of residence and sector of counter-party/transacting unit and nationality of reporting banks. The data on CBS gives international/foreign claims as per residual maturity and sector of borrower along with the exposures by country of immediate borrower and on the reallocation of claims (*i.e.*, risk transfers) to the country of ultimate risk.

[3] The BIS has been collecting various sets of data on financial statistics and aligning with the requirement from time to time. Recent financial crisis underlined the need of a comprehensive database on global banking exposures. Among other financial statistics compiled by the BIS, the IBS presents a sketch of international exposure of banking system worldwide, covering role of banks in intermediating international flows, exposure of national banking system to country, liquidity and transfer risks, external debt owned by banks and importance of financial centres and offshore banking activity.

International assets and liabilities of banks in all BIS reporting countries declined

1. Both international assets and liabilities of banks in all BIS reporting countries as seen from the Locational Banking Statistics (LBS) of the BIS (Table 1) continued to contract as at end-December 2012. The international exposures of the global banking system has been decelerating since March 2012 quarter after showing a low growth in the second half of 2011 reflecting higher risk perception.

International liabilities of Banks in India experienced an accelerated growth.

2. In order to provide greater flexibility to banks in India for mobilising non-resident deposits and in view of the prevailing market conditions, it was decided to deregulate interest rates on NRE and NRO deposits since December 2011[5]. This was reflected in an accelerated growth recorded in the international liabilities (based on LBS) since March 2012. The international liabilities grew by 25.5 per cent as at end-December 2012 as compared with a moderate growth of 8.6 per cent for March 2012.

Table 1: International Liabilities and Assets for All Reporting Countries based on Nationality[4]

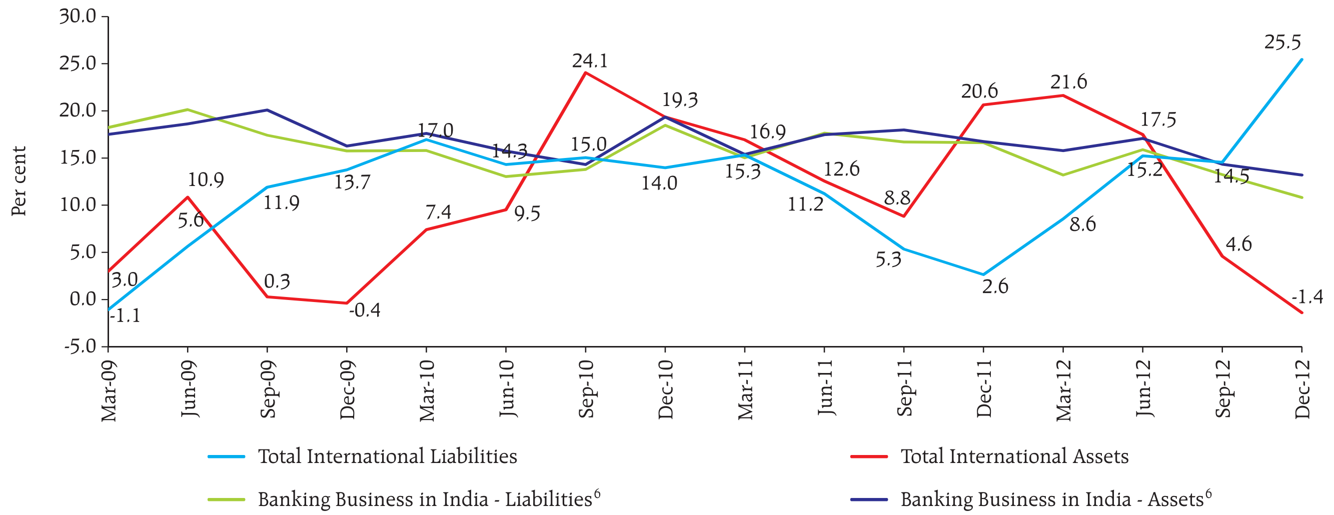
(Amount outstanding in US$ Trillion)

Year-Qrt	Liabilities on all sectors		Claims/ assets to all sectors	
2009-Q1	32.26	(-17.4)	33.49	(-17.0)
2009-Q2	32.68	(-13.4)	34.16	(-12.7)
2009-Q3	32.98	(-9.0)	34.49	(-8.1)
2009-Q4	32.35	(-4.8)	33.81	(-3.9)
2010-Q1	31.85	(-1.3)	33.39	(-0.3)
2010-Q2	31.03	(-5.0)	32.35	(-5.3)
2010-Q3	33.42	(1.3)	34.84	(1.0)
2010-Q4	32.82	(1.4)	33.98	(0.5)
2011-Q1	34.29	(7.7)	35.36	(5.9)
2011-Q2	34.54	(11.3)	35.68	(10.3)
2011-Q3	34.81	(4.2)	35.79	(2.7)
2011-Q4	33.42	(1.8)	34.20	(0.7)
2012-Q1	34.07	(-0.7)	34.81	(-1.5)
2012-Q2	32.97	(-4.5)	33.44	(-6.3)
2012-Q3	33.41	(-4.0)	33.93	(-5.2)
2012-Q4	32.96	(-1.4)	33.54	(-1.9)

Note: 1. Data as reported under Locational Banking Statistics to the BIS by all reporting countries.

2. The figures in parenthesis denote annual growth rates.

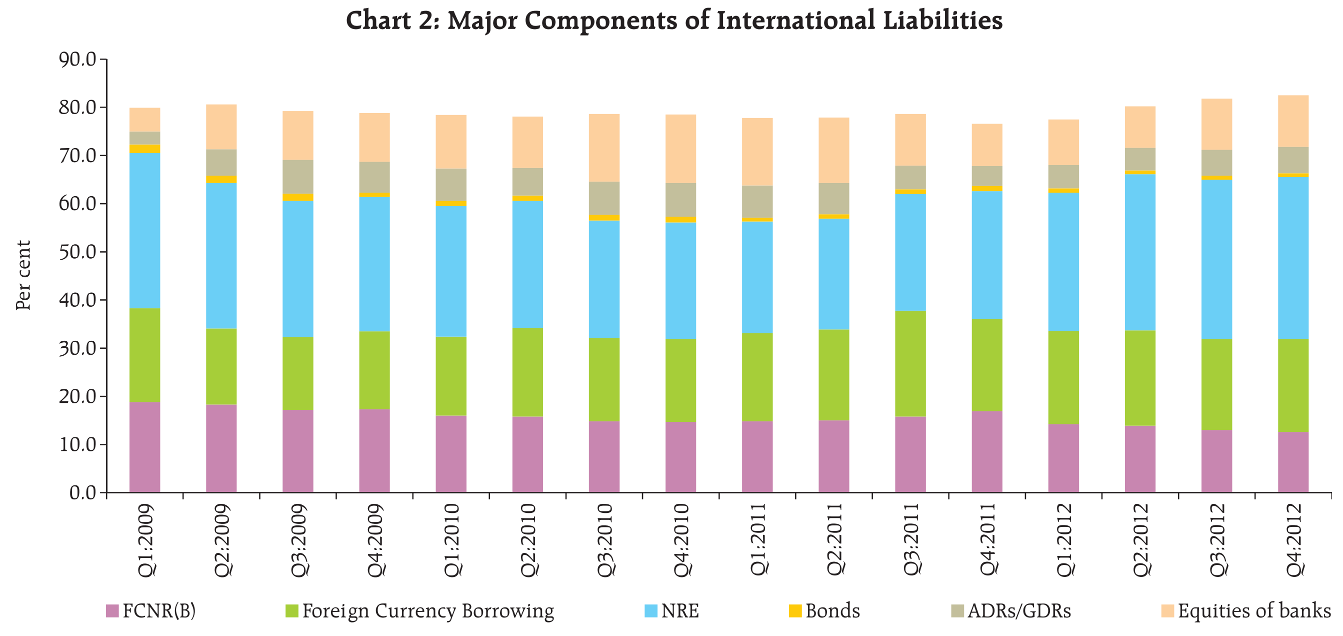
Chart 1: International Liabilities and Assets of Banks in India - Annual Growth



[4] The data on total international assets and total international liabilities for the banks in all BIS reporting countries is based on the Locational Banking Statistics by Nationality as obtained from the BIS website www.bis.org.

[5] DBOD, RBI Circular on 'Deregulation of Interest Rates on Non-Resident (External) Rupee Deposits and Ordinary Non-Resident (NRO) Accounts' dated December 16, 2011 and 'Interest Rates on Non-Resident (External) Rupee (NRE) Deposits and FCNR(B) Deposits' dated November 23, 2011.

[6] Data based on items reported under the fortnightly Form 'A' (section 42) return by all Scheduled Commercial Banks. Data pertain to the last reporting Friday for March and for last Friday for other quarters.



3. International/cross border assets based on the LBS of the Indian banking system decelerated since March 2012. The international assets declined by 1.4 per cent at end of December 2012 (Chart 1) as compared with a growth rate of 21.6 per cent in March 2012. The decline observed in the international exposures during the period may reflect lower demand for such credit and also a cautious attitude of the banks towards international exposures.

NRE deposits surged while, FCNR(B) deposits stagnated

4. Outstanding non-resident external rupee deposits, at end-December 2012 grew by more than 50 per cent from the position a year ago (Chart 2). The share of the NRE deposits in the international liabilities increased from 26.5 per cent to 33.6 per cent during the period.

5. In spite of the increase in the interest rates on FCNR(B) deposits effective November 23, 2011, the deposits failed to pick up at end-December 2012 over the previous year, however, the deposits were higher as compared to the previous quarter.

6. The investment by non-residents in the ADRs/GDRs and equities of banks also picked up at end-December 2012, boosting up the overall growth of the international liabilities. Consequently, the share of the 'Other international liabilities' increased to 22.0 per cent from 18.7 per cent a year ago.

Increase in long-term debt was led mainly by NRI deposits and commercial borrowings

7. The surge in the NRE deposits observed since Q1:2012 led to increase in the long-tem external debt (Table 2) of India.

Table 2 : Composition of India's External debt

(US $ Billion)

Components	Amount outstanding (As at end)							
	Mar-2011	Jun-2011	Sep-2011	Dec-2011	Mar-2012	Jun-2012	Sep-12	Dec-12
Long-term debt	241.14 (78.8)	248.42 (78.4)	252.40 (77.9)	256.90 (76.7)	267.31 (77.4)	268.61 (77.0)	280.88 (76.8)	284.41 (75.6)
Out of which								
External Commercial Borrowings	88.75 (29.0)	93.35 (29.5)	96.78 (29.9)	100.09 (29.9)	104.84 (30.3)	104.29 (29.9)	108.82 (29.8)	112.97 (30.0)
NRI Deposits	51.68 (16.9)	52.90 (16.7)	52.50 (16.2)	52.50 (15.7)	58.61 (17.0)	60.87 (17.4)	67.02 (18.3)	67.59 (18.0)
Short-term debt	64.99 (21.2)	68.47 (21.6)	71.53 (22.1)	78.05 (23.3)	78.18 (22.6)	80.45 (23.0)	84.66 (23.2)	91.88 (24.4)
Total External Debt	**306.13 (100.0)**	**316.90 (100.0)**	**323.93 (100.0)**	**334.95 (100.0)**	**345.48 (100.0)**	**349.06 (100.0)**	**365.55 (100.0)**	**376.29 (100.0)**

Source: Ministry of Finance, Dept. of Economics Affairs, External Debt Management Unit (www.finmin.nic.in)

Notes: Figures in parenthesis Represent Percentage to Total External Debt.

8. The other component for increase in the external debt is external commercial borrowings which includes the foreign currency (FC) borrowings by the banking sector. The total FC borrowings by the banking sector have seen an increase of 25.9 per cent at end-December 2012 after a decline of 1.8 per cent in the previous quarter.

NOSTRO balances declined

9. The substantial decline of 23.1 per cent in the NOSTRO balances at end-December 2012, over last December, pushed down the international assets in spite of the moderate increase of around 8.0 per cent in loans to non-residents and outstanding exports bills (Chart 3).

10. The largest component of the international assets, *viz.*, 'foreign currency loans to residents', registered a low growth of 2.0 per cent during the period.

11. Consequent on huge increase in the NOSTRO balances at end of Q1:2012 from the previous quarter, its share in the international assets had increased to a high of 24.7 per cent, but it declined to 17.3 per cent at end of Q4:2012. Correspondingly, the share of the FC loans to residents, the largest component, increased to 51.2 per cent after a dip to 47.2 per cent at end of Q1:2012.

Currency composition for international assets remained unchanged while share of INR marginally increased in international liabilities

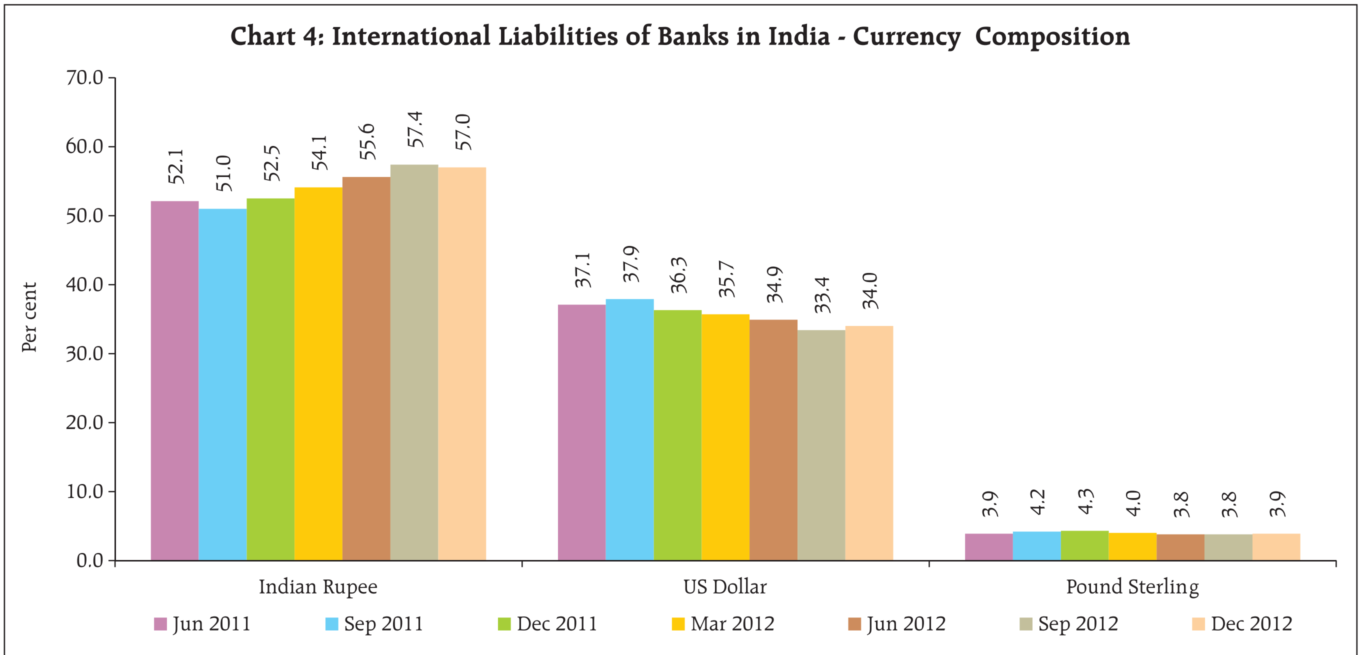
12. The currency composition of the international assets remained more or less unchanged since June 2012 (Chart 5). US Dollar being the major component had a share of 80.5 per cent at end-December 2012.

13. On account of the steady and substantial increase in the NRE deposits since end-March 2012, the share of the INR in the international liabilities went up to 57.0 per cent at end-December 2012 from 52.5 per cent a year ago (Chart 4).

International liabilities towards non-bank sector recorded high growth

14. Owing to the increase in the non-resident deposits since March 2012, the exposure towards non-bank sector rose by 26.6 per cent at end-December 2012. However, the share of the non-bank sector in the international liabilities remained unchanged around 74.0 per cent since December 2011.

Chart 3: Major Components of International Assets



15. At end-December 2012, the international assets towards the non-bank sector grew by 5.2 per cent as against a decline of 1.4 per cent in total international assets. Correspondingly, the share of non-bank sector in the international assets has gone up to 69.5 per cent from 65.1 per cent a year ago.

Share of International liabilities towards UAE went up

16. The overall increase in the international liabilities is reflected in the country-wise exposures of the international liabilities for the period of 2012. At end-December 2012, the exposure towards almost all

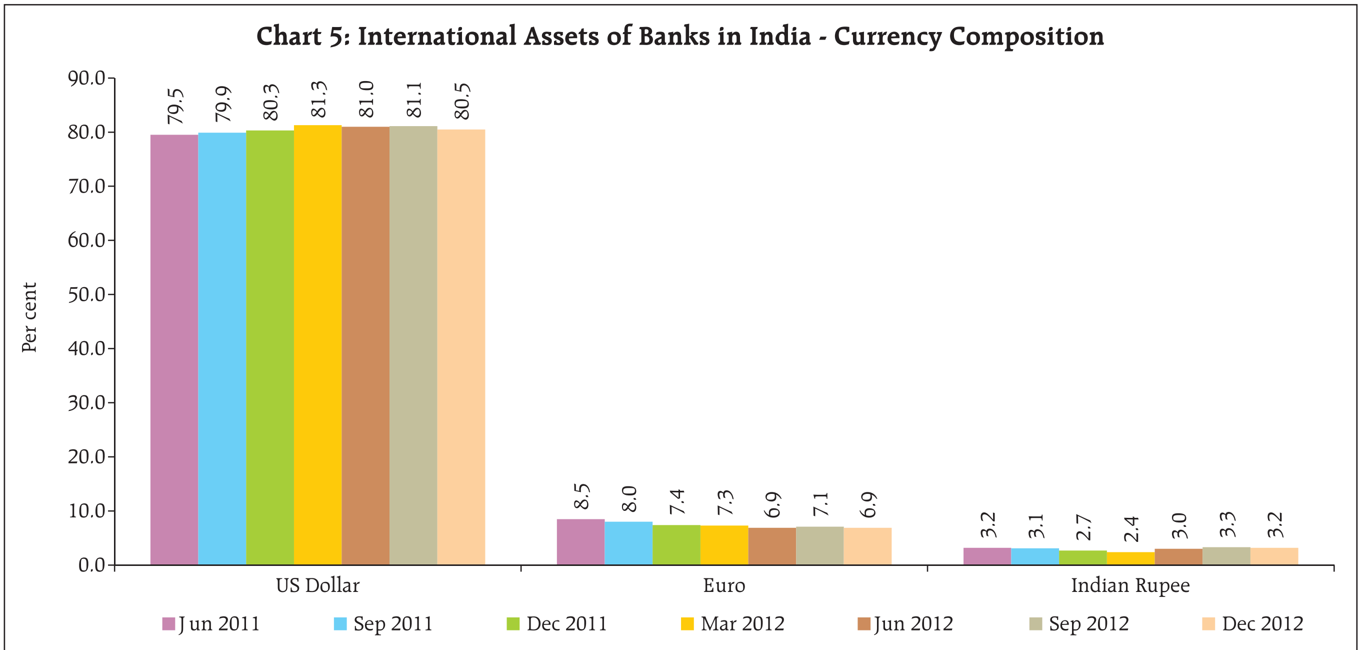
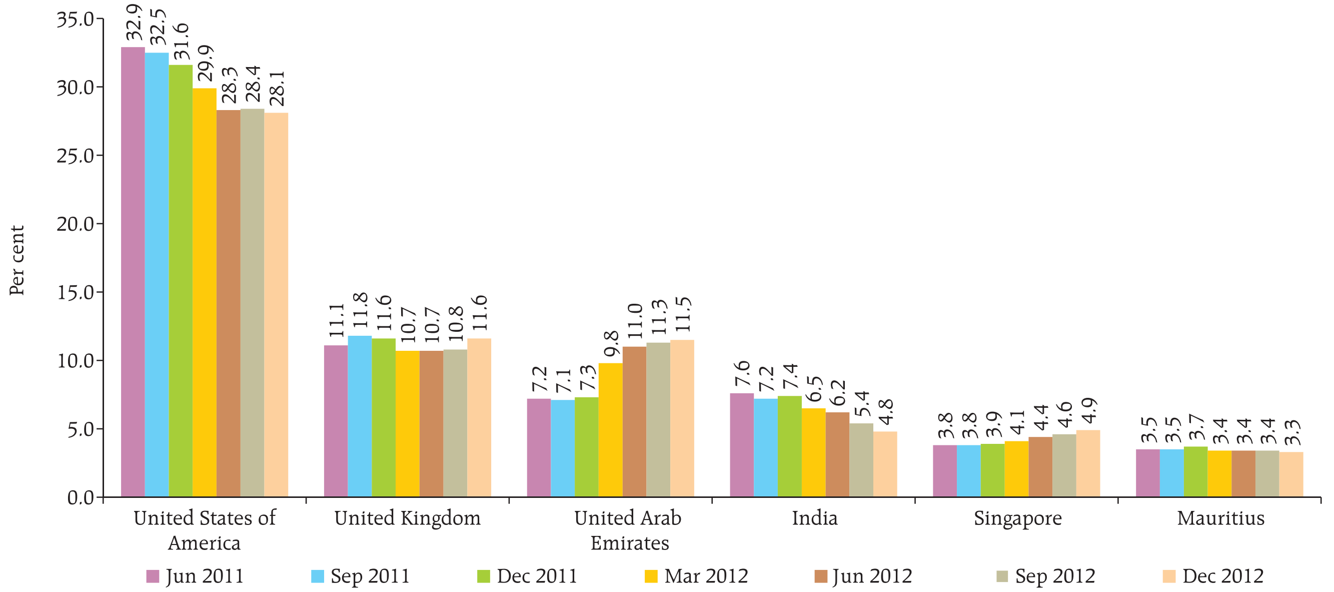


Chart 6: International Liabilities of Banks in India According to Country of Residence of Transacting Units

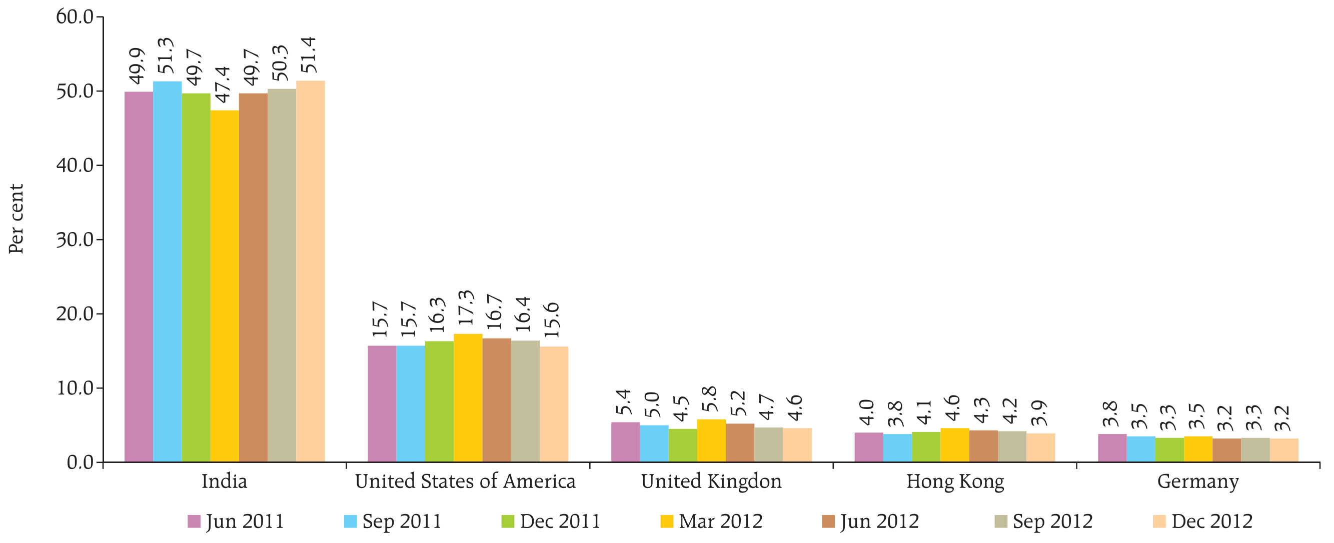


countries except Germany has seen a rise from the December 2011 level. The share of the exposure towards UAE rose to 11.5 per cent from 7.3 per cent at end-December 2011 (Chart 6), on account of higher mobilisation on NRE deposits, while that towards USA declined to 28.1 per cent from 31.6 per cent during the period.

Decline in the overall NOSTRO balances distributed across all countries

17. At end-December 2012, the overall decline in the international assets is reflected in the exposures towards USA, Singapore, Hong Kong, Germany and France (Chart 7). The decline in the exposures towards

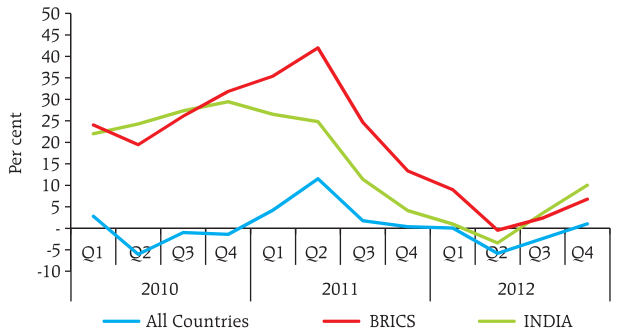
Chart 7: International Assets of Banks in India According to Country of Residence of Transacting Units



Box: Foreign Claims on BRICS Nations – Position of India in December 2012

Continuing the trends observed during 2012, the consolidated foreign claims towards all countries, based on data reported to the BIS, grew at meagre 1.0 per cent in December 2012 quarter. However, the claims on BRICS (Brazil, Russia, India, China and South Africa) nations had a moderate growth during 2012 except for June 2012 quarter when the claims declined by 0.4 per cent. Since Q3:2010, the growth in claims towards India was below the growth for BRICS together and it continued till Q2:2012. However, the situation reversed in Q4:2012 when claims on India grew by 10.0 per cent, which was higher than 6.8 per cent for BRICS nations (Chart A).

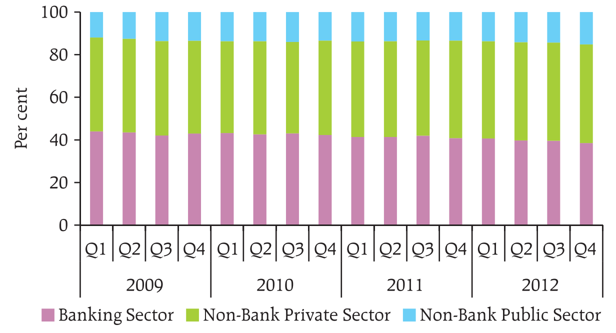
Chart A: Foreign Claims Towards All Countries, BRICS Nations and India - Growth



The share of the foreign claims towards India at 1.1 per cent for December 2012 quarter put India at third position among the BRICS countries after China and Brazil.

The international claims for all countries towards banking and non-bank private sector had an equal share of about 44.0 per cent for March 2009 quarter. However, the share of claims on banking sector reduced to 38.5 per cent and that towards non-bank private sector

Chart B: Sector wise composition of International Claims on All Countries

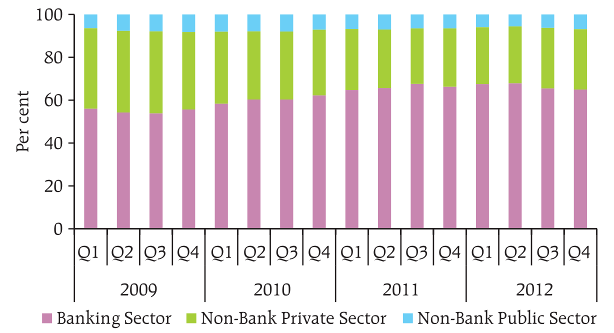


increased to 46.3 per cent at end-December 2012 (Chart B).

In contrast, the share of international claims on BRICS nations towards banking sector has gone up to 65.0 per cent at end-December 2012 from 56.0 per cent for March 2009 quarter (Chart C).

The share of international claims on India's banking sector has moderately increased to 37.2 per cent at end-December 2012 from 34.4 per cent. This share has been lower as compared with the exposure towards banking sector of BRICS nations for the period 2009-2012.

Chart C: Sector wise composition of International Claims on BRICS Nations



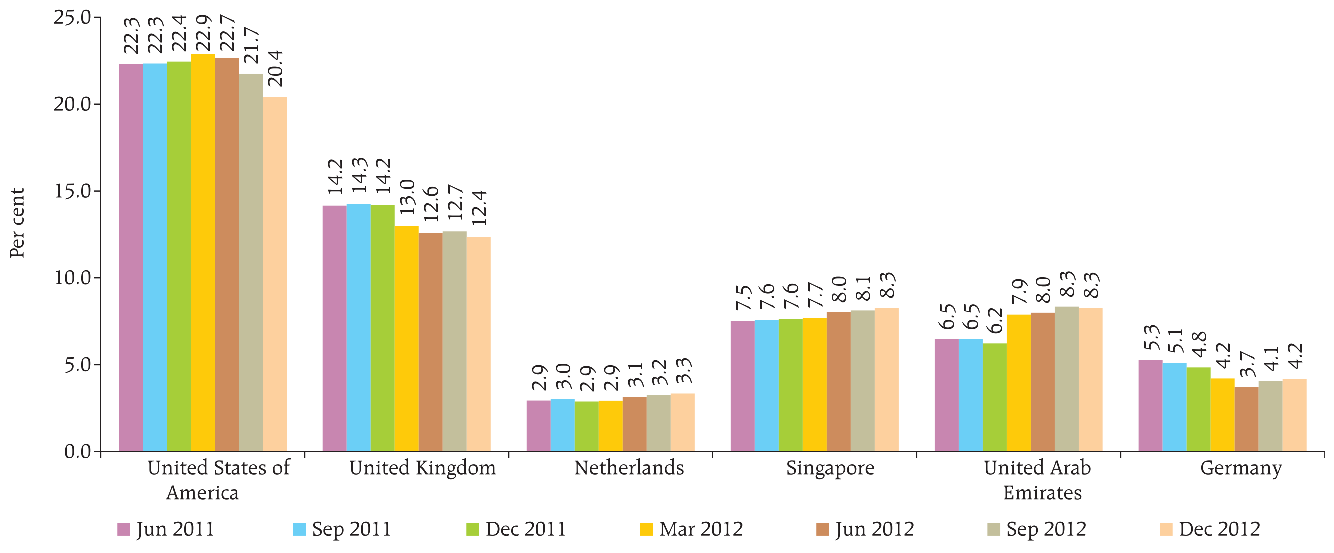
these countries is on account of the decline in the NOSTRO balances with the banking sector of these countries.

18. During the period, the exposure towards UK and UAE has increased. While the NOSTRO balances held with banking sector of UK has declined during the period, the increase in the exposures towards UAE is accounted to the outstanding exports bills.

Share of UAE in international claims on immediate risk basis increased

19. The international claims of Indian banks, on immediate risk basis, based on Consolidated Banking

Chart 8: Consolidated international Claims of Banks on countries other than India on Immediate country Risk Basis



Statistics (CBS), on all other countries grew at a slightly lower rate of 15.0 per cent at end-December 2012 than 16.2 per cent in the previous year.

20. At end-December 2012, as compared with the growth in total international claims, growth rate of international claims on banking sector was lower at 11.7 per cent while that on non-banking private sector was higher at 16.8 per cent.

21. At end-December 2012, the share of the international claims towards USA and UK declined (Chart 8). The claims on UAE have seen a substantial rise during 2012 and its share rose to 8.3 per cent in December 2012 from around 6.5 per cent observed for all the quarters in 2011.

22. The foreign claims of BIS reporting countries on India on immediate risk basis grew at a higher rate of 10.0 per cent at end-December 2012 than 4.2 per cent observed in December 2011.

Higher consolidated foreign claims on ultimate risk basis for select countries

23. The consolidated foreign claims on ultimate risk basis grew at 11.2 per cent at end-December 2012 compared to 15.4 per cent observed a year ago. The foreign claims towards Hong Kong, UAE and Canada increased over the previous year with corresponding increase in the shares towards these countries. The foreign claims towards USA registered marginal increase, but its share declined.

24. The contingent claims on ultimate risk basis arising from derivatives, at end-December 2012, grew at a higher rate of 18.7 per cent than 8.0 per cent observed an year ago.

25. The contingent claims on ultimate risk basis, arising out of guarantees and credit commitments, also grew at a higher rate than the previous year.

*Survey on International Trade in Banking Services: 2011-12**

The Reserve Bank's annual survey on 'International trade in banking services' is intended to provide information on International trade in banking services (ITBS) for India in respect of the branches/subsidiaries of Indian banks operating abroad and branches/subsidiaries of foreign banks operating in India. Consistent and comparable data are captured on financial auxiliary services rendered by the banks based on explicit/implicit fee/commission charged to customers. The article presents the findings of the 2011-12 round of the Reserve Bank's survey on International Trade in Banking Services (ITBS).

Introduction

International trade in banking services (ITBS) refers to the banking services with non-residents that require a local presence by a foreign bank for functions such as lending to firms, mortgage lending, retail deposit-taking, consumer finance, and a host of so-called non-asset-based services such as securities underwriting, local currency bond trading, foreign exchange services for firms, brokering, custody services and funds collection and disbursal services. These services play an important role in fostering the international trade in goods and services among countries as all the international transactions are routed through banks directly or indirectly. For providing such banking services to resident of a country, an overseas bank would require ground presence in that country. The requirement for a local presence brings a foreign bank face to face with the domestic banking policies of the host country.

Globalisation of Indian economy has gone hand in hand with increase in external trade and more open financial market. Banks have started branches/subsidiaries across borders to provide banking services in cost-effective manner. Foreign direct investments in banking in the form of branches, agencies, and subsidiaries, or by the means of cross-border mergers and acquisitions, have increased the cross-border presence of both domestic and foreign banks over the years. From the perspective of public policy in India, it is useful to assess the efficiency of banking services by Indian banks operating abroad and foreign banks operating in India. Also, the General Agreement on Trade in Services (GATS) under the World Trade Organisation (WTO) *inter alia*, necessitated the need of consistent and comparable statistics on ITBS for negotiations for the financial services sector liberalising.

The Reserve Bank's annual survey on 'International trade in banking services' is intended to provide information for India in respect of the overseas branches/subsidiaries of Indian banks and branches/subsidiaries of foreign banks operating in India. As per BoP Manual (BPM6) subsidiary is a direct investment enterprise (DIE) over which direct investor is able to exercise control, which is assumed to exist if the investor has more than 50 per cent equity in the enterprise investment. An associate is a DIE over which the direct investor does not have control but is able to exercise a significant degree of influence, which is assumed to exist if the direct investor owns from 10 to 50 per cent of the equity shares in the investment enterprise.

The earlier rounds of ITBS annual surveys were conducted since the year 2006-07. The details of the banking services covered under the survey are described in the Annex. The survey of 2011-12 covered 163 overseas branches and 158 overseas subsidiaries of Indian Banks and 309 branches of foreign banks operating in India.

Trends in International Trade in Banking Services

The salient features of 2011-12 round of the ITBS survey and changes in the international trade in banking services in the last few years are analysed here.

* Prepared in the External Liabilities and Assets Statistics Division, Department of Statistics & Information Management. The previous article in the series with reference period 2009-10 and 2010-11 was published in May 2012 issue of the Reserve Bank of India Bulletin.

I. Branch Distribution of Indian Banks Operating Abroad and Foreign Banks Operating in India

As per balance sheet of scheduled commercial banks, the highest number of branches of Indian banks were in the United Kingdom (30), followed by Hong Kong (18), Singapore (17), Fiji (9), United Arab Emirates (11), Sri Lanka (9) and Mauritius (8). Among Indian banks, State Bank of India had the largest overseas presence with 52 branches in 21 countries, followed by Bank of Baroda (47 branches in 14 countries) and Bank of India (24 branches in 12 countries).

There was decreasing trend in the growth of number of employees employed in various branches, subsidiaries of Indian banks operating abroad and foreign banks operating in India after 2008-09. The y-o-y growth of the number of employees moderated in Indian branches operating abroad since 2009-10. For foreign banks operating in India, employment was contracted in 2008-09 and 2009-10. Although, some recovery was noticed in 2010-11, it showed contraction again in 2011-12 .

During 2011-12, Indian banks operating abroad employed 66.3 per cent of employees from local sources, 30.8 per cent from India and remaining 2.9 per cent from other countries. In case of foreign banks working in India, the share of local employees in total employees was much higher (99.6 per cent) in 2011-12. The number of employees of Indian banks operating abroad increased by 6.1 per cent and the number of employees of the foreign banks operating in India decreased by 2.9 per cent during 2011-12 (Table 1).

II. Banking Business of Indian Banks Operating Abroad and Foreign Banks Operating in India

The subdued level of activity in the business of overseas operations of Indian banks and Indian Bank's subsidiaries operating abroad was observed subsequent to 2008-09. The y-o-y growth of consolidated balance sheet of overseas branches of Indian banks moderated from 57.8 per cent in 2008-09 to 15.5 per cent in 2009-10. However, the growth regained during 2010-11 at 42.7 per cent with same moderation in 2011-12. The growth of consolidated balance sheet of foreign banks operating in India contracted by 3.1 per cent in 2009-10 and recovered in subsequent years. The growth in credit extended and deposit mobilised by Indian banks' branches operating abroad showed substantial moderation in 2009-10 and some recovery in the subsequent years. In case of foreign banks operating in India, the y-o-y credit growth registered very low growth of 3.0 per cent in 2008-09. Credit growth contracted by 1.5 per cent in 2009-10, which was recovered in 2010-11 and remained mostly unchanged in 2011-12. The growth in credit extended by the Indian banks' subsidiaries operating abroad also

Table1: Distribution of Employees of Indian Banks Operating Abroad and Foreign Banks Operating in India

Per cent Growth

	Indian Banks operating abroad				Foreign Banks operating in India				Subsidiaries of Indian Banks operating abroad			
	2008-09	2009-10	2010-11	2011-12	2008-09	2009-10	2010-11	2011-12	2008-09	2009-10	2010-11	2011-12
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Number of Employees	11.0	5.7	6.6	6.1	-1.1	-6.3	0.8	-2.9	32.2	21.2	17.1	11.0
of which:												
Local	15.2	3.3	9.6	2.0	-1.1	-6.4	0.7	-2.9	35.1	25.7	20.8	8.6
Indians	11.8	8.0	4.3	13.4	NA	NA	NA	NA	25.9	6.6	0.8	22.5
Others	-46.0	43.2	-30.2	37.8	-14.4	16.9	5.2	4.9	-7.7	-16.7	0.0	35.0

NA – Not applicable

Table 2: Balance Sheet Items of Indian Banks Operating Abroad and Foreign Banks Operating in India

(Amount in ₹ billion)

Items	Amount in ₹ billion as at end-March					Growth (%)			
	2008	2009	2010	2011	2012	2008-09	2009-10	2010-11	2011-12
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Indian Banks' Branches Operating Abroad									
Credit extended	1389.3	2188.3	2510.0	3501.2	4451.1	57.5	14.7	39.5	27.0
Deposits mobilised	770.3	1396.9	1629.0	2125.7	2700.9	81.3	16.6	30.5	27.1
Total Assets/Liabilities	**2199.0**	**3470.5**	**4009.0**	**5720.5**	**7399.2**	**57.8**	**15.5**	**42.7**	**29.3**
Indian Banks' Subsidiaries Operating Abroad									
Credit extended	212.6	430.6	481.9	459.0	536.5	102.5	11.9	-4.8	16.8
Deposits mobilised	378.0	497.9	551.8	512.1	491.8	31.7	10.8	-7.2	-4.0
Total Assets/Liabilities	**593.9**	**746.9**	**806.2**	**736.5**	**826.4**	**25.8**	**7.9**	**-8.6**	**12.2**
Foreign Banks' Operating in India									
Credit extended	1606.5	1654.1	1628.5	1980.7	2413.2	3.0	-1.5	21.6	21.8
Deposits mobilised	1910.2	2139.7	2377.3	2402.3	2706.0	12.0	11.1	1.1	14.3
Total Assets/Liabilities	**3640.0**	**4469.5**	**4329.4**	**4904.8**	**5764.5**	**22.8**	**-3.1**	**13.3**	**17.5**

decreased sharply in 2009-10 and has recorded a 4.8 per cent contraction in 2010-11, which was recovered in 2011-12. However, the deposit growth of overseas subsidiaries continued to be in the contraction mode since 2010-11 (Table 2).

III. Income and Expenditure of Indian Banks Operating Abroad and Foreign Banks Operating in India

Due to credit slow down and subsequent turn down in interest income, the total income of Indian banks' branches operating abroad and foreign banks operating in India contracted during 2009-10, before recovering in 2010-11 (Table 3). As a result, the Indian banks operating abroad and foreign banks operating in India abridged their expenses in 2009-10. However, their expenses increased during 2010-11 and 2011-12 mainly due to increase in interest expenses.

The income and expenditure of the subsidiaries of Indian banks operating outside India recorded a contraction in 2009-10 and 2010-11 which recovered in 2011-12 (Table 3).

Table 3: Income and Expenditure of Indian Banks' Overseas Branches, Subsidiaries of Indian Banks operating abroad and Foreign Banks' branches in India

Items	Indian Banks' Overseas Branches				Subsidiaries of Indian Banks operating abroad				Foreign Banks' branches in India			
	2008-09	2009-10	2010-11	2011-12	2008-09	2009-10	2010-11	2011-12	2008-09	2009-10	2010-11	2011-12
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Income	167.4 (27.7)	161.8 (-3.3)	196.6 (21.5)	285.3 (45.1)	47.3 (61.1)	40.6 (-14.2)	38.1 (-6.2)	57.6 (51.2)	452.0 (29.4)	363.2 (-19.6)	394.3 (8.6)	467.3 (18.5)
Of which: Interest Income	170.6 (35.4)	140.7 (-17.5)	188.4 (33.9)	230.5 (22.3)	39.2 (40.2)	33.5 (-14.5)	32.9 (-1.8)	37.1 (12.9)	303.1 (23.3)	263.2 (-13.2)	285.9 (8.6)	361.2 (26.3)
Expenditure	165.1 (57.5)	121.6 (-26.3)	134.0 (10.2)	206.2 (53.9)	42.8 (53.7)	34.5 (-19.4)	29.7 (-13.9)	45.8 (54.2)	326.2 (32.1)	200.1 (-38.7)	281.3 (40.6)	327.9 (16.5)
Of which; Interest Expenses	130.3	104.5 (-19.8)	129.3 (23.7)	160.0 (23.7)	30.1	26.4 (-12.3)	20.8 (-21.2)	22.8 (9.6)	128.1	85.9 (-32.9)	107.3 (24.9)	151.6 (41.3)

Figures in the parentheses indicate annual growth in the respective items

Table 4: Profitability Ratios for Branches and Subsidiaries of Indian Banks Operating Abroad and Foreign Banks Operating in India

(per cent)

Profitability Ratio	Indian Banks' Branches Operating Abroad				Indian Banks' Subsidiaries Operating Abroad				Foreign Banks' Branches Operating in India			
	2008-09	2009-10	2010-11	2011-12	2008-09	2009-10	2010-11	2011-12	2008-09	2009-10	2010-11	2011-12
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Income to Total Assets	4.8	4.0	3.4	3.9	6.3	5.0	5.2	7.0	10.1	8.4	8.0	8.1
Profit to Total Assets	0.1	1.0	1.1	0.7	0.6	0.8	1.1	1.4	2.8	3.8	2.3	2.4

The income to total asset of branches of Indian banks operating abroad and foreign banks operating in India showed a downwards trend starting from 2008-09. Further, the profitability ratio, profit to total assets of branches and subsidiaries of Indian banks operating got impacted considerably in the crisis year 2008-09, which improved afterwards (Table 4).

IV. Country-wise Profitability of Indian Banks' Branches Operating Abroad

It was observed that return on assets of Indian banks' overseas branches was affected the most in the year 2008-09. It was especially true for Indian Banks' branches located in USA (Chart 1).

V. Activity-wise Trade in Banking Services

The trade in banking services extended was collected based on explicit and implicit fees or commission charged to the customers for various services rendered by the branches and subsidiaries of Indian banks operating abroad. In this survey the financial services provided by the banks were classified into eleven major groups. Details are explained in Annex. Disaggregated data on services rendered by overseas branches and subsidiaries of Indian banks are presented in this section as per the Manual on Statistics of International Trade in Services 2010.

The growth in fee income generated by rendering banking services by the Indian banks branches

Chart 1: Return on Asset-Country wise

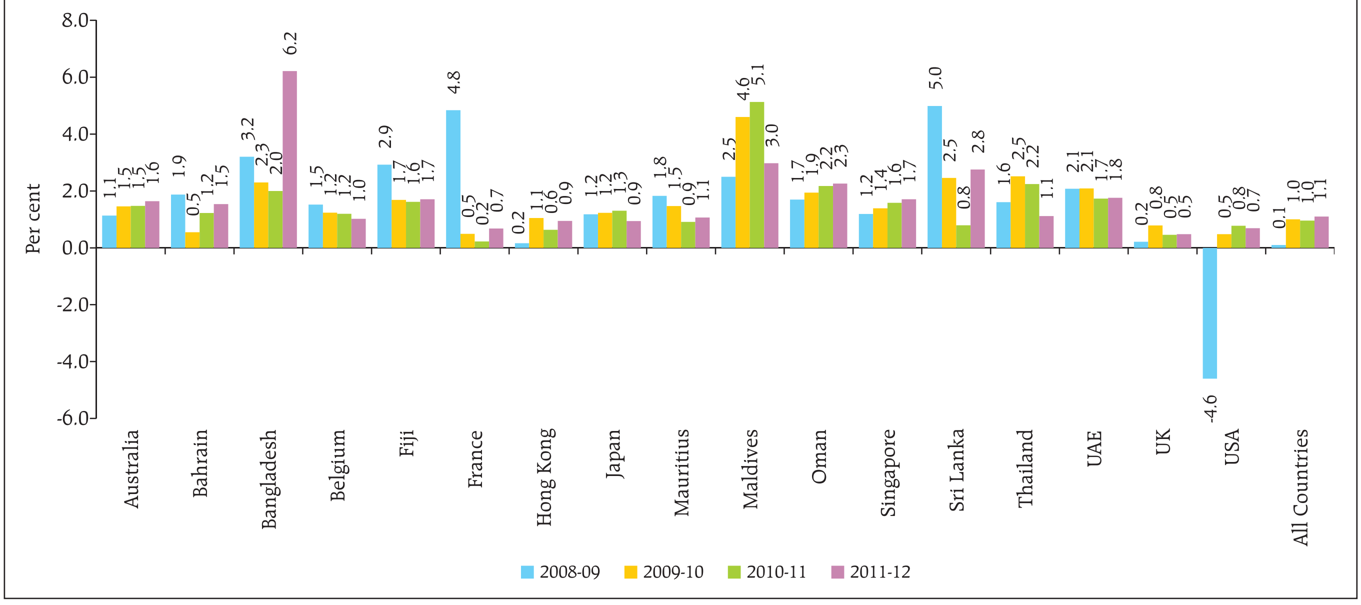


Table 5: Activity-wise Composition of Trade in Banking Services for Overseas Branches of Indian Banks and Subsidiaries of Indian Banks

(Amount in ₹ billion)

Banking Service	Overseas Branches of Indian Banks				Subsidiaries of Indian banks Operating Abroad			
	2008-09	2009-10	2010-11	2011-12	2008-09	2009-10	2010-11	2011-12
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Deposit Account Management Services	0.8	0.6	0.9	1.8	0.1	0.1	0.3	0.2
Credit Related Services	11.8	15.6	23.9	25.6	2.1	2.5	1.3	1.4
Financial Leasing Services	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Trade Finance Related Services	12.1	10.9	10.6	18.2	1.6	0.9	0.4	0.5
Payment and Money Transmission Services	2.7	3.1	2.6	10.1	1.1	1.0	0.3	0.4
Fund Management Services	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.3
Financial Consultancy and Advisory Services	0.7	0.4	0.9	0.3	1.3	0.6	0.5	0.2
Underwriting Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Clearing and Settlement Services	0.2	0.0	0.0	1.9	0.0	0.0	0.0	0.0
Derivative, Stock, Securities, Foreign Exchange trading Services	1.3	1.9	4.5	9.6	-7.4	0.5	0.3	0.4
Other Financial Services	0.4	0.3	0.5	0.6	13.7	0.1	0.1	0.7
Total	**30.1**	**33.0 (9.7)**	**44.0 (33.2)**	**68.0 (54.5)**	**12.4**	**5.6 (-54.6)**	**3.3 (-40.9)**	**4.1 (23.2)**

Figures in the parentheses indicate annual growth

operating abroad, improved in the subsequent years after the crisis, mainly due to substantial increase in fee income in 'Credit Related services', Trade Finance Related Services, 'Payment and Money Transmission Services' and 'Derivative, Stock, Securities, Foreign Exchange trading Services' for overseas branches of Indian banks (Table 5).

Overseas subsidiaries of Indian banks registered a significant contraction in the fee income generated from rendering banking services in 2009-10 (-54.6 per cent) and 2010-11 (-40.9 per cent) respectively, which was recovered in 2011-12.

VI. Country-wise Profitability of Indian Banks' Branches Operating Abroad

Bahrain, Belgium, Hong Kong, Japan, Singapore, Sri Lanka, UAE, UK and USA were the major countries which accounted together for nearly 90.8 per cent to total trade in banking services of the branches of Indian banks operating abroad.

Botswana, Canada, Russia and United Kingdom were the major countries in banking services of the subsidiaries of the Indian banks operating abroad (Table 6).

Table 6: Trade in Banking Services – Country-wise Classification

(Amount in ₹ billion)

Country	Trade in Banking Services																		Total		
	DAM			CRS			TFR			PMT			DER			Other Services			All Services		
	2009-10	2010-11	2011-12	2009-10	2010-11	2011-12	2009-10	2010-11	2011-12	2009-10	2010-11	2011-12	2009-10	2010-11	2011-12	2009-10	2010-11	2011-12	2009-10	2010-11	2011-12
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)
Overseas branches of Indian Banks																					
Bahrain	0.0	0.0	0.0	2.2	2.1	1.8	0.5	0.3	0.3	0.0	0.0	0.0	0.3	0.3	0.1	0.1	1.0	0.3	3.1	3.7	2.5
Belgium	0.0	0.0	0.0	0.5	0.3	0.2	0.4	0.2	0.4	0.2	0.2	0.3	0.0	0.0	0.0	0.0	0.0	0.0	1.1	0.8	0.9
Hong Kong	0.0	0.0	0.6	2.3	3.5	5.3	1.2	1.3	2.0	0.1	0.1	0.6	0.3	0.7	0.7	0.3	0.0	0.2	4.2	5.7	9.5
Japan	0.0	0.2	0.1	0.0	0.7	0.2	3.6	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.4	0.0	0.0	0.1	3.6	1.0	0.9
Singapore	0.0	0.0	0.0	4.3	3.6	5.6	0.6	2.6	1.5	0.1	0.2	0.1	0.7	1.1	1.4	0.3	0.1	0.4	6.0	7.6	8.9
Sri Lanka	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.2	0.1
UAE	0.3	0.5	0.6	0.3	1.8	2.5	1.3	2.5	2.4	0.0	0.1	0.1	0.2	0.3	0.4	0.0	0.0	0.0	2.2	5.2	5.9
UK	0.1	0.1	0.3	4.1	7.9	4.5	1.2	2.1	8.2	0.2	0.3	6.7	0.1	0.1	6.2	0.0	0.0	1.8	5.7	10.5	27.8
USA	0.0	0.0	0.0	1.0	2.8	2.4	0.7	0.7	1.6	1.7	0.8	1.2	0.0	0.0	0.1	0.0	0.0	0.0	3.5	4.4	5.2
Other Countries	0.1	0.1	0.1	0.7	1.2	3.1	1.5	0.8	1.6	0.8	0.9	1.0	0.3	1.8	0.3	0.3	0.2	0.0	3.6	5.1	6.3
Total	**0.6**	**0.9**	**1.8**	**15.6**	**23.9**	**25.6**	**10.9**	**10.6**	**18.2**	**3.1**	**2.6**	**10.1**	**1.9**	**4.5**	**9.6**	**0.9**	**1.4**	**2.8**	**33.0**	**44.0**	**68.0**
Overseas Subsidiaries of Indian Banks																					
Botswana	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.3	0.0	0.1	0.3
Canada	0.0	0.0	0.1	0.4	0.4	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.1	0.1	0.4	0.1	0.0	1.1	0.7	0.6
Russia	0.0	0.0	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.1	0.1
UK	0.0	0.0	0.0	1.7	0.5	0.3	0.7	0.2	0.2	0.9	0.0	0.0	0.1	0.0	0.0	0.1	0.4	0.3	3.5	1.2	0.8
Other Countries	0.1	0.2	0.1	0.3	0.4	0.6	0.1	0.2	0.3	0.0	0.2	0.3	0.2	0.2	0.3	0.1	0.1	0.6	0.8	1.3	2.2
Total	**0.1**	**0.3**	**0.2**	**2.5**	**1.3**	**1.4**	**0.9**	**0.4**	**0.5**	**1.0**	**0.3**	**0.4**	**0.5**	**0.3**	**0.4**	**0.7**	**0.6**	**1.2**	**5.6**	**3.3**	**4.1**

DAM: Deposit Account Management Services; CRS: Credit Related Services; TFR: Trade Finance Related Services; PMT: Payment & Money Transmission Services; DER: Derivative, Stock, Securities, Foreign Exchange Trading services; NA Bank/Branch is not operating

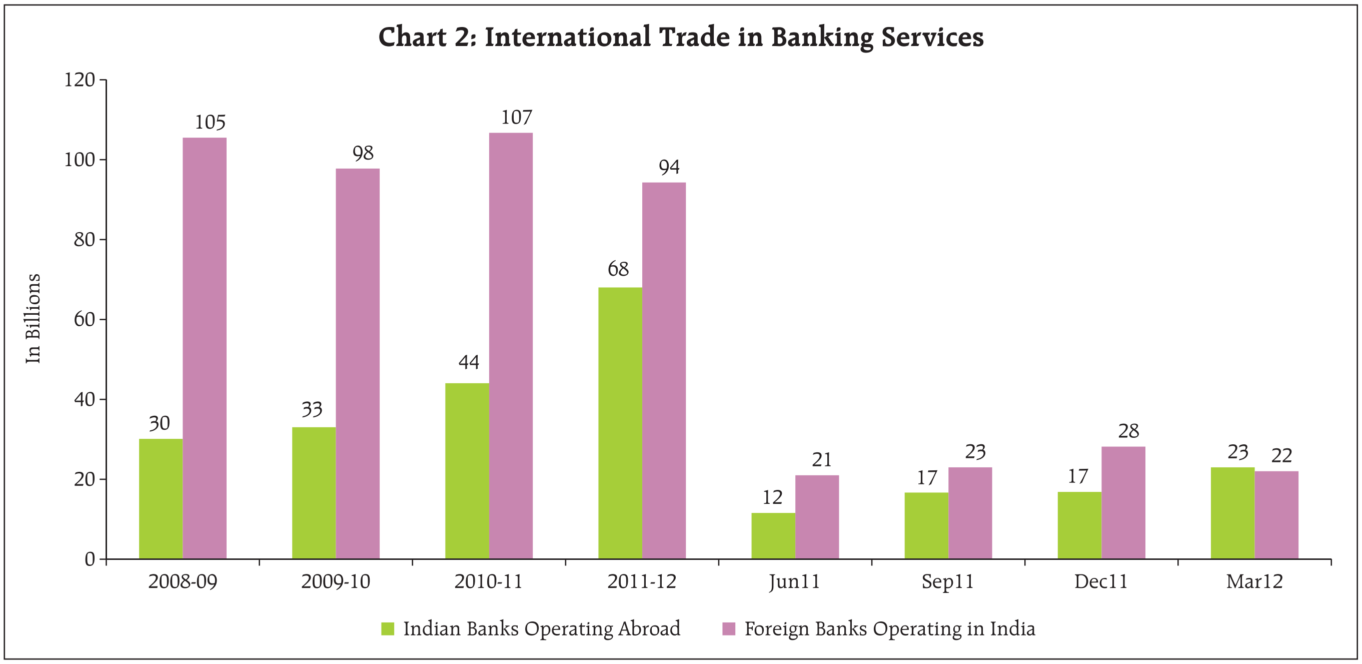
VII. International trade in Banking services rendered to Residents and Non-Residents

A dominant portion of fee income of Indian Banks overseas branches came from non-residents. Major portion of fee income for Indian banks subsidiaries abroad came from residents (Table 7).

Table 7: Fee Income on Trade in Banking Services by Indian Banks Branches Abroad and Indian Banks Subsidiaries Abroad –Residents and Non-Residents

(Amount in ₹ billion)

Item	Indian Banks Branches abroad				Indian Banks subsidiaries abroad			
	2008-09	2009-10	2010-11	2011-12	2008-09	2009-10	2010-11	2011-12
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Residents	11.31	11.11	15.92	28.8	8.08	2.6	1.95	3.2
Non-Residents	18.81	21.92	28.09	39.2	4.35	3.04	1.38	0.9
of which:								
In India	11.13	11.32	15.39	20.3	0.75	1.25	0.3	0.3
In Other Countries	7.68	10.6	12.7	18.9	3.6	1.79	1.08	0.6
Total Trade in Banking Services (Fee Income)	**30.12**	**33.03**	**44.01**	**68.0**	**12.43**	**5.64**	**3.33**	**4.1**



VIII. Trade in Banking Services-Indian Banks' Branches Operating Abroad and Foreign Bank Branches Operating in India

Total fee income of ₹68.0 billion in 2011-12 were generated by 163 branches of Indian banks operating outside India. In case of foreign banks operating in India, total fee income of ₹94.3 billion were generated by 309 branches (Chart 2).

Indian banks' branches operating abroad generated major share of fee income by rendering 'credit related services' and 'trade finance related services'. In case of the foreign banks operating in India 'Derivative, stock, securities, foreign exchange trading services' and 'Financial Consultancy and Advisory Services' were the major source of fee income (Table 8).

IX. Conclusion

The y-o-y growth of consolidated balance sheet of overseas branches of Indian banks moderated significantly in 2009-10. Also, the y-o-y growth of consolidated balance sheet of foreign banks operating

Table 8: Activity wise share of Trade in Banking Services

(per cent)

Activity	Indian Banks operating Abroad				Foreign Banks operating in India			
	2008-09	2009-10	2010-11	2011-12	2008-09	2009-10	2010-11	2011-12
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Deposit Account Management Services	2.7	1.7	2.1	2.7	2.8	4.1	3.8	5.4
Credit Related Services	39.2	47.2	54.4	37.6	8.4	7.2	9.0	10.9
Financial Leasing Services	0.0	0.2	0.0	0.0	0.9	0.0	0.0	0.0
Trade Finance Related Services	40.3	33.1	24.2	26.8	17.7	14.0	11.1	19.0
Payment and Money Transmission Services	9.1	9.2	6.0	14.8	7.0	7.0	17.5	9.2
Fund Management Services	0.1	0.5	0.0	0.0	3.1	4.7	5.2	5.9
Financial Consultancy and Advisory Services	2.4	1.3	2.1	0.4	9.6	19.5	14.1	14.4
Underwriting Services	0.0	0.0	0.0	0.0	0.8	0.4	0.4	0.4
Clearing and Settlement Services	0.6	0.0	0.0	2.8	3.4	2.2	2.0	3.7
Derivative, Stock, Securities, Foreign Exchange trading Services	4.4	5.9	10.2	14.1	35.2	18.7	27.1	21.5
Other Financial Services	1.2	0.9	1.0	0.9	11.1	22.1	9.8	9.6
All activities	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

in India showed contraction in 2009-10. However, after 2009-10, some improvement was observed in operations of foreign banks operating in India as well as overseas branches/subsidiaries of Indian banks operating abroad. Thus global financial crisis had some adverse impact on international trade in banking services of India.

A dominant portion of fee income of the Indian banks branches operating abroad came from rendering services to the non-residents. On the other hand, the major portion of fee income for the Indian Banks overseas subsidiaries came from rendering services to the residents.

'Derivative, stock, securities, foreign exchange trading services' and 'financial consultancy and advisory services' were the major sources of fee income for the foreign banks' operating in India. However in case of Indian banks' branches operating abroad, major share of the fee income was generated by rendering 'credit related services' and 'trade finance related services'.

Annex
Banking Services Covered in the Survey

Banking services includes acceptance of deposits and lending (the core banking services), and the other financial services (Para banking services) like payment services, securities trading, asset management, financial advice, settlement and clearing service, *etc.* With the improvements in economic integration of financial markets and activities, the international trade in banking services has significantly increased.

The GATS framework envisages that the delivery of any commercial services can be through four different modes *viz., Mode 1* –Cross Border Service, *Mode 2* – Consumption abroad, *Mode 3* – Commercial presence and *Mode 4* – movement of natural persons. In Mode 3, the bank has a commercial presence in the territory of the service importing country and the service is delivered therein. The commercial presence can be through various investment vehicles like representative offices, branches, subsidiaries, associates and correspondents.

Banking services covered in this survey includes financial auxiliary services such as (i) deposit account management services, (ii) credit related services, (iii) financial leasing services, (iv) trade finance related services, (v) payment and money transmission services, (vi) fund management services, (vii) financial consultancy and advisory services, (viii) underwriting services, (ix) clearing and settlement services, and (x) derivative, stock, securities and foreign exchange trading services. While carrying out the banking business, banks cater to the financial services need of the residents of the country of operation as well as non-residents of that country. Keeping this in view, the survey also collected the information with bifurcation of financial services rendered to residents and non-residents separately.

Details of Services Covered are:

- ***Deposit Account Management services*** include fees and commissions charged to or received from the deposit account holders, for maintaining deposit accounts such as fee for cheque book, fee for internet banking, commission on draft and other instrument provided, penalty for not maintaining minimum balance, *etc.* and any other fees charged to deposit account holders.
- ***Credit related services*** include fees received for credit-related or lending related services like credit processing fees, late payment or default charges and early redemption charges. Charges for facility and management fees, fees for renegotiating debt terms, mortgage fees, *etc.* also to be reported here.
- ***Financial Leasing services*** include fees or commission received for arranging or entering into financial lease contracts. This also includes fees received directly or deducted from the proceedings.
- ***Trade Finance related services*** include commission or fees charged for arranging trade finance like buyers' and suppliers' credit, fees for establishing/originating, maintaining or arranging standby letters of credit, letter of indemnity, lines of credit, fees for factoring services, bankers acceptance, issuing financial guaranty, commitment fees, handling charges for trade bills.
- ***Payment and Money Transmission services*** include fees or charges for electronic fund transfer services like SWIFT, TT, wire transfer, *etc.* ATM network services, annual credit/debit card fees, Interchange charges, fees for point of services, *etc* also have to be reported here. Further, Charges on the customer for making remittances abroad or receiving remittances from abroad have to be reported here.
- ***Fund Management services*** *include* fee or income received for managing or administering financial portfolios, all forms of collective investment management, pension fund management, custodial, depository and trust services. Commission or fees for safe custody of shares/equities, transaction fee for custodian account, communication cost or any other fees/charges related to custodian account should also be reported.

Annex *(Contd.)*

Banking Services Covered in the Survey

- ***Financial Consultancy and Advisory services*** include fees for advisory, intermediation and other auxiliary financial services including credit reference and analysis, portfolio research and advice, advice on mergers and acquisitions and on corporate restructuring and strategy. Arrangement/management fees for Pvt. Placement of share/equities are also to be included.
- ***Underwriting services*** include underwriting fees, earning from buying and reselling an entire or substantial portion of newly issued securities.
- ***Clearing and Settlement services*** include settlement and clearance services for financial assets, including securities, derivative products, and other negotiable instruments.
- ***Derivative, Stock, Securities, Foreign Exchange trading services*** include commissions, margin fees, *etc* received for carrying out financial derivative transactions, placement services, and redemption fees. Earnings received on banks' own account as well as on behalf of customers for carrying out foreign exchange trading has to be reported under this item. Explicit brokerage fees and commissions for foreign exchange brokerage services are also to be reported. Earnings received on banks' own account for carrying out trading in derivative, stock, securities *etc* should not be reported.

A technical Group on Statistics for International Trade in Banking Services (TG-SITBS) was set up by the Reserve Bank of India including members from Ministry of Finance, Ministry of Commerce and various departments (Department of Economics and Policy Research, Department of Banking Operations & Development and Department of Statistics and Information Management) of the Bank.

The TG-SITBS, after examining the different data sources available in the Reserve Bank, recommended collection of activity-wise international trade in services through annual surveys and suggested that initially the data may be collected on banking services from foreign banks operating in India and Indian banks having operations abroad. The TG-SITBS also recommended that a suitable questionnaire with explanatory notes should be prepared/framed in consultation with the banks and suggested for conducting annual survey for the financial year 2006-07 by June 2007. Accordingly, a survey schedule was prepared after detailed discussions with the major foreign banks operating in India and Indian banks functioning abroad.

*India's Foreign Trade: 2012-13**

This article reviews India's merchandise trade performance during April-March 2012-13 on the basis of the data released by the Directorate General of Commercial Intelligence and Statistics (DGCI&S). It also analyses disaggregated commodity-wise and direction-wise details during April-December 2012.

Highlights

The stress on the external sector persisted in 2012-13 as India's trade deficit continued to grow. While merchandise export performance remained subdued, import growth decelerated. However, owing to a sharp decline in exports, the trade deficit widened to US$ 190.9 billion in 2012-13 as compared with US$ 183.4 billion in 2011-12. The contraction in exports was more on account of decline in exports of manufactured goods, especially engineering goods and labour intensive sectors such as gems and jewellery. A major factor that weighed on India's external demand was the subdued global demand conditions as export to destinations like EU and China declined considerably. In the wake of subdued global trade conditions, domestic policy efforts aimed at diversifying exports to other emerging countries also did not seem to have given much impetus to India's exports. Major highlights of India's trade performance during 2012-13 are set out below:

- India's merchandise exports stood at US$ 300.6 billion in 2012-13, showing a decline of 1.8 per cent as compared to a growth of 21.8 per cent in 2011-12 amounting to US$ 306.0 billion.
- Commodity-wise disaggregated figures reveal that the setback in merchandise exports in 2012-13 was led by decline in exports of manufacturing items like engineering goods, textiles, gems & jewellery and also primary products like iron ore and minerals.
- Lackluster performance of India's exports mainly reflected the sluggish global demand as exports to almost all the major destinations, particularly, EU, UAE, US and China either declined or showed a lower growth.
- Imports during the year grew by 0.4 per cent to US$ 491.5 billion as against a growth of 32.3 per cent in 2011-12 (US$ 489.3 billion).
- While the overall imports grew by only 0.4 per cent, oil imports showed a rise of 9.3 per cent. Other components such as gold and non-oil non gold imports declined by 4.8 per cent and 3.4 per cent, respectively.

I. India's Merchandise Trade

Exports (April-March 2012-13)

India's exports showed a decline of 1.8 per cent in FY 2012-13. Owing to the global uncertainties and weak external demand, export contraction was largely evident in H1 of 2012-13. However, since December 2012, export growth has turned positive which may be reflecting the modest increase in trade activities across emerging markets and developing economies (EMDEs) as well as the impact of promotional measures undertaken by the Government (Box 1) and the Reserve Bank of India during 2012-13 (Chart 1).

On a cumulative basis, however, merchandise exports stood at US$ 300.6 billion, declining by 1.8 per cent, in FY 2012-13 as compared to the export of US$ 306.0 billion in FY 2011-12 (21.8 per cent) (Table 1).

Commodity-wise and Destination-wise Exports (April-December 2012)

Disaggregated commodity-wise data show that exports remained subdued across all major commodity groups. Within manufacturing sector, which accounted

* Prepared in the Division of International Trade and Finance, Department of Economic and Policy Research. The previous issue of the article was published in the Reserve Bank Bulletin, April 2013.

Box 1: Recent Policy Measures to Promote India's Exports

Global trade conditions remained subdued in 2012 and India's exports were severely impacted. Keeping in view the reduced global demand in general and advanced economies in particular, the Government of India took additional measures during 2012-13 (June 5 and December 26). Measures announced in December 2012 mainly included (i) extension of interest subvention scheme for select employment oriented sectors (including SMEs in all sectors) upto end-March 2014, (ii) introduction of pilot scheme of 2 per cent interest subvention for project exports through EXIM Bank for countries of SAARC region, (iii) broadening the scope of Focus Market Scheme and Special Focus Market Scheme, Market Linked Focus Product Scheme (MLFPS) and (iv) incentive on incremental exports to USA, EU and countries of Asia during the period January-March 2013 over the base period.

On April 18, 2013, a package of measures was announced by the Ministry of Commerce and Industry as part of the Foreign Trade Policy to revive investors' interest in SEZs and to boost exports. Besides, zero duty Export Promotion Capital Goods (EPCG) scheme and 3 per cent EPCG scheme have been combined into one scheme which will be zero duty EPCG scheme covering all sectors subject to certain conditions. Other major measures announced were the following:

- Export obligation for domestic sourcing of capital goods has been reduced by 10 per cent to promote domestic manufacturing of capital goods. Export obligation for under EPCG scheme for units in Jammu & Kashmir has been reduced.
- Interest subvention scheme has further widened to include items covered under Chapter 63 of ITC (HS) (other made up textile articles, sets, rags) and additional specified tariff lines of engineering sector items under the scheme. These sectors would be able to avail benefit under this scheme during the period from May 2013 March 2014.
- Scope of Market and Product Diversification schemes has been broadened. Norway has been added under Focus Market Scheme and Venezuela has been added under Special Focus Market Scheme. The total number of countries under Focus Market Scheme and Special Focus Market Scheme becomes 125 and 50 respectively.
- Approximately, 126 new products have been added under Focus Product Scheme. These products include items from engineering, electronics, and chemicals, pharmaceuticals and textiles sector.
- About 47 new products have been added under Market Linked Focus Product Scheme (MLFPS). These products are from engineering, auto components and textiles sector. 2 new countries, *i.e.*, Brunei and Yemen have been added as new markets under MLFPS.
- The scope of Incremental Export Incentivisation Scheme has been increased. This scheme, available for exports made to USA, EU and Asia, has been extended for the year 2013-14. The Government has also agreed to include 53 countries of Latin America and Africa to increase India's share in these markets.

for nearly 62 per cent of India's exports, exports of engineering goods, textiles & textile products and gems & jewellery showed a contraction while that of chemicals & related products showed a decelerated

Chart 1: India's Merchandise Trade

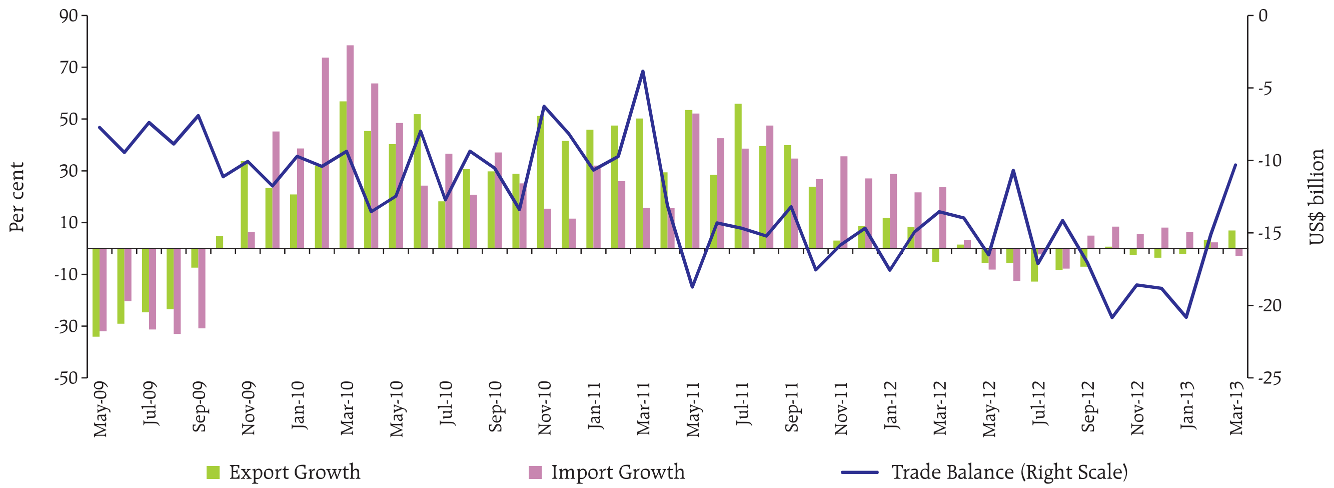


Table 1: India's Merchandise Trade

(US$ billion)

Items	April–March	
	2011-12 R	2012-13P
1	2	3
Exports	306.0 (21.8)	300.6 (-1.8)
Of which: Oil	56.0 (35.1)	60.0 (7.1)
Non-oil	249.9 (19.2)	240.6 (-3.7)
Gold	6.7 (10.8)	6.5 (-3.1)
Non-Oil Non-Gold	243.2 (19.5)	234.1 (-3.8)
Imports	489.3 (32.3)	491.5 (0.4)
Of which: Oil	155.0 (46.2)	169.4 (9.3)
Non-oil	334.4 (26.7)	322.1 (-3.6)
Gold	56.5 (39.2)	53.8 (-4.8)
Non-Oil Non-Gold	277.9 (24.5)	268.4 (-3.4)
Trade Deficit	-183.4	-190.9
Of which: Oil	-98.9	-109.4
Non-oil	-84.4	-81.6
Non-Oil Non-Gold	-34.7	-34.4

Source: DGCI&S

growth during April-December 2012. Owing mainly to the subdued demand conditions in the EU countries and the US, exports of engineering goods declined by 5.0 per cent as against a rise of 17.6 per cent a year ago. Labour intensive sectors like gems and jewellery and handicrafts also recorded a negative growth of 5.5 per cent and 11.2 per cent, respectively in April-December 2012-13 as against a respective growth of 30.1 per cent and 23.1 per cent in the corresponding period of previous year.

Among other major categories, exports of petroleum products and primary products showed substantially lower growth during April-December 2012 as compared with the corresponding period of 2011-12 (Table 2). Among the primary products, exports of iron ore continued to decline attributing to increase in freight charges, ban on mining activity in certain states, coupled with the hefty export duty levied by the government and differential freight rate imposed by the railways. Some minor sectors, however, recorded a positive growth during this year which mainly include tobacco, processed mineral, manufacture of metals and carpets.

Destination-wise export data reveal that there has been a significant change in the composition of India's

Table 2: India's Exports of Principal Commodities

(Per cent)

Commodity Group/ Period	Percentage Share				Relative Weighted Variation	
	2011-12	2010-11	2011-12	2012-13	2011-12	2012-13
		April-December			April-December	
Primary Products	15.0	13.3	13.9	15.1	4.8	0.6
Agriculture and Allied Products	12.2	9.4	11.3	13.2	5.2	1.4
Ores and Minerals	2.8	3.8	2.7	1.9	-0.4	-0.9
Manufactured Goods	60.6	63.0	60.5	61.6	15.4	-1.4
Leather and Manufactures	1.6	1.6	1.6	1.7	0.5	-0.01
Chemicals and Related Products	12.1	11.7	12.0	13.5	3.8	1.0
Engineering Goods	22.2	24.5	22.2	22.0	4.3	-1.1
Textiles and Textile Products	9.2	9.7	9.1	9.0	2.1	-0.5
Gems and Jewellery	14.7	14.6	14.7	14.4	4.4	-0.8
Petroleum Products	18.3	16.2	18.7	20.2	8.0	0.7
Others	6.1	7.5	6.9	3.1	1.4	-3.9
Total	**100**	**100**	**100**	**100**	**29.6**	**-4.0**

Source: Compiled from DGCI&S data.

Table 3: India's Exports to Principal Regions

(Percentage Shares)

Region/Country		2010-11	2011-12	2011-12	2012-13
		April-March		April-December	
1		2	3	4	5
I.	**OECD Countries**	**33.2**	**33.8**	**33.7**	**34.6**
	EU	18.3	17.2	17.5	16.8
	North America	10.6	12.0	11.9	13
	US	10.1	11.4	11.2	12.3
	Asia and Oceania	2.8	3.0	2.6	3
	Other OECD Countries	1.5	1.6	1.7	1.8
II.	**OPEC**	**21.3**	**19.0**	**18.5**	**21**
III.	**Eastern Europe**	**1.1**	**1.1**	1.1	1.3
IV.	**Developing Countries**	**38.2**	**40.8**	**40**	**41.5**
	Asia	27.9	29.7	29.1	28.3
	SAARC	4.6	4.4	4.2	5
	Other Asian Developing Countries	23.3	25.3	24.9	23.3
	People's Republic of China	6.2	6.0	5.8	4.5
	Africa	6.3	6.7	6.5	8.1
	Latin America	4.0	4.4	4.4	5.1
V.	**Others / Unspecified**	6.2	5.3	6.7	1.6
	Total Exports	**100**	**100**	**100**	**100**

Source: Compiled from DGCI&S data.

trade during April-December 2012 (Table 3). Exports to major destinations such as EU, UAE, US and China showed either a decline or lower growth during this period. Decline in exports to China was evident mainly on account of substantial fall in exports of cotton, ores, iron and steel and petroleum products. However, export to countries like Iran, Iraq, Saudi Arabia, Russia and some African countries, particularly, Egypt, Kenya showed considerable uptrend. Exports to Saudi Arabia increased by 75.5 per cent mainly reflecting growing demand for items relating to mineral fuels, mineral oils and products of their distillation, bituminous substances, mineral waxes and organic chemicals.

In terms of share in India's total merchandise exports, the share of EU and China declined significantly during April-December 2012. In contrast, the share of other important export destinations, *viz.*, the US and UAE, exhibited increase in April-December 2012 over the corresponding period of 2011-12. Similarly, the share of Africa and Latin America also increased.

Table 4: Growth Performance of Major Trade Partner Economies

(Per cent)

Period	2011	2012 Q1	2012 Q2	2012-Q3	2012-Q4	2013-Q1
Country						
Japan	-0.6	3.2	4.0	0.4	0.4	0.0
Euro area	1.4	-0.1	-0.5	-0.7	-0.9	-1.0
United States	1.8	2.4	2.1	2.6	1.7	1.8
China	9.3	8.1	7.6	7.4	7.9	7.7
Hong Kong	4.9	0.7	0.9	1.5	2.8	2.8
Singapore	5.2	1.5	2.3	0.0	1.5	-0.6
Korea	3.6	2.9	2.3	1.5	1.4	1.5
Indonesia	6.5	6.3	6.3	6.2	6.1	6.0
Malaysia	5.1	5.1	5.6	5.3	6.5	4.1
Brazil	2.7	0.7	0.4	0.9	1.4	–
South Africa	3.5	2.4	2.8	2.6	2.3	–

– : Not Available.

Note: Growth Rates are seasonally adjusted (except for Hong Kong, Singapore and Malaysia).

Source: OECD, IMF, Singstat database, Monthly Statistical Bulletin Bank Negara Malaysia.

Country-wise analysis shows that impact on India's exports was more pronounced mainly in countries where domestic growth was subdued in 2012, except Indonesia and Malaysia where domestic growth was broadly intact (Table 4). Moderation in exports to these countries was mainly evident in petroleum products; ships, boats and floating structures (only Indonesia); chemical and related products; articles of iron & steel and electrical machinery. Overall, EU and countries in developing Asia accounted for nearly three-fourth of decline in India's exports.

Imports (April-March 2012-13)

Merchandise imports in the FY 2012-13 recorded a marginal growth of 0.4 per cent amounting to US$ 491.5 billion compared to a growth rate of 32.3 per cent at US$ 489.3 billion. The decline was mainly led by a fall in gold and non-oil non-gold imports. Fall in non-oil non-gold was more on account of a slowdown in domestic activity and dampened demand for export related items. Notwithstanding a marginal decline in the international prices of crude oil (Indian basket), imports of POL items registered a growth of 9.3 per

Table 5: Region-wise Relative Weighted Variation in India's Export Growth

(Per cent)

	2010-11	2011-12	2012-13
	April- December		
EU	4.0	4.9	-1.4
North America	3.2	4.7	0.6
Other OECD	0.6	0.7	0.0
OPEC	7.1	3.4	1.7
Eastern Europe	0.5	0.3	0.2
Developing Asia	10.2	9.1	-1.9
Africa	3.0	1.9	1.2
Latin America	2.3	1.7	0.5
Others	6.5	0.8	-5.2
Total Exports	**37.4**	**27.5**	**-4.3**

Source: Compiled from DGCI&S data.

cent in 2012-13 reflecting growing domestic consumption of petroleum products (Table 6).

Commodity-wise and Destination-wise Imports (April-December 2012)

Disaggregated commodity-wise import data available for April-December 2012 show that among the principal commodities, 'petroleum, petroleum and related material' and gold & silver accounted for about 34 per cent and 10.8 per cent of India's merchandise imports, respectively. A growth of 12.3 per cent in POL products was mainly on account of rise in quantum of imports given a marginal decline in the international price of crude oil (Indian basket). The decline in gold demand was witnessed mainly in H1 of 2012-13 which may be attributed to the rise in customs duty and various other measures to curb gold demand undertaken

Table 6: Trends in Crude Oil prices

(US$/barrel)

Period	Dubai	Brent	WTI*	Indian Basket**
1	2	3	4	5
2005-06	53.4	58.0	59.9	55.7
2006-07	60.9	64.4	64.7	62.5
2007-08	77.3	82.3	82.3	79.2
2008-09	82.1	84.7	85.8	83.6
2009-10	69.6	69.8	70.6	69.8
2010-11	84.2	86.7	83.2	85.1
2011-12	109.4	113.9	96.8	111.9
2012-13	106.9	110.5	92.0	108.0
2012-13 (Q1)	106.2	108.9	93.4	106.9
2012-13 (Q2)	106.2	110.0	92.2	107.4
2012-13 (Q3)	107.2	110.5	88.1	108.3
2012-13 (Q4)	108.0	112.9	94.3	109.6

* West Texas Intermediate

** the composition of Indian Basket of Crude represents Average of Oman & Dubai for sour grades and Brent (Dated) for sweet grade in the ratio of 68.2: 31.8 for 2012-13.

Sources: International Monetary Fund, International Financial Statistics,: World Gem data & commodity: Ministry of Petroleum and Natural Gas, Government of India.

Table 7: Imports of Principal Commodities

(Per cent)

Commodity Group/Period	2011-12	Percentage Share			Relative Weighted variation	
		2010-11	2011-12	2012-13	2011-12	2012-13
		April-December			April-December	
1. Petroleum, Crude and Products	31.7	27.9	30.5	34.3	13.3	3.8
2. Capital Goods	20.3	21.7	20.2	18.8	5.7	-1.4
3. Gold and Silver	12.5	11	12.6	10.8	6.1	-1.8
4. Organic and Inorganic Chemicals	3.9	4.2	3.9	4	1	0.1
5. Coal, Coke and Briquettes, *etc.*	3.6	2.9	3.7	3.3	2.1	-0.4
6. Fertilisers	2.4	2.3	2.6	2.1	1.2	-0.5
7. Metalliferrous Ores, Metal Scrap, *etc.*	2.7	2.7	2.8	3.0	1.1	0.1
8. Iron and Steel	2.5	2.9	2.5	2.3	0.4	-0.2
9. Pearls, Precious and Semi-Precious Stones	5.7	8.4	6.1	4.3	-0.2	-1.8
10. Others	14.7	16	15.1	17.1	4.5	2.0
Total Imports	**100**	**100**	**100**	**100**	**35.2**	**-0.1**

Source: Compiled from DGCI&S data.

by the Government and the Reserve Bank of India. Gold imports, however, have shown a sharp pick up since November 2012 (except in March 2013). Among other components, imports of capital goods, accounting for 18.8 per cent of total merchandise imports, declined by 7.1 per cent owing to the slower investment activity in domestic economy. Import of export related items like 'pearl precious semi-precious stones, chemicals, textile yarn and cashew nuts also recorded either a decline or a lower growth during this period (Table 7).

Destination-wise data for India's imports show that India's imports from EU, China, US, Australia, Hong Kong and Singapore declined during April-December 2012. In contrast, import from Saudi Arabia, UAE, Iraq and Kuwait, mainly the oil exporters, remained positive. Growth in imports from Latin American countries was significantly higher during the period as compared with corresponding period of 2011-12. For instance, increase in imports from Brazil has mainly on account of sugar and sugar confectionery, items relating to animal or vegetable fats and oils.

Even though there was a decline in import from China, it continued to be the main import source accounting for 11.3 per cent of India's merchandise imports. Other major source countries for import include UAE, Saudi Arabia, Switzerland and USA with a share of 7.8 per cent, 6.8 per cent, 5.5 per cent and 5.1 per cent, respectively. While the share of countries like USA, EU and Switzerland in India's total imports declined in April-December 2012, the share of OPEC countries (including UAE) and Latin American showed a rise compared to the corresponding period a year ago (Table 8).

Trade Deficit

Sharper deceleration in merchandise export than imports led to a widening of trade deficit which increased to US$ 190.9 billion in 2012-13 as against US$ 183.4 billion in 2011-12. POL and gold together accounted for 45.4 per cent of India's merchandise imports and 117 per cent of merchandise trade deficit during this period. Even though gold imports have shown decline in 2012-13, they were still at a high level and thus a cause for concern for India's high trade deficit.

Table 8: Shares of Groups/Countries in India's Imports

(Percentage Shares)

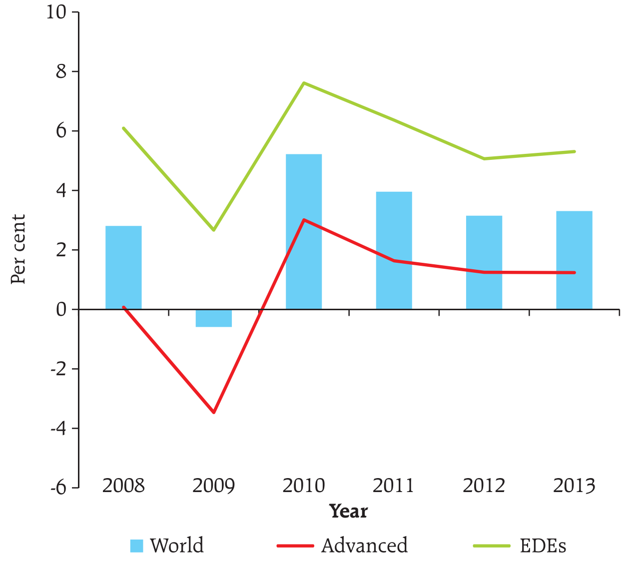
Region/Country	2010-11	2011-12	2011-12	2012-13
	April-March		April-December	
1	2	3	4	5
I. OECD Countries	30.6	30.2	30.4	27.7
EU	12.0	11.9	12.0	10.9
France	1.0	0.9	0.8	0.8
Germany	3.2	3.3	3.4	3.0
UK	1.5	1.6	1.6	1.4
North America	6.0	5.6	5.8	5.6
US	5.4	5.0	5.2	5.1
Asia and Oceania	5.4	5.7	5.7	5.2
Other OECD Countries	7.2	7.0	6.9	5.9
II. OPEC	33.6	35.5	34.4	38.6
III. Eastern Europe	1.5	1.7	1.6	1.9
IV. Developing Countries	33.0	32.3	33.2	31.5
Asia	27.1	25.9	26.9	24.6
SAARC	0.6	0.5	0.5	0.6
Other Asian Developing Countries	26.5	25.3	26.3	24.0
of which:				
People's Republic of China	11.8	11.8	12.4	11.3
Africa	3.6	4.0	4.1	3.8
Latin America	2.4	2.4	2.3	3.1
V. Others / Unspecified	1.3	0.3	0.3	0.3
Total	**100**	**100**	**100**	**100**

Source: Compiled from DGCI&S data.

II. Trends in Global Trade

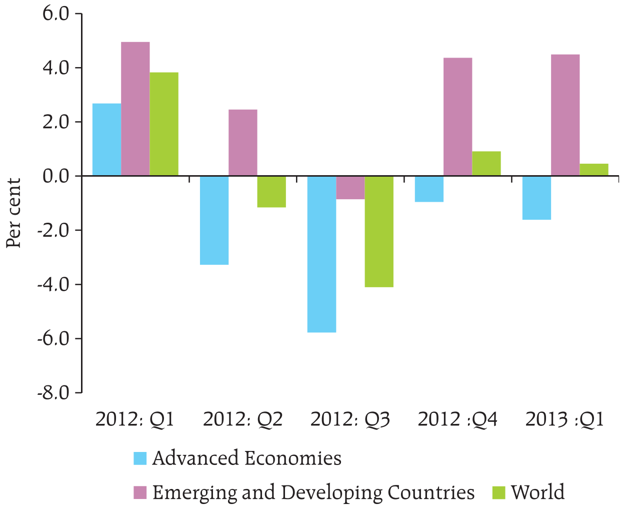
As the global recovery slowed further in 2012, it mirrored in decelerating world trade growth (Chart 2). The world trade remained sluggish as the economic slowdown in global import demand in EU countries and some other major economies remained suppressed. Subdued demand conditions in EU economies affected not only intra-EU trade but also fed through other advanced countries and EMDEs. However, the global trade cycle has shown incipient signs of recovery across few EMDEs since the terminal quarter of 2012

Chart 2: World GDP Growth



Source: World Economic Outlook, IMF.

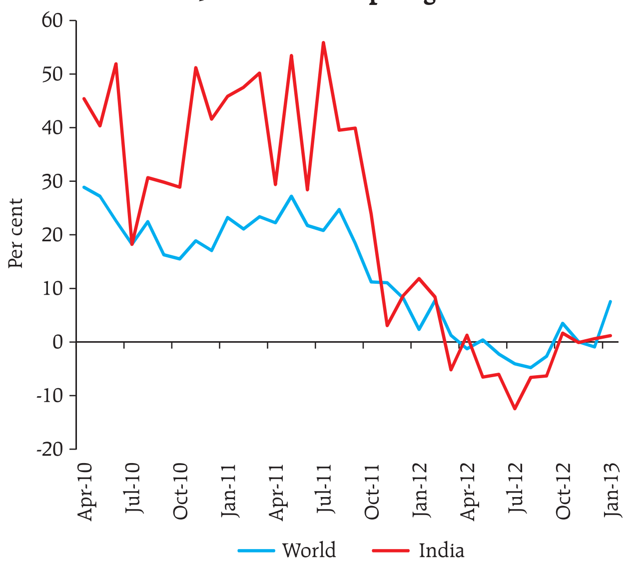
Chart 4: Merchandise Export Growth in Advanced and Emerging Market Economies



Source: International Financial Statistics, IMF.

(Chart 3). Nevertheless, overall world trade volume could grow by 2.5 per cent in 2012 as compared with 6.0 per cent in 2011. Going forward, trade prospects are expected to improve moderately. According to the IMF (2013), the world trade volume (goods and services) is projected to grow by 3.6 per cent in 2013. Similarly, the WTO projects a growth of 3.3 per cent in world goods trade volume in 2013 (2.2 per cent in 2012).

Chart 3: Trends in Export growth



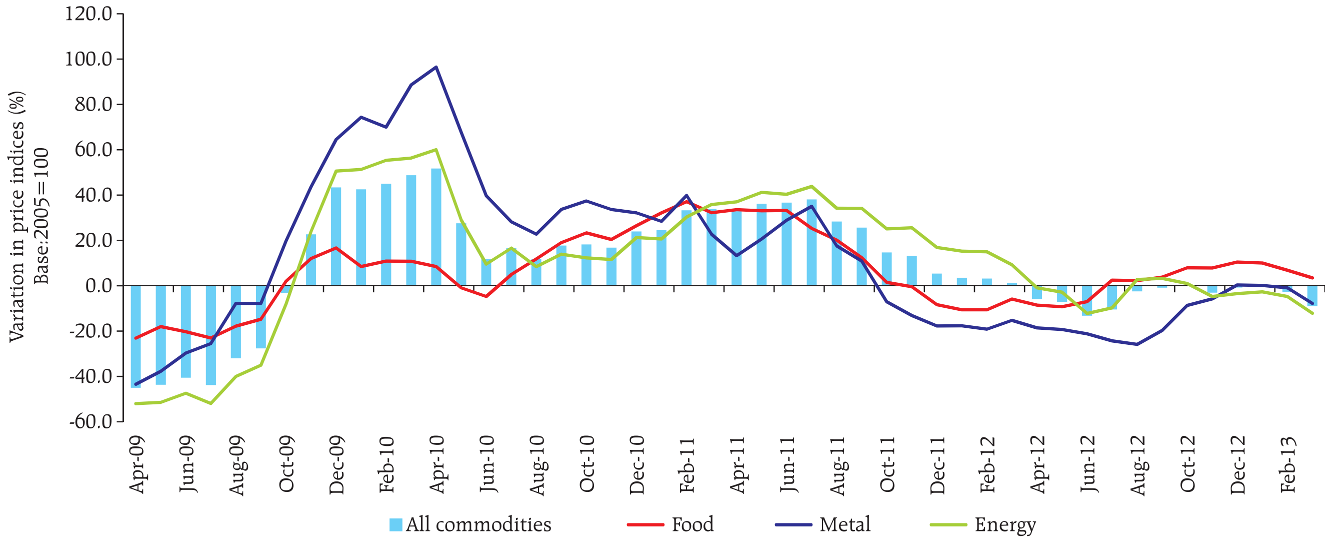
Source: International Financial Statistics, IMF.

However, such forecasts are subject to risks that may emanate from divergent economic outlook for the US and EU.

Chart 4 illustrates the divergent trade performances of advanced and EMDEs economies over the course of 2012 and in Q1 of 2013. Slow growth in the advanced economies (AEs) continued to remain a weak link in global trade expansion, while EMDEs seem to be contributing to global trade through increased intra-industry and South-South trade. While the EMDEs seem to have maintained export growth momentum in Q1 of 2013, the decline in export growth in AEs has become more pronounced as compared with the previous quarter.

Even though there were incipient signs of strengthening of some major economies, international prices of most industrial commodities have eased since mid-February 2013 (Chart 5). International crude oil prices softened in Q1 of 2013 largely due to improved supplies from the North Sea basin and slowing demand from European refineries approaching their seasonal maintenance cycle. Similarly, the prices of basic metal have reversed their upward trend reflecting oversupply

Chart 5: World Commodity Prices



Source: World Economic Outlook database, IMF.

and growing inventories in recent months. Although international food prices have followed mixed trends in Q1 of 2013, better-than-expected global stocks reported by the US Department of Agriculture and improved production prospects of wheat led to easing in grain prices in recent months.

III. Outlook

As mentioned earlier, India's exports have shown positive growth since December 2012. However, the sustenance of the positive export growth momentum would continue to depend on demand and growth prospects of trading partner economies. According to the WTO assessment on world trade prospects, indicators of production and business sentiment in the first quarter of 2013 present a mixed picture of current economic conditions. Since the global growth is projected to pick up only marginally and key risks to global economy still prevail, India's export growth is projected to pick up at a modest pace at best. Softening trend in international prices of POL and gold, supplemented by various measures undertaken by the Government and the Reserve Bank to reduce imports of these two items may bode well for containing import growth. Since the signs of global recovery are not so certain, sustaining Indian export recovery would be a challenge that needs efforts to raise productivity-based competitiveness.

Detailed information on monthly commodity-wise and country-wise data on merchandise exports and imports for 2011-12 and 2012-13 can be accessed at http://www.rbi.org.in/scripts/BS_PressReleaseDisplay.aspx.

*Industrial Outlook Survey: 2012-13**

The Reserve Bank of India monitors trends in various macroeconomic indicators in the process of conducting monetary policy in India. However, most of these indicators are available with a time lag. In order to bridge the gap, the Reserve Bank conducts a few forward looking surveys[1] covering corporate and household sectors. The corporate sector being one of the key sectors in an economy, sentiments that drive current and near term business decisions is a key information for policy formulation.

The Reserve Bank of India has been conducting the Industrial Outlook Survey (IOS) for the Indian manufacturing sector on a quarterly basis since 1998. The survey captures the assessment of business sentiments for the current quarter and expectations for the ensuing quarter, based on qualitative responses on a set of parameters pertaining to the demand conditions, financial conditions, employment condition and price situation. The survey schedule is canvassed among a fixed panel of 2,000 manufacturing companies, mostly with paid-up capital above ₹5 million, representing a good mix of size and industry groups. The panel is periodically updated with addition of new companies or deletion of closed/merged companies as required.

This article analyses the survey responses for four quarters from April-June 2012 to January-March 2013. The response rate lied between 65-78 percent during this period.

I.1 Business sentiments weakened progressively

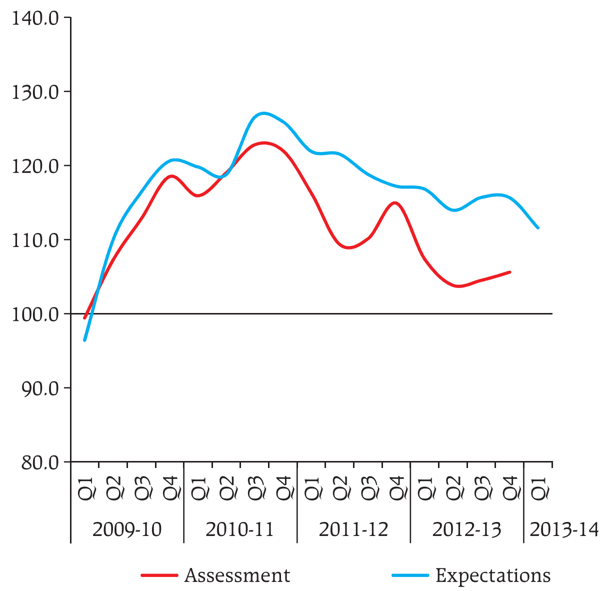
The business Expectation Index (BEI) which is computed as a weighted average of net responses on nine select performance parameter[2] gives a single snapshot of the industrial outlook in each quarter. For each of the survey round, two indices are computed - one based on assessment of current quarter and another based on expectations of next quarter.

During the year under study, BEI (based on assessment) moderated in the first two quarters when it reached a level seen at the onset of financial crisis in Q3:2008-09 and moved up marginally in the next two quarters. BEI (based on outlook) also indicated similar trend but recorded a sharp drop in Q1:2013-14. It is observed that the index based on expectation has generally been higher than the index based on assessment and the gap has widened since 2011-12 (Chart 1). The BEI has still remained in the growth terrain (*i.e.,* above 100, which is the threshold separating contraction from expansion).

I.2 Demand conditions weakened

The survey collects perceptions of Indian manufacturers on demand conditions through various parameters, namely, production, order books, capacity utilisation, inventory, exports and imports. In respect of most of the above parameters, outlook during

Chart 1: Business Expectation Index



* Prepared in the Division of Enterprise Surveys, Department of Statistics and Information Management. The latest round of the survey data was released on May 2, 2013 on RBI Website. The survey schedule is published along with the press release for launching the survey in each quarter. The survey results are those of the respondents and are not necessarily shared by the Reserve Bank of India

1 For a detailed reading on forward looking surveys conducted by the Reserve Bank of India and international practices, a reference may be made to the Report of the Working Group on Surveys, RBI Monthly Bulletin, September 2009.

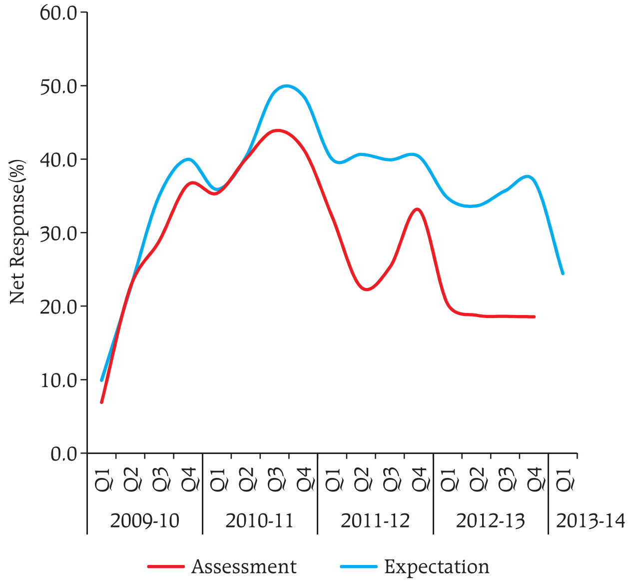
2 The detailed methodology used for analysis of survey data is published in the article 'Quarterly Industrial Outlook Survey: Trends since 2000-01' in RBI Monthly Bulletin of October 2009.

FY: 2012-13 remained weak and it deteriorated further for Q1: 2013-14. Analysis of data from the previous survey rounds indicates that one-quarter ahead outlook is generally able to track the actual movement in the case of most of the parameters (Box I).

I.2.1 The net response[3] on production dropped sharply in assessment quarter of Q1:2012-13 and it remained flat in the remaining quarters. One quarter ahead outlook also showed lower optimism in Q1 and Q2 of 2012-13. Though expectations improved modestly during the next two quarters, the same declined sharply for Q1:2013-14 (Chart 2). The pattern was similar for order books also (Chart 3). However, positive net response is indicative of continued growth.

I.2.2 Majority of the respondents (around 55-60 per cent) expected capacity utilisation to remain the same

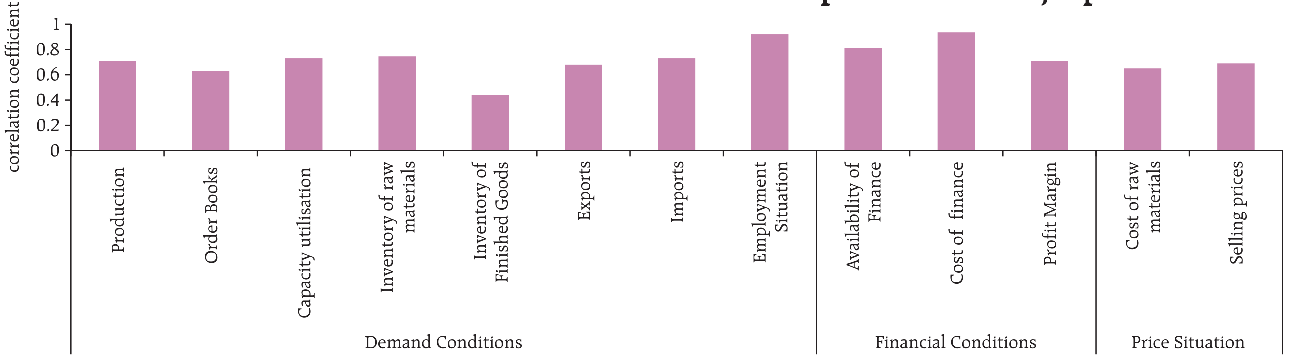
Chart 2: Production



Box I: Validation of Expectation response with succeeding Assessment response

The survey collects assessment for current quarter and expectations for next quarter on various business parameters. In order to examine, how close is the assessment for a given quarter to corresponding expectation captured a quarter back, correlation between the assessment during the current survey round and expectations for that parameter given during the last survey round is computed for some major parameters (Chart A). The survey responses during Q1:2000-01 to Q4:2012-13 (52 quarters) is taken for this validation. It is found that these parameters are positively correlated though the extent of correlation varies. Assessment and expectations for major parameters under demand conditions, financial conditions and price situation are highly correlated implying that three months ahead expectations nearly coincide with assessment given during current quarter. This indicates that the expectations captured for each quarter by the survey, is a very good lead indicator for its subsequent behaviour.

Chart A: Correlation coefficient between Assessment and Expectations for major parameters



[3] Net response is the percentage difference between the optimistic (positive) and pessimistic (negative) responses; responses indicating status quo (no change) are not reckoned

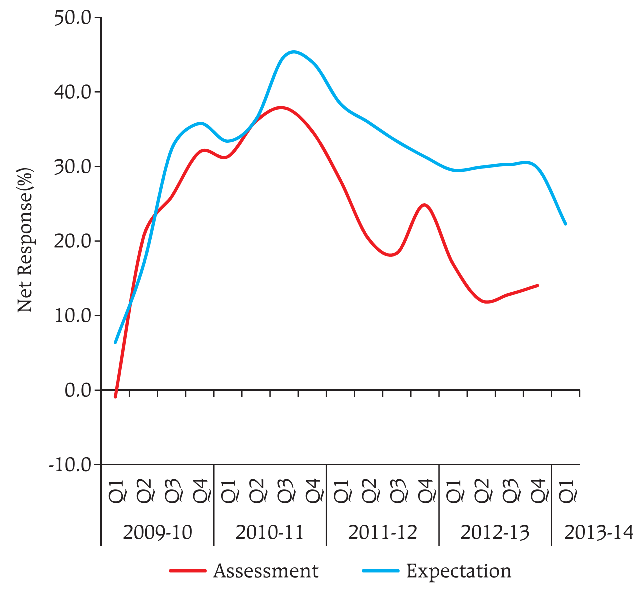


Chart 3: Order Book

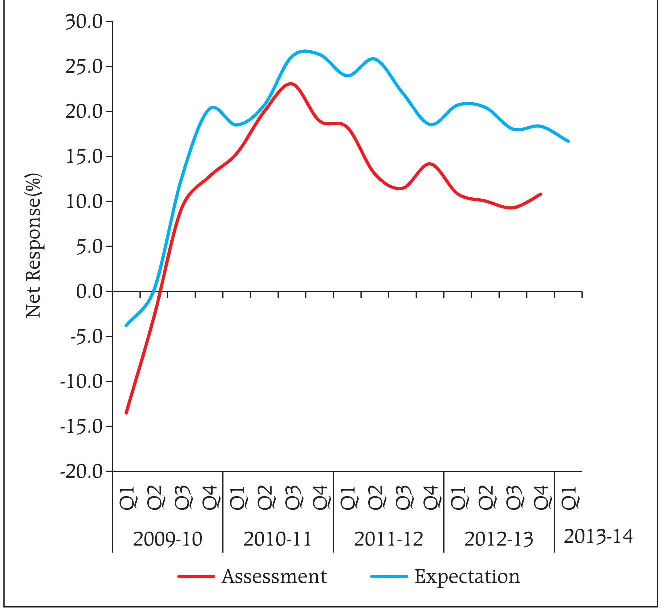


Chart 5: Exports

in FY:2012-13 and the net response remained flat during this period. However, outlook for Q1:2013-14 revealed lower optimism (Chart 4).

I.2.3 Outlook on exports growth remained less optimistic throughout the year (Chart 5). Lack of domestic demand also impacted the growth in imports and net response fell during the year (Chart 6). Outlook though remained positive for Q1:2013-14, indicated further decline. Lack of domestic and external demand had been reported to be a major constraint by majority of the reporting companies.

I.2.4 According to the survey results, most of the responding firms (about 80 per cent) reported 'no change' in the inventory levels of both raw materials and finished goods on a quarterly basis. Of the remaining, slightly higher percentage of respondents

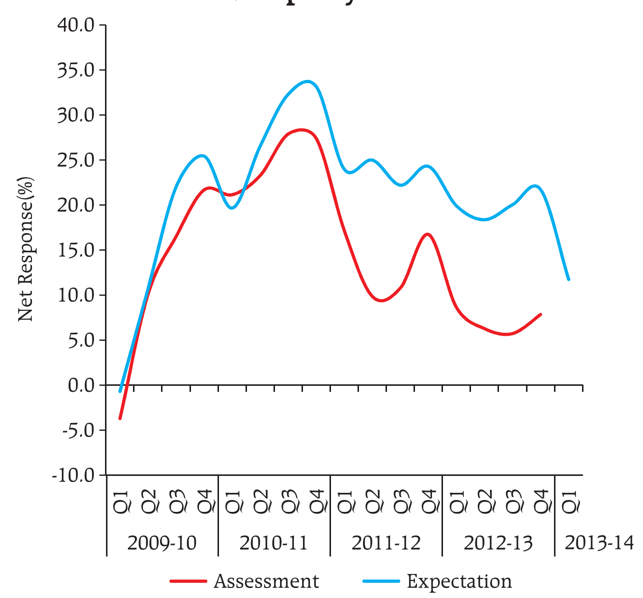


Chart 4: Capacity utilisation

Chart 6: Imports

reported carrying above average level of inventory during the year.

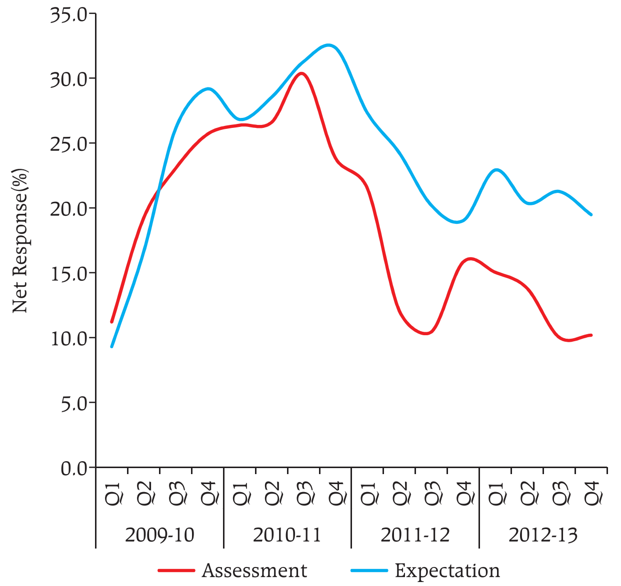
I.3 Financial Situation yet to revive

The survey assesses sentiments about the financial situations based on several parameters. While the respondents are required to evaluate the overall financial situation, responses are specifically obtained on availability of finance, cost of external finance and profit margin.

I.3.1 Optimism level for overall financial situation had been lower since 2011-12, and the outlook deteriorated further for Q1: 2013-14 (Chart 7). During Q1:2012-13 to Q3:2012-13, majority of companies (89 per cent) reported their availability of finance either unchanged or improve. Expectations too reveal almost similar trend, with majority of the respondents expecting the availability of finance to remain stagnant (Chart 8).

I.3.2 In Q4:2012-13, the question on availability of finance was divided into three questions *viz.*, availability of finance from internal accruals, availability of finance from banks and other financial institutions and availability of finance from overseas (if applicable). It was seen that majority of the companies responded no change for all the three questions. Only less than 10 per cent of respondents expected the situation to worsen in Q1:2013-14 (Table-11(a)).

Chart 8: Availabilty of Finance



I.3.3 The sentiments on cost of finance have remained negative for a long time and the lowest level was reached in Q3:2011-12. The net response improved gradually thereafter and percentage of respondents who experienced higher cost of finance has been declining throughout the year (Chart 9).

Chart 7: Overall Financial Situation

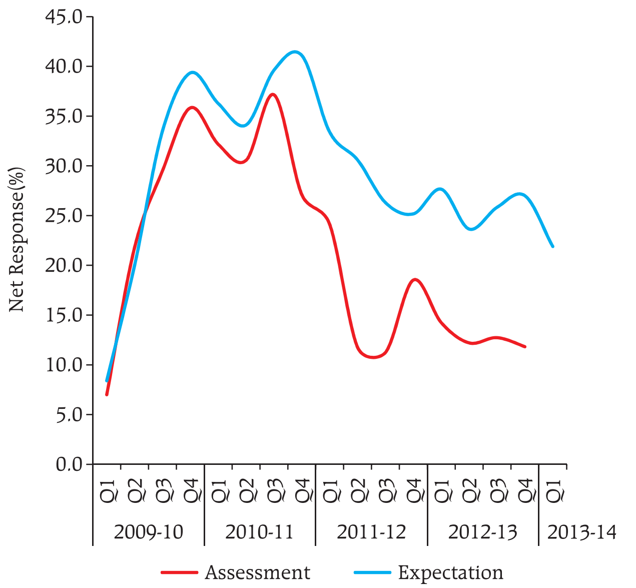


Chart 9: Cost of External Finance

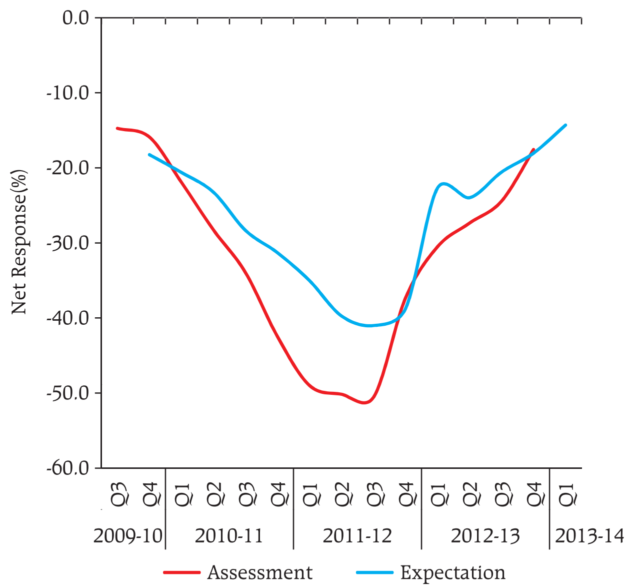


Chart 10: Profit Margin

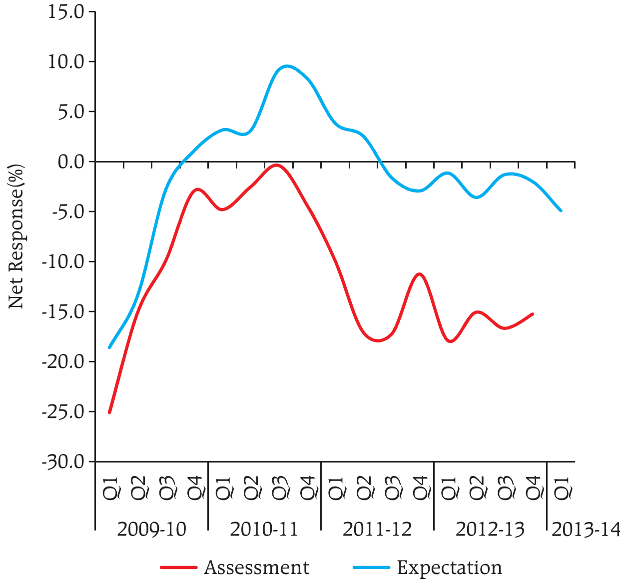
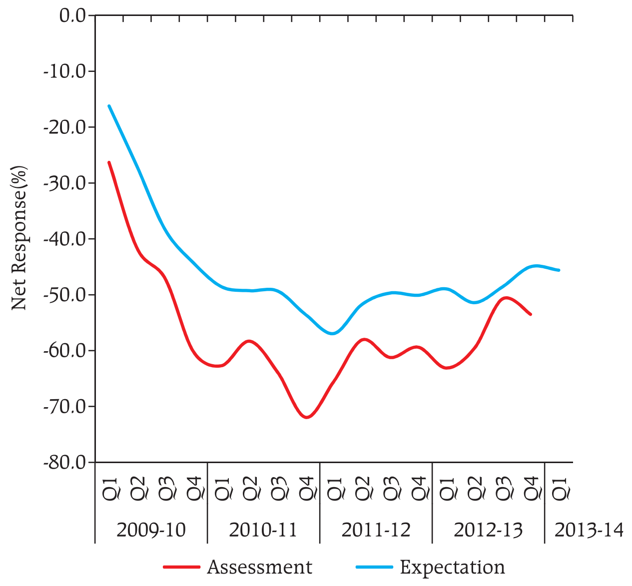


Chart 11: Cost of Raw Materials



I.3.4 On profit margin, a higher percentage of respondents reported either decrease or no change during the year. As regards outlook, though the sentiments of corporates were evenly balanced, the net response dropped substantially for Q1:2013-14 (Chart 10).

I.4 Employment and Price Situation

The survey seeks from the companies their perceptions on employment**.** Generally, 70-75 per cent of companies responded 'no change' in the employment level and only less than 10 per cent of the manufacturing companies witnessed a contraction in their employment levels during the year under study. As regards the price situation, the survey elicits current assessment/one-quarter ahead outlook on cost of raw material and selling prices from the respondent companies. The sentiment on cost of raw materials, though remained negative during the year, showed some improvement as compared with the previous year. However, a much lower percentage of respondents reported/expected rise in selling price, which could be an indication of continued lack of pricing power which is in consistent with falling profit margins (Chart 11 and 12).

1.5 Conclusion

The weakening growth in demand conditions and the BEI huddling around the levels seen at crisis period of Q2:2008-09, indicates that the growth of manufacturing sector has been plummeting throughout the year. Lack of domestic and external demand along with shortage of power persisting as the major constraints in production, weighed to this modest pace of growth.

Chart 12: Selling Price

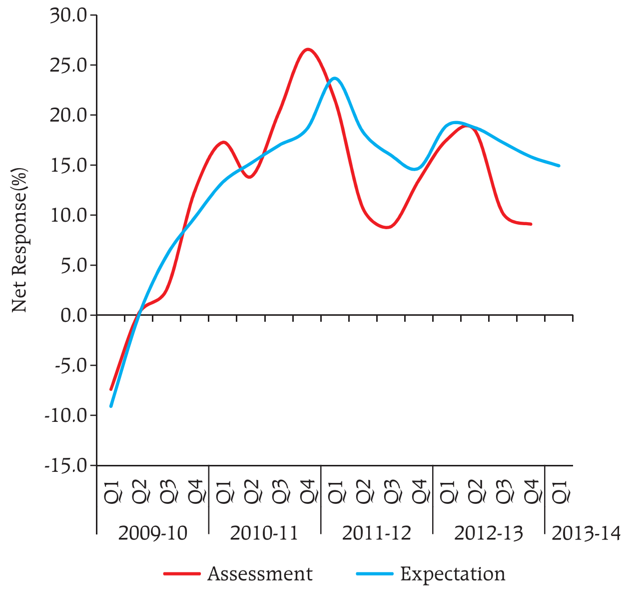


Table 1: Assessment & Expectations for Production

(Percentage responses) @

Survey Quarter	Total response	Assessment for Current Quarter				Expectation for Next Quarter			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q4: 2011-12	1234	45.6	12.5	41.9	33.1	49.8	9.5	40.7	40.4
Q1: 2012-13	1404	38.8	18.5	42.7	20.3	45.4	10.6	44.0	34.7
Q2: 2012-13	1561	37.9	19.2	42.9	18.8	45.4	11.7	42.9	33.6
Q3: 2012-13	1388	37.5	18.8	43.7	18.6	46.1	10.4	43.4	35.7
Q4: 2012-13	**1301**	**36.8**	**18.2**	**45.0**	**18.6**	46.3	9.2	44.4	37.1
Q1:2013-14						**38.3**	**13.8**	**47.9**	**24.4**

'Increase' in production is optimistic.

Table 2: Assessment & Expectations for Order books

(Percentage responses)

Survey Quarter	Total response	Assessment for Current Quarter				Expectation for Next Quarter			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q4: 2011-12	1234	38.9	14.1	47.0	24.8	42.3	11.0	46.7	31.3
Q1: 2012-13	1404	34.2	17.3	48.5	16.9	39.3	9.8	50.9	29.5
Q2: 2012-13	1561	31.9	19.8	48.3	12.0	41.0	11.1	47.9	29.9
Q3: 2012-13	1388	32.0	19.2	48.8	12.9	41.2	10.9	48.0	30.3
Q4: 2012-13	**1301**	**32.7**	**18.6**	**48.7**	**14.0**	40.0	10.2	49.8	29.8
Q1:2013-14						**35.5**	**13.2**	**51.2**	**22.3**

'Increase' in order books is optimistic.

Table 3: Assessment & Expectations for Pending Orders

(Percentage responses)

Survey Quarter	Total response	Assessment for Current Quarter				Expectation for Next Quarter			
		Below Normal	Above Normal	Normal	Net response	Below Normal	Above Normal	Normal	Net response
Q4: 2011-12	1234	15.9	5.4	78.7	10.5	13.7	6.5	79.8	7.3
Q1: 2012-13	1404	17.0	5.7	77.3	11.3	13.3	4.6	82.1	8.8
Q2: 2012-13	1561	18.7	5.6	75.7	13.1	14.6	6.2	79.2	8.4
Q3: 2012-13	1388	18.8	4.4	76.8	14.3	14.4	7.0	78.6	7.4
Q4: 2012-13	**1301**	**19.3**	**4.7**	**75.9**	**14.6**	14.6	4.5	80.9	10.1
Q1:2013-14						**16.9**	**5.3**	**77.7**	**11.6**

Pending orders 'Below Normal' is optimistic.

Table 4: Assessment & Expectations for Capacity Utilisation

(Percentage responses)

Parameter	Options	Assessment for Quarter				Expectations for Quarter			
		Q1:2012-13	Q2:2012-13	Q3:2012-13	Q4:2012-13	Q2:2012-13	Q3:2012-13	Q4:2012-13	Q1:2013-14
Capacity Utilisation (CU)-(main product)	Increase	25.8	24.0	23.3	**23.7**	30.4	30.4	31.1	**24.9**
	No Change	57.1	58.3	59.0	**60.5**	57.6	59.3	59.6	**62.0**
	Decrease	17.1	17.7	17.6	**15.9**	12.0	10.3	9.3	**13.1**
	Net Response	8.6	6.3	5.7	**7.8**	18.4	20.0	21.7	**11.7**
Level of CU (compared to the average in last 4 quarters)	Above normal	10.1	9.7	9.1	**10.0**	11.4	10.3	10.7	**10.5**
	Normal	71.9	71.3	70.9	**71.3**	75.6	77.4	76.6	**74.5**
	Below Normal	17.9	18.9	20.0	**18.7**	13.0	12.3	12.7	**15.0**
	Net Response	-7.8	-9.2	-10.8	**-8.7**	-1.5	-2.0	-2.1	**-4.4**
Assessment of Prod. Capacity (with regard to expected demand in next 6 months)	More than adequate	12.4	13.1	14.2	**13.4**	13.0	13.0	13.0	**13.7**
	Adequate	79.6	79.0	77.5	**77.4**	80.0	80.5	79.6	**78.4**
	Less than adequate	8.0	7.9	8.3	**9.2**	7.1	6.4	7.4	**7.9**
	Net Response	4.4	5.2	5.9	**4.2**	5.9	6.6	5.6	**5.7**

'Increase' in capacity utilisation is optimistic.

Table 5: Assessment & Expectations for Exports

(Percentage responses)

Survey Quarter	Total response	Assessment for Current Quarter				Expectation for Next Quarter			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q4: 2011-12	1234	27.8	13.6	58.6	14.2	29.0	10.4	60.6	18.6
Q1: 2012-13	1404	25.7	14.9	59.4	10.8	30.1	9.4	60.5	20.7
Q2: 2012-13	1561	25.3	15.2	59.5	10.0	31.0	10.5	58.5	20.5
Q3: 2012-13	1388	24.3	15.0	60.6	9.3	29.0	10.9	60.1	18.0
Q4: 2012-13	**1301**	**25.9**	**15.0**	**59.1**	**10.8**	28.5	10.1	61.4	18.4
Q1:2013-14						**27.1**	**10.4**	**62.5**	**16.7**

'Increase' in exports is optimistic

Table 6: Assessment & Expectations for Import

(Percentage responses)

Survey Quarter	Total response	Assessment for Current Quarter				Expectation for Next Quarter			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q4: 2011-12	1234	22.5	8.0	69.5	14.4	23.0	7.5	69.4	15.5
Q1: 2012-13	1404	21.8	10.1	68.1	11.6	22.4	6.7	70.8	15.7
Q2: 2012-13	1561	20.7	10.9	68.5	9.8	22.9	7.4	69.7	15.5
Q3: 2012-13	1388	19.0	10.2	70.7	8.8	22.1	8.1	69.8	14.0
Q4: 2012-13	**1301**	**19.8**	**11.5**	**68.8**	**8.3**	20.9	7.4	71.7	13.5
Q1:2013-14						**20.4**	**8.5**	**71.1**	**11.9**

'Increase' in imports is optimistic

Table 7: Assessment & Expectations for level of Inventory (Raw material and Finished goods)

(Percentage responses)

Parameter	Options	Assessment for Quarter				Expectations for Quarter			
		Q1:2012-13	Q2:2012-13	Q3:2012-13	Q4:2012-13	Q2:2012-13	Q3:2012-13	Q4:2012-13	Q1:2013-14
Inventory of raw material	Below average	8.0	6.9	7.6	**7.9**	6.6	5.1	5.5	**6.3**
	Average	81.0	80.9	79.8	**79.8**	83.7	85.2	83.9	**84.2**
	Above average	11.0	12.3	12.6	**12.2**	9.7	9.7	10.6	**9.5**
	Net Response	-2.9	-5.4	-5.0	**-4.3**	-3.1	-4.7	-5.1	**-3.3**
Inventory of Finished goods	Below average	6.8	7.0	7.0	**7.4**	7.2	6.1	7.0	**6.3**
	Average	81.6	78.5	78.0	**76.5**	83.6	83.9	83.1	**83.1**
	Above average	11.7	14.5	15.0	**16.1**	9.2	10.0	9.9	**10.6**
	Net Response	-4.9	-7.4	-8.0	**-8.7**	-2.1	-4.0	-3.0	**-4.3**

Inventory of raw material and finished goods 'Below average' is optimistic

Table 8: Assessment & Expectations for Employment Outlook

(Percentage responses)

Survey Quarter	Total response	Assessment for Current Quarter				Expectation for Next Quarter			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q4: 2011-12	1234	19.8	6.9	73.3	12.9	19.3	5.7	75.0	13.6
Q1: 2012-13	1404	19.8	9.7	70.5	10.0	19.9	5.2	74.9	14.6
Q2: 2012-13	1561	17.9	9.6	72.5	8.3	20.5	8.3	71.2	12.3
Q3: 2012-13	1388	16.4	9.7	73.9	6.7	19.2	5.9	74.9	13.3
Q4: 2012-13	**1301**	**15.3**	**9.8**	**74.9**	**5.5**	17.2	6.9	75.8	10.3
Q1:2013-14						**16.0**	**8.0**	**76.1**	**8.0**

'Increase' in employment is optimistic

Table 9: Assessment & Expectations for Overall Financial Situation

(Percentage responses)

Survey Quarter	Total response	Assessment for Current Quarter				Expectation for Next Quarter			
		Better	Worsen	No change	Net response	Better	Worsen	No change	Net response
Q4: 2011-12	1234	30.4	11.9	57.8	18.5	35.3	10.2	54.5	25.2
Q1: 2012-13	1404	27.8	13.5	58.7	14.2	35.7	8.1	56.2	27.7
Q2: 2012-13	1561	27.1	14.9	58.0	12.2	33.2	9.5	57.3	23.6
Q3: 2012-13	1388	26.4	13.7	59.9	12.7	34.8	9.0	56.2	25.8
Q4: 2012-13	**1301**	**26.9**	**15.1**	**58.0**	**11.8**	34.9	7.9	57.2	27.0
Q1:2013-14						**31.5**	**9.6**	**58.9**	**21.9**

'Better' overall financial situation is optimistic

Table 10: Assessment & Expectations for Working Capital Finance Requirement

(Percentage responses)

Survey Quarter	Total response	Assessment for Current Quarter				Expectation for Next Quarter			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q4: 2011-12	1234	40.0	5.1	54.8	34.9	38.0	4.2	57.8	33.8
Q1: 2012-13	1404	36.6	6.1	57.3	30.4	36.2	4.3	59.6	31.9
Q2: 2012-13	1561	37.5	6.8	55.8	30.7	34.9	4.8	60.3	30.1
Q3: 2012-13	1388	35.0	5.7	59.4	29.3	37.3	4.4	58.3	32.9
Q4: 2012-13	**1301**	**35.2**	**6.3**	**58.5**	**29.0**	35.8	3.8	60.5	32.0
Q1:2013-14						**33.0**	**6.5**	**60.4**	**26.5**

'Increase' in working capital finance is optimistic

Table 11: Assessment & Expectations for Availability of Finance

(Percentage responses)

Survey Quarter	Total response	Assessment for Current Quarter				Expectation for Next Quarter			
		Improve	Worsen	No change	Net response	Improve	Worsen	No change	Net response
Q4: 2011-12	1234	26.1	10.3	63.5	15.8	28.2	9.1	62.7	19.0
Q1: 2012-13	1404	26.2	11.1	62.7	15.0	29.9	7.0	63.1	22.9
Q2: 2012-13	1561	25.0	11.2	63.8	13.8	28.0	7.7	64.3	20.4
Q3: 2012-13	1388	21.2	11.2	67.6	10.0	29.1	7.8	63.1	21.3
Q4: 2012-13						26.7	7.2	66.0	19.5

'Improvement' in availability of finance is optimistic

Table 11(a): Assessment & Expectations for Availability of Finance

(Percentage responses)

Parameter	Options	Assessment for Quarter	Expectations for Quarter
		Q4:2012-13	Q1:2013-14
Availability of Finance (from internal accruals)*	Improve	23.3	25.6
	No Change	65.6	67.4
	Worsen	11.1	7.0
	Net Response	**12.1**	**18.7**
Availability of Finance (from banks & other sources)*	Improve	18.3	18.7
	No Change	76.8	77.9
	Worsen	4.9	3.4
	Net Response	**13.4**	**15.3**
Availability of Finance (from overseas, if applicable)*	Improve	9.6	11.0
	No Change	84.2	84.4
	Worsen	6.2	4.6
	Net Response	**3.4**	**6.3**

'Improvement' in availability of finance is optimistic.
*These questions are newly added by splitting the question on Availability of Finance (both internal and external sources) in the 61st Round (Jan-March 2013)

Table 12: Assessment & Expectations for Cost of External Finance

(Percentage responses)

Survey Quarter	Total response	Assessment for Current Quarter				Expectation for Next Quarter			
		Decrease	Increase	No change	Net response	Decrease	Increase	No change	Net response
Q4: 2011-12	1234	3.8	41.1	55.1	-37.4	4.1	42.8	53.1	-38.8
Q1: 2012-13	1404	7.3	37.8	54.9	-30.5	9.9	32.6	57.6	-22.7
Q2: 2012-13	1561	5.8	33.1	61.1	-27.4	8.6	32.6	58.9	-24.0
Q3: 2012-13	1388	5.8	30.3	63.9	-24.4	7.6	28.1	64.3	-20.6
Q4: 2012-13	**1301**	**9.5**	**27.0**	**63.5**	**-17.6**	7.5	25.5	67.0	-18.1
Q1:2013-14						**9.7**	**24.0**	**66.3**	**-14.3**

'Decrease' in cost of external finance is optimistic

Table 13: Assessment & Expectations for Cost of Raw Material

(Percentage responses)

Survey Quarter	Total response	Assessment for Current Quarter				Expectation for Next Quarter			
		Decrease	Increase	No change	Net response	Decrease	Increase	No change	Net response
Q4: 2011-12	1234	3.4	62.7	33.9	-59.4	4.0	54.1	41.9	-50.1
Q1: 2012-13	1404	3.1	66.2	30.7	-63.1	2.2	51.2	46.5	-49.0
Q2: 2012-13	1561	3.0	62.6	34.4	-59.6	3.5	54.9	41.6	-51.4
Q3: 2012-13	1388	5.4	56.2	38.4	-50.7	3.5	52.1	44.3	-48.6
Q4: 2012-13	**1301**	**4.3**	**57.8**	**37.9**	**-53.5**	3.3	48.3	48.3	-45.0
Q1:2013-14						**3.6**	**49.2**	**47.1**	**-45.6**

'Decrease' in cost of raw material is optimistic

Table 14: Assessment & Expectations for Selling Price

(Percentage responses)

Survey Quarter	Total response	Assessment for Current Quarter				Expectation for Next Quarter			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q4: 2011-12	1234	25.1	11.6	63.3	13.5	25.0	10.3	64.7	14.7
Q1: 2012-13	1404	28.0	10.5	61.4	17.5	26.3	7.3	66.4	19.0
Q2: 2012-13	1561	29.3	10.9	59.8	18.5	27.8	9.0	63.2	18.8
Q3: 2012-13	1388	22.5	12.3	65.1	10.2	25.6	8.3	66.1	17.3
Q4: 2012-13	**1301**	**22.3**	**13.2**	**64.5**	**9.1**	22.8	7.0	70.2	15.8
Q1:2013-14						**23.1**	**8.1**	**68.8**	**14.9**

'Increase' in selling price is optimistic

Table 15: Assessment & Expectations for Profit Margin

(Percentage responses)

Survey Quarter	Total response	Assessment for Current Quarter				Expectation for Next Quarter			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q4: 2011-12	1234	17.5	28.7	53.8	-11.3	20.1	23.1	56.8	-2.9
Q1: 2012-13	1404	15.4	33.3	51.3	-17.9	20.4	21.6	58.0	-1.2
Q2: 2012-13	1561	16.2	31.2	52.6	-15.1	20.1	23.6	56.3	-3.6
Q3: 2012-13	1388	14.5	31.2	54.2	-16.7	20.5	21.8	57.7	-1.3
Q4: 2012-13	**1301**	**16.2**	**31.5**	**52.3**	**-15.3**	18.8	20.8	60.4	-2.0
Q1:2013-14						**17.7**	**22.7**	**59.6**	**-4.9**

'Increase' in profit margin is optimistic

Table 16: Assessment & Expectations for Overall Business Situation

(Percentage responses)

Survey Quarter	Total response	Assessment for Current Quarter				Expectation for Next Quarter			
		Better	Worsen	No change	Net response	Better	Worsen	No change	Net response
Q4: 2011-12	1234	37.8	11.3	50.9	26.5	43.6	10.0	46.5	33.6
Q1: 2012-13	1404	32.9	14.6	52.5	18.3	43.0	8.1	49.0	34.9
Q2: 2012-13	1561	32.8	16.7	50.5	16.1	40.2	9.7	50.1	30.6
Q3: 2012-13	1388	32.3	15.0	52.7	17.2	41.4	9.2	49.4	32.2
Q4: 2012-13	**1301**	**32.8**	**14.4**	**52.8**	**18.4**	44.8	7.2	48.0	37.5
Q1:2013-14						**39.3**	**9.7**	**51.1**	**29.6**

'Better' Overall Business Situation is optimistic

Table 17: Business Expectation Index (BEI)

Quarter	BEI-Assessment Quarter	BEI-Expectation Quarter
Q4: 2011-12	114.9	117.2
Q1: 2012-13	107.4	116.8
Q2: 2012-13	103.8	114.0
Q3: 2012-13	104.5	115.7
Q4: 2012-13	**105.6**	115.6
Q1:2013-14		**111.6**

Note: @Due to rounding off percentage may not add up to 100. This is applicable for all the tables from 1 to 16.

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

Item	2012-13	2012		2013	
		Apr	May	Apr	May
	1	2	3	4	5
1.2 Index of Industrial Production	1.1	-1.3	2.5	2.0	..
2 Money and Banking (% Change)					
2.1 Scheduled Commercial Banks					
2.1.1 Deposits	14.2	13.1	14.3	12.8	13.4
2.1.2 Credit	14.1	17.5	17.8	14.6	14.1
2.1.2.1 Non-food Credit	14.0	16.8	17.2	14.5	14.3
2.1.3 Investment in Govt. Securities	15.4	15.7	14.0	11.1	12.9
2.2 Money Stock Measures					
2.2.1 Reserve Money (M0)	6.2	7.4	6.7	7.5	5.9
2.2.2 Broad Money (M3)	13.3	13.3	13.9	12.4	13.2
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	6.0	5.8	5.2	4.8
3.4 Credit-Deposit Ratio	77.9	76.2	76.6	77.4	77.2
3.5 Incremental Credit-Deposit Ratio	77.1	-0.5	28.8	32.3	55.0
3.6 Investment-Deposit Ratio	29.7	29.9	29.8	29.5	30.0
3.7 Incremental Investment-Deposit Ratio	31.9	50.2	43.6	6.7	37.4
4 Interest Rates (%)					
4.1 Policy Repo Rate	7.50	8.00	8.00	7.50	7.25
4.2 Reverse Repo Rate	6.50	7.00	7.00	6.50	6.25
4.3 Marginal Standing Facility (MSF) Rate	8.50	9.00	9.00	8.50	8.25
4.4 Bank Rate	8.50	9.00	9.00	8.50	8.25
4.5 Base Rate	9.70/10.25	10.00/10.75	10.00/10.50	9.70/10.25	9.70/10.25
4.6 Term Deposit Rate >1 Year	7.50/9.00	8.50/9.25	8.00/9.25	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	8.38	8.09	7.76	7.15
4.9 91-Day Treasury Bill (Primary) Yield	8.19	8.39	8.39	7.56	7.31
4.10 182-Day Treasury Bill (Primary) Yield	8.01	8.38	8.42	7.64	7.30
4.11 364-Day Treasury Bill (Primary) Yield	7.79	8.17	8.28	7.48	7.29
4.12 10-Year Government Securities Yield	7.95	8.65	8.38	7.73	7.44
5 RBI Reference Rate and Forward Premia					
5.1 INR-US$ Spot Rate (₹ Per Foreign Currency)	54.39	52.52	56.42	54.22	56.50
5.2 INR-Euro Spot Rate (₹ Per Foreign Currency)	69.54	69.61	69.95	70.98	73.68
5.3 Forward Premia of US$ 1-month (%)	7.72	8.57	7.66	7.30	7.01
3-month (%)	7.57	7.84	6.88	7.23	6.58
6-month (%)	7.28	7.31	5.74	6.79	6.16
6 Inflation (%)					
6.1 Wholesale Price Index	7.4	7.5	7.6	4.9	4.7
6.1.1 Primary Articles	9.8	9.6	10.3	5.8	6.7
6.1.2 Fuel and Power	10.6	12.1	11.5	8.8	7.3
6.1.3 Manufactured Products	5.4	5.3	5.2	3.4	3.1
6.2 All India Consumer Price Index	10.21	10.3	10.4	9.4	9.3
6.3 Consumer Price Index for Industrial Workers	10.43	10.2	10.2	10.2	10.7
7 Foreign Trade (% Change)					
7.1 Imports	0.5	3.3	-7.8	11.0	7.0
7.2 Exports	-2.0	1.4	-6.6	-0.6	-1.1

Reserve Bank of India

No. 2: RBI - Liabilities and Assets

(₹ Billion)

Item	As on the Last Friday/ Friday						
	2012-13	2012	2013				
		Jun.	May 31	Jun. 7	Jun. 14	Jun. 21	Jun. 28
	1	2	3	4	5	6	7
1 Issue Department							
1.1 Liabilities							
1.1.1 Notes in Circulation	11,772.18	11,037.46	12,127.27	12,228.01	12,261.76	12,170.60	12,017.78
1.1.2 Notes held in Banking Department	0.08	0.09	0.12	0.10	0.17	0.07	0.08
1.1/1.2 Total Liabilities (Total Notes Issued) or Assets	**11,772.26**	**11,037.55**	**12,127.39**	**12,228.10**	**12,261.93**	**12,170.67**	**12,017.86**
1.2 Assets							
1.2.1 Gold Coin and Bullion	740.85	760.10	675.97	675.97	675.97	675.97	675.97
1.2.2 Foreign Securities	11,019.02	10,264.72	11,438.81	11,539.93	11,574.17	11,483.34	11,328.97
1.2.3 Rupee Coin	1.92	2.27	2.14	1.74	1.33	0.90	2.46
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	3,547.66	3,224.70	3,177.49	3,515.70	3,287.34	3,592.80
2.1.1.1 Central Government	817.59	1.01	1.01	1.01	1.00	1.00	1.01
2.1.1.2 Market Stabilisation Scheme	–	–	–	–	–	–	–
2.1.1.3 State Governments	0.42	0.42	0.42	0.42	0.42	0.42	0.42
2.1.1.4 Scheduled Commercial Banks	3,424.24	3,254.30	2,896.90	2,870.00	3,218.24	2,985.58	3,287.72
2.1.1.5 Scheduled State Co-operative Banks	41.29	33.58	32.86	31.10	30.41	31.90	34.28
2.1.1.6 Non-Scheduled State Co-operative Banks	2.37	0.93	2.81	2.55	2.57	2.63	2.50
2.1.1.7 Other Banks	152.48	145.78	141.69	144.01	140.72	143.98	141.41
2.1.1.8 Others	139.10	111.63	149.01	128.41	122.34	121.82	125.47
2.1.2 Other Liabilities	6,959.83	7,266.78	7,336.18	7,496.88	7,831.71	8,082.78	8,114.62
2.1/2.2 Total Liabilities or Assets	**11,537.33**	**10,814.43**	**10,560.88**	**10,674.38**	**11,347.41**	**11,370.12**	**11,707.42**
2.2 Assets							
2.2.1 Notes and Coins	0.08	0.09	0.12	0.10	0.17	0.07	0.08
2.2.2 Balances held Abroad	3,161.94	4,239.97	3,222.44	3,277.55	3,559.00	3,913.89	3,970.47
2.2.3 Loans and Advances							
2.2.3.1 Central Government	–	–	–	–	119.43	–	15.72
2.2.3.2 State Governments	3.70	3.83	3.65	5.62	24.49	5.51	12.45
2.2.3.3 Scheduled Commercial Banks	418.66	70.71	162.36	299.71	186.38	183.71	221.24
2.2.3.4 Scheduled State Co-op.Banks	–	0.39	–	–	–	–	–
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	29.27	12.94	10.31	9.96	9.96	9.89
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	5,676.22	6,457.02	6,379.46	6,744.52	6,552.29	6,760.80
2.2.6 Other Assets	748.93	793.95	702.35	701.62	703.47	704.68	716.78
2.2.6.1 Gold	672.98	690.46	614.04	614.04	614.04	614.04	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
May 2, 2013	1,101.70	0.25	–	–71.02	–	–	1,030.43
May 3, 2013	791.40	5.30	–	21.60	–	–	807.70
May 6, 2013	976.30	0.15	–	–68.06	–	–	908.09
May 7, 2013	1,014.60	0.20	–	–17.55	–	–	996.85
May 8, 2013	1,036.10	0.15	–	20.30	–	96.58	1,152.83
May 9, 2013	1,049.40	0.10	–	3.90	–	–	1,053.20
May 10, 2013	1,027.80	1.50	–	–4.50	–	–	1,021.80
May 13, 2013	904.20	0.60	–	–9.98	–	–	893.62
May 14, 2013	1,097.80	1.00	–	–30.30	–	–	1,066.50
May 15, 2013	1,092.45	0.05	–	–33.23	–	–	1,059.17
May 16, 2013	954.45	0.45	–	65.75	–	–	1,019.75
May 17, 2013	1,126.15	0.80	–	–6.10	–	–	1,119.25
May 20, 2013	1,031.95	4.25	–	–33.13	–	–	994.57
May 21, 2013	995.85	1.10	–	–18.57	–	–	976.18
May 22, 2013	1,013.65	0.30	–	31.62	–	–	1,044.97
May 23, 2013	984.05	–	–	–20.71	–	–	963.34
May 24, 2013	818.55	0.05	–	107.06	–	–	925.56
May 27, 2013	924.80	1.15	14.00	–50.00	–	–	887.65
May 28, 2013	950.75	0.25	–	31.81	–	–	982.31
May 29, 2013	848.60	–	–	–38.84	–	–	809.76
May 30, 2013	972.80	12.10	–	–40.78	–	–	919.92
May 31, 2013	751.35	33.35	0.09	–4.19	–	–	713.90

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

Item	2012-13	2012	2013	
		May	Apr.	May
	1	2	3	4
1 Net Purchase/ Sale of Foreign Currency (US$ Million) (1.1–1.2)	–2,601.00	–485.00	518.00	–107.00
1.1 Purchase (+)	13,648.00	778.00	3,298.00	3,003.00
1.2 Sale (–)	16,249.00	1,263.00	2,780.00	3,110.00
2 ₹ equivalent at contract rate (₹ Billion)	–153.16	–26.26	22.14	–15.59
3 Cumulative (over end-March 2013) (US $ Million)	–2,601.00	–760.00	518.00	411.00
(₹ Billion)	–153.16	–40.57	22.14	6.55
4 Outstanding Net Forward Sales (–)/ Purchase (+) at the end of month (US$ Million)	–11,006.00	–10,309.00	–8,233.00	–5,800.00

No. 5: RBI's Standing Facilities

(₹ Billion)

Item	As on the Last Reporting Friday							
	2012-13	2012		2013				
		May 18	Dec. 28	Jan. 25	Feb. 22	Mar. 22	Apr. 19	May 31
	1	2	3	4	5	6	7	8
1 MSF	–	–	–	1.8	–	–	–	0.1
2 Export Credit Refinance for Scheduled Banks								
2.1 Limit	412.3	128.3	383.5	397.4	407.2	412.3	422.7	405.4
2.2 Outstanding	136.3	75.0	245.4	248.0	197.6	136.3	139.6	57.9
3 Liquidity Facility for PDs								
3.1 Limit	28.0	28.0	28.0	28.0	28.0	28.0	28.0	28.0
3.2 Outstanding	15.2	11.9	7.7	6.5	6.1	15.2	8.0	10.9
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	16.4	10.9	–	–	–	–
5 Total Outstanding (1+2.2+3.2+4.2)	151.5	99.7	269.5	267.1	203.7	151.5	147.6	68.9

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		
		May 18	Apr. 19	May 17	May 31
	1	2	3	4	5
1 Currency with the Public (1.1 + 1.2 + 1.3 – 1.4)	11,445.3	10,822.6	11,805.7	11,968.8	11,766.5
1.1 Notes in Circulation	11,756.4	11,133.4	12,103.5	12,303.8	12,127.3
1.2 Circulation of Rupee Coin	143.9	129.7	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	447.9	449.2	486.3	512.1
2 Deposit Money of the Public	7,452.8	6,682.4	7,206.9	7,116.5	7,438.7
2.1 Demand Deposits with Banks	7,420.9	6,668.2	7,187.3	7,097.5	7,397.0
2.2 'Other' Deposits with Reserve Bank	32.0	14.2	19.6	19.0	41.7
3 M_1 (1 + 2)	18,898.2	17,505.0	19,012.5	19,085.3	19,205.2
4 Post Office Saving Bank Deposits	50.4	50.4	50.4	50.4	50.4
5 M_2 (3 + 4)	18,948.6	17,555.4	19,062.9	19,135.7	19,255.6
6 Time Deposits with Banks	64,546.7	58,447.2	65,661.6	66,113.2	66,737.2
7 M_3 (3 + 6)	83,444.9	75,952.3	84,674.1	85,198.5	85,942.4
8 Total Post Office Deposits	259.7	259.7	259.7	259.7	259.7
9 M_4 (7 + 8)	83,704.6	76,212.0	84,933.8	85,458.2	86,202.0

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		
		May 18	Apr. 19	May 17	May 31
	1	2	3	4	5
1 Net Bank Credit to Government	**26,996.4**	**24,835.0**	**27,654.0**	**28,227.9**	**28,347.1**
1.1 RBI's net credit to Government (1.1.1–1.1.2)	5,923.9	5,548.8	6,440.1	6,739.6	6,456.1
1.1.1 Claims on Government	6,590.3	5,550.2	6,448.3	6,741.1	6,457.6
1.1.1.1 Central Government	6,580.2	5,549.4	6,445.1	6,736.9	6,453.9
1.1.1.2 State Governments	10.2	0.8	3.2	4.2	3.7
1.1.2 Government deposits with RBI	666.5	1.4	8.3	1.4	1.4
1.1.2.1 Central Government	666.0	1.0	1.7	1.0	1.0
1.1.2.2 State Governments	0.4	0.4	6.6	0.4	0.4
1.2 Other Banks' Credit to Government	21,072.6	19,286.2	21,214.0	21,488.3	21,891.0
2 Bank Credit to Commercial Sector	**56,405.5**	**50,166.9**	**56,767.2**	**57,077.0**	**57,573.5**
2.1 RBI's credit to commercial sector	30.6	37.9	21.2	19.9	24.1
2.2 Other banks' credit to commercial sector	56,375.0	50,129.0	56,746.0	57,057.2	57,549.4
2.2.1 Bank credit by commercial banks	52,628.3	46,499.2	52,899.3	53,303.8	53,792.3
2.2.2 Bank credit by co-operative banks	3,703.0	3,567.3	3,797.0	3,711.3	3,715.6
2.2.3 Investments by commercial and co-operative banks in other securities	43.6	62.5	49.6	42.0	41.5
3 Net Foreign Exchange Assets of Banking Sector (3.1 + 3.2)	**15,991.4**	**16,206.3**	**16,042.8**	**16,115.3**	**16,360.4**
3.1 RBI's net foreign exchange assets (3.1.1–3.1.2)	15,580.6	15,490.4	15,631.9	15,704.5	15,949.5
3.1.1 Gross foreign assets	15,580.8	15,490.6	15,632.1	15,708.7	15,953.8
3.1.2 Foreign liabilities	0.2	0.2	0.2	4.2	4.2
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**	**137.1**	**151.3**	**151.3**	**151.3**
5 Banking Sector's Net Non-monetary Liabilities	**16,099.8**	**15,393.1**	**15,941.2**	**16,373.1**	**16,489.9**
5.1 Net non-monetary liabilities of RBI	6,943.5	6,757.3	6,889.9	7,005.3	7,350.7
5.2 Net non-monetary liabilities of other banks (residual)	9,156.3	8,635.8	9,051.3	9,367.8	9,139.2
M_3 (1+2+3+4–5)	**83,444.9**	**75,952.3**	**84,674.1**	**85,198.5**	**85,942.4**

No. 8: Monetary Survey

(₹ Billion)

Item	Outstanding as on March 31/last reporting Fridays of the month/reporting Fridays				
	2012-13	2012	2013		
		May 18	Apr. 19	May 17	May 31
	1	2	3	4	5
Monetary Aggregates					
M_1 (1.1 + 1.2.1+1.3)	18,813.0	17,386.1	18,926.9	19,000.8	19,119.3
NM_2 (M_1 + 1.2.2.1)	46,920.7	42,748.1	47,528.3	47,793.1	48,182.6
NM_3 (NM_2 + 1.2.2.2 + 1.4 = 2.1 + 2.2 + 2.3 – 2.4 – 2.5)	83,495.3	75,733.3	84,645.1	85,086.1	85,868.1
1 Components					
1.1 Currency with the Public	11,454.9	10,833.8	11,814.8	11,978.9	11,776.6
1.2 Aggregate Deposits of Residents	69,787.5	62,898.2	70,651.3	70,985.8	71,886.1
1.2.1 Demand Deposits	7,326.2	6,538.0	7,092.5	7,002.9	7,301.0
1.2.2 Time Deposits of Residents	62,461.3	56,360.2	63,558.7	63,982.9	64,585.1
1.2.2.1 Short-term Time Deposits	28,107.6	25,362.1	28,601.4	28,792.3	29,063.3
1.2.2.1.1 Certificates of Deposit (CDs)	3,831.4	4,374.1	3,774.3	3,543.2	3,562.4
1.2.2.2 Long-term Time Deposits	34,353.7	30,998.1	34,957.3	35,190.6	35,521.8
1.3 ‘Other’ Deposits with RBI	32.0	14.2	19.6	19.0	41.7
1.4 Call/Term Funding from Financial Institutions	2,220.9	1,987.1	2,159.5	2,102.5	2,163.8
2 Sources					
2.1 Domestic Credit	85,777.2	76,834.0	86,706.6	87,730.6	88,336.7
2.1.1 Net Bank Credit to the Government	26,584.5	24,407.2	27,245.7	27,813.6	27,922.0
2.1.1.1 Net RBI credit to the Government	5,923.9	5,548.8	6,440.1	6,739.6	6,456.1
2.1.1.2 Credit to the Government by the Banking System	20,660.6	18,858.4	20,805.7	21,073.9	21,465.9
2.1.2 Bank Credit to the Commercial Sector	59,192.8	52,426.8	59,460.8	59,917.0	60,414.7
2.1.2.1 RBI Credit to the Commercial Sector	30.6	37.9	21.2	19.9	24.1
2.1.2.2 Credit to the Commercial Sector by the Banking System	59,162.2	52,388.9	59,439.6	59,897.1	60,390.6
2.1.2.2.1 Other Investments (Non-SLR Securities)	3,674.6	3,200.1	3,726.2	3,774.6	3,761.8
2.2 Government’s Currency Liabilities to the Public	151.3	137.1	151.3	151.3	151.3
2.3 Net Foreign Exchange Assets of the Banking Sector	14,775.0	14,517.9	14,557.7	14,625.1	14,931.2
2.3.1 Net Foreign Exchange Assets of the RBI	15,580.6	15,490.4	15,631.9	15,704.5	15,949.5
2.3.2 Net Foreign Currency Assets of the Banking System	–805.6	–972.5	–1,074.2	–1,079.4	–1,018.3
2.4 Capital Account	12,869.4	12,571.1	13,106.4	13,296.6	13,822.0
2.5 Other items (net)	4,338.9	3,184.6	3,664.1	4,124.3	3,729.1

No. 9: Liquidity Aggregates

(₹ Billion)

Aggregates	2012-13	2012	2013		
		May	Mar.	Apr.	May
	1	2	3	4	5
1 NM_3	**83,495.3**	**75,733.3**	**83,495.3**	**84,645.1**	**85,868.1**
2 Postal Deposits	1,391.4	1,264.2	1,391.4	1,391.4	1,391.4
3 L_1 (1 + 2)	**84,886.7**	**76,997.6**	**84,886.7**	**86,036.6**	**87,259.6**
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**	**77,026.9**	**84,916.0**	**86,065.9**	**87,288.9**
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		
		May 18	Apr. 19	May 17	May 31
	1	2	3	4	5
1 Components					
1.1 Currency in Circulation	11,907.7	11,270.5	12,254.8	12,455.1	12,278.6
1.2 Bankers' Deposits with the RBI	3,206.7	3,247.2	3,275.1	3,336.9	3,074.3
1.2.1 Scheduled Commercial Banks	3,018.9	3,068.4	3,101.8	3,161.2	2,896.9
1.3 'Other' Deposits with the RBI	32.0	14.2	19.6	19.0	41.7
Reserve Money (1.1 + 1.2 + 1.3 = 2.1 + 2.2 + 2.3 – 2.4 – 2.5)	15,146.4	14,531.9	15,549.5	15,811.0	15,394.5
2 Sources					
2.1 RBI's Domestic Credit	6,358.0	5,661.6	6,656.1	6,960.6	6,644.4
2.1.1 Net RBI credit to the Government	5,923.9	5,548.8	6,440.1	6,739.6	6,456.1
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	5,548.4	6,443.5	6,735.9	6,452.9
2.1.1.1.1 Loans and Advances to the Central Government	–	5.7	–	–	–
2.1.1.1.2 Investments in Treasury Bills	–	–	–	–	–
2.1.1.1.3 Investments in dated Government Securities	6,578.3	5,541.2	6,444.4	6,735.9	6,451.8
2.1.1.1.3.1 Central Government Securities	6,567.8	5,530.7	6,433.9	6,725.4	6,441.3
2.1.1.1.4 Rupee Coins	1.9	2.5	0.8	1.0	2.1
2.1.1.1.5 Deposits of the Central Government	666.0	1.0	1.7	1.0	1.0
2.1.1.2 Net RBI credit to State Governments	9.7	0.3	–3.4	3.7	3.2
2.1.2 RBI's Claims on Banks	403.5	75.0	194.8	201.1	164.2
2.1.2.1 Loans and Advances to Scheduled Commercial Banks	403.4	74.6	193.0	199.2	162.4
2.1.3 RBI's Credit to Commercial Sector	30.6	37.9	21.2	19.9	24.1
2.1.3.1 Loans and Advances to Primary Dealers	17.4	11.9	8.0	6.7	10.9
2.1.3.2 Loans and Advances to NABARD	–	–	–	–	–
2.2 Government's Currency Liabilities to the Public	151.3	137.1	151.3	151.3	151.3
2.3 Net Foreign Exchange Assets of the RBI	15,580.6	15,490.4	15,631.9	15,704.5	15,949.5
2.3.1 Gold	1,397.4	1,398.0	1,397.4	1,299.9	1,290.0
2.3.2 Foreign Currency Assets	14,183.4	14,092.7	14,234.8	14,404.8	14,659.7
2.4 Capital Account	6,364.9	6,231.6	6,272.4	6,256.9	6,666.2
2.5 Other Items (net)	578.6	525.7	617.4	748.4	684.5

No. 11: Reserve Money - Components and Sources

(₹ Billion)

Item	Outstanding as on March 31/ last Fridays of the month/ Fridays						
	2012-13	2012	2013				
		Jun. 1	Apr. 26	May 10	May 17	May 24	May 31
	1	2	3	4	5	6	7
Reserve Money (1.1 + 1.2 + 1.3 = 2.1 + 2.2 + 2.3 + 2.4 + 2.5 – 2.6)	15,146.4	14,384.9	15,570.9	15,579.1	15,811.0	15,479.0	15,394.5
1 Components							
1.1 Currency in Circulation	11,907.7	11,198.5	12,258.0	12,435.6	12,455.1	12,372.4	12,278.6
1.2 Bankers' Deposits with RBI	3,206.7	3,171.4	3,293.5	3,124.2	3,336.9	3,087.1	3,074.3
1.3 'Other' Deposits with RBI	32.0	15.0	19.3	19.3	19.0	19.4	41.7
2 Sources							
2.1 Net Reserve Bank Credit to Government	5,923.9	5,389.6	6,334.2	6,485.3	6,739.6	6,320.4	6,456.1
2.2 Reserve Bank Credit to Banks	403.5	66.6	303.9	215.0	201.1	266.7	164.2
2.3 Reserve Bank Credit to Commercial Sector	30.6	56.0	18.0	19.9	19.9	20.6	24.1
2.4 Net Foreign Exchange Assets of RBI	15,580.6	15,634.0	15,789.2	15,705.9	15,704.5	15,898.9	15,949.5
2.5 Government's Currency Liabilities to the Public	151.3	137.1	151.3	151.3	151.3	151.3	151.3
2.6 Net Non- Monetary Liabilities of RBI	6,943.5	6,898.4	7,025.7	6,998.3	7,005.3	7,178.9	7,350.7

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		
		May 18	Apr. 19	May 17	May 31
	1	2	3	4	5
1 Components					
1.1 Aggregate Deposits of Residents	66,688.1	59,842.3	67,552.5	67,888.8	68,791.2
1.1.1 Demand Deposits	6,619.2	5,817.7	6,386.7	6,295.7	6,595.9
1.1.2 Time Deposits of Residents	60,068.9	54,024.6	61,165.8	61,593.0	62,195.3
1.1.2.1 Short-term Time Deposits	27,031.0	24,311.1	27,524.6	27,716.9	27,987.9
1.1.2.1.1 Certificates of Deposits (CDs)	3,831.4	4,374.1	3,774.3	3,543.2	3,562.4
1.1.2.2 Long-term Time Deposit	33,037.9	29,713.5	33,641.2	33,876.2	34,207.4
1.2 Call/Term Funding from Financial Institutions	2,220.9	1,987.1	2,159.5	2,102.5	2,163.8
2 Sources					
2.1 Domestic Credit	76,332.6	67,910.5	76,764.1	77,479.8	78,369.6
2.1.1 Credit to the Government	20,034.6	18,223.0	20,179.1	20,450.3	20,845.9
2.1.2 Credit to the Commercial Sector	56,298.0	49,687.5	56,585.0	57,029.5	57,523.7
2.1.2.1 Bank Credit	52,628.3	46,499.2	52,899.3	53,303.8	53,792.3
2.1.2.1.1 Non-food Credit	51,664.1	45,447.1	51,936.8	52,102.6	52,612.0
2.1.2.2 Net Credit to Primary Dealers	59.0	49.9	16.9	16.1	35.2
2.1.2.3 Investments in Other Approved Securities	25.8	27.9	32.2	24.6	24.0
2.1.2.4 Other Investments (in non-SLR Securities)	3,585.0	3,110.5	3,636.6	3,684.9	3,672.2
2.2 Net Foreign Currency Assets of Commercial Banks (2.2.1–2.2.2–2.2.3)	–805.6	–972.5	–1,074.2	–1,079.4	–1,018.3
2.2.1 Foreign Currency Assets	921.3	599.4	628.4	613.0	772.2
2.2.2 Non-resident Foreign Currency Repatriable Fixed Deposits	826.1	790.4	832.4	854.2	874.2
2.2.3 Overseas Foreign Currency Borrowings	900.8	781.5	870.3	838.2	916.3
2.3 Net Bank Reserves (2.3.1+2.3.2–2.3.3)	3,011.9	3,382.0	3,301.3	3,390.6	3,188.9
2.3.1 Balances with the RBI	2,822.7	3,068.4	3,101.8	3,161.2	2,896.9
2.3.2 Cash in Hand	405.1	388.1	392.4	428.6	454.4
2.3.3 Loans and Advances from the RBI	215.9	74.6	193.0	199.2	162.4
2.4 Capital Account	6,262.7	6,097.8	6,592.3	6,797.9	6,914.1
2.5 Other items (net) (2.1+2.2+2.3–2.4–1.1–1.2)	3,367.2	2,392.7	2,686.9	3,001.9	2,671.1
2.5.1 Other Demand and Time Liabilities (net of 2.2.3)	3,224.6	2,852.6	2,854.8	2,923.8	3,105.7
2.5.2 Net Inter-Bank Liabilities (other than to PDs)	–802.9	–602.6	–725.8	–730.6	–646.6

No. 13: Scheduled Commercial Banks' Investments

(₹ Billion)

Item	As on March 22, 2013	2012	2013		
		Jun. 1	Apr. 19	May 17	May 31
	1	2	3	4	5
1 SLR Securities	20,061.0	18,483.9	20,171.3	20,474.9	20,869.9
2 Commercial Paper	324.3	257.1	264.5	291.5	301.5
3 Shares issued by					
3.1 PSUs	86.8	76.1	89.5	85.6	84.3
3.2 Private Corporate Sector	338.0	308.9	328.3	334.0	333.8
3.3 Others	8.7	5.7	8.6	8.6	8.2
4 Bonds/Debentures issued by					
4.1 PSUs	460.5	414.7	434.0	447.7	422.3
4.2 Private Corporate Sector	1,026.2	807.6	1,009.9	989.4	1,010.4
4.3 Others	480.8	387.3	569.6	522.7	486.1
5 Instruments issued by					
5.1 Mutual funds	436.7	469.1	530.9	568.7	581.5
5.2 Financial institutions	489.5	395.7	464.0	436.8	444.1

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

(₹ Billion)

Item	As on the Last Reporting Friday (in case of March)/ Last Friday							
	All Scheduled Banks				All Scheduled Commercial Banks			
	2012-13	2012	2013		2012-13	2012	2013	
		May	Apr.	May		May	Apr.	May
	1	2	3	4	5	6	7	8
Number of Reporting Banks	218	237	218	218	151	169	151	151
1 Liabilities to the Banking System	1,368.2	1,177.3	1,248.2	1,400.8	1,331.0	1,140.1	1,209.1	1,361.9
1.1 Demand and Time Deposits from Banks	879.3	815.8	914.3	941.1	846.5	781.9	879.2	906.3
1.2 Borrowings from Banks	398.0	296.4	290.8	365.2	393.6	293.1	286.7	361.2
1.3 Other Demand and Time Liabilities	90.9	65.2	43.1	94.5	90.9	65.1	43.1	94.4
2 Liabilities to Others	75,818.5	68,578.3	76,618.9	77,873.2	73,837.5	66,773.0	74,584.1	75,851.1
2.1 Aggregate Deposits	69,420.0	62,588.6	70,215.7	71,610.9	67,504.5	60,859.8	68,271.6	69,665.3
2.1.1 Demand	6,783.3	6,042.9	6,614.1	6,757.0	6,623.0	5,888.5	6,456.8	6,595.9
2.1.2 Time	62,636.7	56,545.7	63,601.6	64,853.9	60,881.5	54,971.3	61,814.7	63,069.5
2.2 Borrowings	2,227.2	2,223.0	2,569.8	2,172.6	2,216.6	2,204.5	2,544.6	2,163.8
2.3 Other Demand and Time Liabilities	4,171.3	3,766.8	3,833.4	4,089.7	4,116.3	3,708.7	3,767.9	4,022.0
3 Borrowings from Reserve Bank	217.2	69.8	303.9	164.2	215.9	69.5	301.6	162.4
3.1 Against Usance Bills /Promissory Notes	–	–	–	–	–	–	–	–
3.2 Others	217.2	69.8	303.9	164.2	215.9	69.5	301.6	162.4
4 Cash in Hand and Balances with Reserve Bank	3,320.9	3,634.2	3,628.8	3,445.5	3,227.6	3,537.7	3,531.9	3,351.3
4.1 Cash in Hand	414.8	397.5	429.5	464.8	404.9	388.1	418.6	454.4
4.2 Balances with Reserve Bank	2,906.1	3,236.7	3,199.2	2,980.7	2,822.7	3,149.6	3,113.3	2,896.9
5 Assets with the Banking System	2,448.3	2,111.2	2,233.1	2,329.4	2,199.5	1,827.0	1,948.9	2,043.6
5.1 Balances with Other Banks	1,051.5	833.3	1,042.9	1,045.9	960.8	742.5	947.7	952.7
5.1.1 In Current Account	127.6	114.0	114.3	115.7	111.9	98.6	98.4	100.2
5.1.2 In Other Accounts	923.9	719.3	928.6	930.2	848.9	643.8	849.3	852.5
5.2 Money at Call and Short Notice	397.6	347.9	340.2	435.2	296.0	225.0	219.8	314.0
5.3 Advances to Banks	136.1	130.1	147.8	149.6	126.9	121.7	138.7	140.4
5.4 Other Assets	863.0	800.0	702.2	698.7	815.8	737.9	642.7	636.5
6 Investment	20,660.3	18,694.1	20,709.1	21,474.4	20,061.0	18,150.0	20,112.2	20,869.9
6.1 Government Securities	20,633.5	18,664.3	20,684.7	21,448.6	20,036.5	18,122.5	20,089.5	20,845.9
6.2 Other Approved Securities	26.7	29.9	24.5	25.8	24.5	27.6	22.7	24.0
7 Bank Credit	54,281.4	48,064.4	54,527.7	55,480.1	52,604.6	46,628.1	52,852.5	53,792.3
7a Food Credit	1,045.6	2,287.3	1,146.1	1,261.8	964.2	1,080.4	1,064.7	1,180.4
7.1 Loans, Cash-credits and Overdrafts	52,244.1	46,355.3	52,469.2	53,441.3	50,591.7	44,939.5	50,818.2	51,777.4
7.2 Inland Bills-Purchased	253.1	171.5	265.4	253.3	248.6	166.5	259.1	249.3
7.3 Inland Bills-Discounted	1,109.9	947.4	1,129.8	1,122.3	1,094.5	936.1	1,116.0	1,106.3
7.4 Foreign Bills-Purchased	216.6	200.2	210.7	212.0	214.9	199.2	209.7	211.1
7.5 Foreign Bills-Discounted	457.7	390.0	452.5	451.3	454.7	386.8	449.5	448.3

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
		May 18	Apr. 19	May 31	2013-14	2013
	1	2	3	4	5	6
1 Gross Bank Credit	**49,642**	**44,098**	**49,815**	**50,605**	**1.9**	**14.8**
1.1 Food Credit	**946**	**1,063**	**930**	**1,158**	**22.4**	**9.0**
1.2 Non-food Credit	**48,696**	**43,035**	**48,884**	**49,447**	**1.5**	**14.9**
1.2.1 Agriculture & Allied Activities	**5,899**	**5,424**	**6,011**	**6,034**	**2.3**	**11.2**
1.2.2 Industry	**22,302**	**19,560**	**22,390**	**22,593**	**1.3**	**15.5**
1.2.2.1 Micro & Small	2,843	2,376	2,943	2,865	0.7	20.6
1.2.2.2 Medium	1,247	1,239	1,248	1,335	7.1	7.8
1.2.2.3 Large	18,211	15,944	18,198	18,393	1.0	15.4
1.2.3 Services	**11,486**	**10,078**	**11,359**	**11,547**	**0.5**	**14.6**
1.2.3.1 Transport Operators	796	781	815	816	2.5	4.5
1.2.3.2 Computer Software	169	143	169	177	4.8	23.7
1.2.3.3 Tourism, Hotels & Restaurants	354	331	354	361	1.8	9.0
1.2.3.4 Shipping	82	76	83	87	5.8	14.7
1.2.3.5 Professional Services	564	478	596	597	5.7	24.8
1.2.3.6 Trade	2,760	2,290	2,784	2,836	2.8	23.9
1.2.3.6.1 Wholesale Trade	1,501	1,262	1,492	1,523	1.5	20.7
1.2.3.6.2 Retail Trade	1,259	1,028	1,292	1,313	4.4	27.8
1.2.3.7 Commercial Real Estate	1,261	1,159	1,274	1,320	4.7	14.0
1.2.3.8 Non-Banking Financial Companies (NBFCs)	2,570	2,428	2,570	2,497	–2.8	2.8
1.2.3.9 Other Services	2,930	2,392	2,714	2,856	–2.5	19.4
1.2.4 Personal Loans	**9,009**	**7,974**	**9,125**	**9,273**	**2.9**	**16.3**
1.2.4.1 Consumer Durables	84	73	86	89	5.9	22.0
1.2.4.2 Housing	4,600	4,099	4,701	4,799	4.3	17.1
1.2.4.3 Advances against Fixed Deposits	611	524	601	603	–1.4	15.1
1.2.4.4 Advances to Individuals against share & bonds	31	29	30	30	–2.9	3.7
1.2.4.5 Credit Card Outstanding	249	210	252	230	–7.5	9.6
1.2.4.6 Education	550	501	548	552	0.4	10.2
1.2.4.7 Vehicle Loans	1,111	914	1,142	1,167	5.1	27.6
1.2.4.8 Other Personal Loans	1,774	1,624	1,764	1,803	1.6	11.0
1.2A Priority Sector	**15,398**	**13,905**	**15,892**	**16,166**	**5.0**	**16.3**
1.2A.1 Agriculture & Allied Activities	5,899	5,424	6,011	6,034	2.3	11.2
1.2A.2 Micro & Small Enterprises	5,623	4,916	5,823	6,031	7.3	22.7
1.2A.2.1 Manufacturing	2,843	2,376	2,943	2,865	0.7	20.6
1.2A.2.2 Services	2,779	2,196	2,880	2,791	0.4	27.1
1.2A.3 Housing	2,672	2,544	2,792	2,834	6.0	11.4
1.2A.4 Micro-Credit	165	157	172	179	8.3	13.7
1.2A.5 Education Loans	526	479	546	531	0.9	10.8
1.2A.6 State-Sponsored Orgs. for SC/ST	1	1	1	1	0.8	25.0
1.2A.7 Weaker Sections	2,734	2,370	2,890	2,893	5.8	22.1
1.2A.8 Export Credit	422	369	425	451	6.8	22.1

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
		May 18	Apr. 19	May 31	2013-14	2013
	1	2	3	4	5	6
1 Industry	**22,302**	**19,560**	**22,390**	**22,593**	**1.3**	**15.5**
1.1 Mining & Quarrying (incl. Coal)	**346**	**329**	**327**	**316**	**–8.8**	**–3.9**
1.2 Food Processing	**1,174**	**932**	**1,230**	**1,244**	**6.0**	**33.5**
1.2.1 Sugar	330	316	343	345	4.6	9.1
1.2.2 Edible Oils & Vanaspati	171	129	175	178	4.4	38.1
1.2.3 Tea	26	21	26	26	0.7	21.0
1.2.4 Others	648	465	686	695	7.3	49.5
1.3 Beverage & Tobacco	**165**	**150**	**162**	**153**	**–7.1**	**2.5**
1.4 Textiles	**1,835**	**1,598**	**1,857**	**1,845**	**0.5**	**15.5**
1.4.1 Cotton Textiles	925	823	935	916	–0.9	11.3
1.4.2 Jute Textiles	22	18	23	23	4.3	27.8
1.4.3 Man-Made Textiles	189	158	191	190	0.4	20.5
1.4.4 Other Textiles	699	599	708	716	2.4	19.5
1.5 Leather & Leather Products	**87**	**79**	**87**	**89**	**2.6**	**12.5**
1.6 Wood & Wood Products	**77**	**63**	**79**	**79**	**3.4**	**25.5**
1.7 Paper & Paper Products	**283**	**254**	**294**	**297**	**5.1**	**17.0**
1.8 Petroleum, Coal Products & Nuclear Fuels	**643**	**543**	**534**	**523**	**–18.6**	**–3.5**
1.9 Chemicals & Chemical Products	**1,592**	**1,254**	**1,533**	**1,446**	**–9.2**	**15.2**
1.9.1 Fertiliser	269	144	273	275	2.1	91.0
1.9.2 Drugs & Pharmaceuticals	495	458	503	501	1.2	9.4
1.9.3 Petro Chemicals	441	332	371	289	–34.5	–12.8
1.9.4 Others	387	321	385	381	–1.6	18.6
1.10 Rubber, Plastic & their Products	**312**	**296**	**317**	**317**	**1.6**	**7.3**
1.11 Glass & Glassware	**74**	**65**	**74**	**72**	**–3.2**	**11.4**
1.12 Cement & Cement Products	**459**	**371**	**457**	**460**	**0.4**	**24.0**
1.13 Basic Metal & Metal Product	**3,141**	**2,645**	**3,149**	**3,176**	**1.1**	**20.1**
1.13.1 Iron & Steel	2,366	1,966	2,394	2,411	1.9	22.7
1.13.2 Other Metal & Metal Product	775	679	755	765	–1.3	12.7
1.14 All Engineering	**1,284**	**1,130**	**1,304**	**1,308**	**1.9**	**15.8**
1.14.1 Electronics	334	274	307	301	–10.1	9.6
1.14.2 Others	950	856	997	1,008	6.1	17.8
1.15 Vehicles, Vehicle Parts & Transport Equipment	**589**	**545**	**586**	**598**	**1.6**	**9.7**
1.16 Gems & Jewellery	**611**	**522**	**630**	**682**	**11.5**	**30.6**
1.17 Construction	**522**	**490**	**532**	**543**	**4.0**	**10.8**
1.18 Infrastructure	**7,297**	**6,380**	**7,595**	**7,722**	**5.8**	**21.0**
1.18.1 Power	4,158	3,329	4,353	4,416	6.2	32.6
1.18.2 Telecommunications	878	995	910	936	6.7	–5.9
1.18.3 Roads	1,313	1,127	1,343	1,389	5.8	23.3
1.18.4 Other Infrastructure	948	929	989	981	3.5	5.6
1.19 Other Industries	**1,810**	**1,915**	**1,646**	**1,721**	**–4.9**	**–10.1**

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			
		Feb. 24	Jan. 11	Jan. 25	Feb. 8	Feb. 22
	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	308.3	352.3	352.6	353.1	353.6
2 Demand and Time Liabilities						
2.1 Demand Liabilities	126.1	111.8	126.2	127.0	127.6	122.0
2.1.1 Deposits						
2.1.1.1 Inter-Bank	19.6	13.8	20.6	17.9	18.9	16.8
2.1.1.2 Others	66.4	66.0	72.6	70.4	70.5	70.1
2.1.2 Borrowings from Banks	12.3	9.3	12.3	19.0	17.0	14.6
2.1.3 Other Demand Liabilities	27.8	22.7	20.9	19.7	21.2	20.6
2.2 Time Liabilities	715.1	704.9	770.4	783.1	785.3	784.9
2.2.1 Deposits						
2.2.1.1 Inter-Bank	455.4	455.8	483.2	486.8	490.1	492.0
2.2.1.2 Others	248.9	242.2	279.8	282.2	282.5	283.6
2.2.2 Borrowings from Banks	3.6	0.5	–	6.7	5.5	2.1
2.2.3 Other Time Liabilities	7.2	6.4	7.4	7.3	7.1	7.3
3 Borrowing from Reserve Bank	–	–	–	–	–	–
4 Borrowings from a notified bank / State Government	275.9	248.6	306.4	306.6	306.4	299.3
4.1 Demand	106.9	103.1	126.5	126.7	129.1	122.3
4.2 Time	169.0	145.4	179.9	180.0	177.3	177.0
5 Cash in Hand and Balances with Reserve Bank	37.1	39.1	32.3	33.8	32.5	30.9
5.1 Cash in Hand	1.9	1.9	2.0	1.9	2.0	2.0
5.2 Balance with Reserve Bank	35.2	37.2	30.3	31.8	30.6	29.0
6 Balances with Other Banks in Current Account	6.5	5.8	24.2	5.4	5.8	6.0
7 Investments in Government Securities	251.8	250.8	267.8	269.5	269.1	268.4
8 Money at Call and Short Notice	159.1	156.1	132.6	147.6	137.5	131.3
9 Bank Credit (10.1+11)	310.3	297.2	340.7	343.7	354.7	355.6
10 Advances						
10.1 Loans, Cash-Credits and Overdrafts	310.1	297.0	340.5	343.6	354.6	355.5
10.2 Due from Banks	461.6	453.1	565.1	567.1	574.7	572.9
11 Bills Purchased and Discounted	0.1	0.2	0.2	0.1	0.1	0.1

Price and Production

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

Group/Sub group	2012-13			Rural			Urban			Combined		
	Rural	Urban	Combined	May 12	Apr. 13	May 13	May 12	Apr. 13	May 13	May 12	Apr. 13	May 13
	1	2	3	4	5	6	7	8	9	10	11	12
1 Food, beverages and tobacco	**125.0**	**124.3**	**124.8**	**118.6**	**129.5**	**130.8**	**118.6**	**130.2**	**132.3**	**118.6**	**129.7**	**131.3**
1.1 Cereals and products	117.8	115.2	117.1	110.6	125.9	126.9	105.4	126.8	127.8	109.3	126.1	127.1
1.2 Pulses and products	112.1	113.6	112.6	105.9	115.1	115.7	103.9	114.3	114.8	105.3	114.9	115.4
1.3 Oils and fats	138.5	145.6	140.8	131.4	141.8	141.4	142.2	145.3	144.1	134.9	142.9	142.3
1.4 Egg, fish and meat	128.8	128.8	128.8	122.2	135.8	136.2	122.1	139.5	140.0	122.2	137.1	137.5
1.5 Milk and products	132.6	128.0	130.9	128.9	136.9	138.8	125.1	131.6	132.6	127.5	134.9	136.5
1.6 Condiments and spices	126.1	121.9	124.9	122.0	128.4	129.8	119.4	125.8	127.4	121.2	127.6	129.1
1.7 Vegetables	129.8	121.7	127.2	120.8	125.9	130.0	117.1	121.7	134.1	119.6	124.6	131.3
1.8 Fruits	137.4	135.9	136.7	134.5	144.8	144.0	139.0	144.0	145.3	136.4	144.5	144.6
1.9 Sugar etc	108.9	109.3	109.0	100.2	110.1	109.7	99.2	107.9	107.6	99.9	109.5	109.1
1.10 Non-alcoholic beverages	124.5	124.2	124.4	120.0	129.4	130.7	118.7	132.5	133.6	119.4	130.7	131.9
1.11 Prepared meals etc	124.1	125.2	124.6	119.5	128.8	130.2	119.5	132.9	133.6	119.5	130.8	131.8
1.12 Pan, tobacco and intoxicants	132.2	133.4	132.6	127.4	137.1	138.6	128.8	141.1	143.2	127.8	138.2	139.9
2 Fuel and light	**127.4**	**124.8**	**126.4**	**122.5**	**131.3**	**132.6**	**120.3**	**130.1**	**131.2**	**121.7**	**130.8**	**132.1**
3 Housing	**--**	**121.0**	**121.0**	**--**	**--**	**--**	**116.2**	**127.5**	**128.6**	**116.2**	**127.5**	**128.6**
4 Clothing, bedding and footwear	**131.6**	**132.5**	**131.9**	**126.0**	**137.7**	**138.3**	**127.5**	**139.0**	**139.8**	**126.5**	**138.2**	**138.8**
4.1 Clothing and bedding	132.1	133.8	132.7	126.4	138.3	138.9	128.7	140.5	141.4	127.2	139.1	139.8
4.2 Footwear	128.5	125.0	127.2	123.7	134.1	134.9	120.8	129.8	130.4	122.7	132.5	133.3
5 Miscellaneous	**120.7**	**116.8**	**118.9**	**117.5**	**123.8**	**124.3**	**113.5**	**121.1**	**120.9**	**115.7**	**122.6**	**122.7**
5.1 Medical care	116.6	115.2	116.2	113.7	119.8	120.6	112.0	119.7	120.3	113.1	119.8	120.5
5.2 Education, stationery etc	117.2	116.5	116.8	114.4	120.1	121.0	112.7	121.3	122.2	113.5	120.8	121.7
5.3 Recreation and amusement	114.4	106.6	109.7	112.2	117.2	117.8	104.7	109.8	110.4	107.7	112.7	113.3
5.4 Transport and communication	122.0	117.4	119.4	118.8	126.2	126.0	114.4	121.4	119.9	116.3	123.5	122.6
5.5 Personal care and effects	117.9	115.0	116.7	114.8	121.6	122.5	111.8	118.6	119.2	113.6	120.4	121.2
5.6 Household requisites	127.9	119.8	124.6	123.9	128.4	128.8	115.7	123.5	123.5	120.6	126.4	126.7
5.7 Others	131.5	132.6	131.9	126.3	137.2	139.1	126.3	142.0	143.1	126.3	139.1	140.7
General Index (All Groups)	**124.5**	**121.8**	**123.3**	**119.1**	**128.7**	**129.8**	**117.1**	**127.4**	**128.4**	**118.2**	**128.1**	**129.2**

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

No. 19: Other Consumer Price Indices

Item	Base Year	Linking Factor	2012-13	2012	2013	
				May	Apr.	May
	1	2	3	4	5	6
1 Consumer Price Index for Industrial Workers	2001	4.63	215	206	226	228
2 Consumer Price Index for Agricultural Labourers	1986-87	5.89	672	638	711	719
3 Consumer Price Index for Rural Labourers	1986-87	–	673	640	711	720

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	
		May	Apr.	May
	1	2	3	4
1 Standard Gold (₹ per 10 grams)	30,164	28,831	27,743	26,769
2 Silver (₹ per kilogram)	57,602	54,536	48,845	45,037

Source: Bombay Bullion Association Ltd.

No. 21: Wholesale Price Index

(Base: 2004-05 = 100)

Commodities	Weight	2012-13	2012	2013		
			May	Mar.	Apr. (P)	May (P)
	1	2	3	4	5	6
1 ALL COMMODITIES	**100.000**	**167.6**	**163.9**	**170.1**	**171.5**	**171.6**
1.1 PRIMARY ARTICLES	**20.118**	**220.0**	**215.0**	**223.1**	**228.0**	**229.3**
1.1.1 Food articles	**14.337**	**211.8**	**206.1**	**214.1**	**219.8**	**223.1**
1.1.1.1 Food Grains	4.090	207.1	190.4	216.1	216.5	216.9
1.1.1.1.1 Cereals	3.373	199.9	184.3	212.5	213.1	213.8
1.1.1.1.2 Pulses	0.717	241.3	218.6	233.1	232.7	231.6
1.1.1.2 Fruits & Vegetables	3.843	198.4	208.5	186.6	206.4	214.4
1.1.1.2.1 Vegetables	1.736	210.1	224.7	186.8	216.1	235.6
1.1.1.2.2 Fruits	2.107	188.8	195.1	186.4	198.4	197.0
1.1.1.3 Milk	3.238	208.1	204.1	210.2	211.1	213.2
1.1.1.4 Eggs, Meat & Fish	2.414	244.5	231.1	255.6	253.8	257.0
1.1.1.5 Condiments & Spices	0.569	209.5	198.9	222.3	229.8	232.0
1.1.1.6 Other Food Articles	0.183	242.2	239.2	243.1	251.6	241.8
1.1.2 Non-Food Articles	**4.258**	**201.9**	**198.8**	**207.6**	**209.7**	**208.5**
1.1.2.1 Fibres	0.877	208.3	202.1	219.2	219.1	219.1
1.1.2.2 Oil Seeds	1.781	198.0	183.8	205.1	210.1	207.6
1.1.2.3 Other Non-Food Articles	1.386	211.1	226.6	212.1	210.2	209.3
1.1.2.4 Flowers	0.213	148.5	129.5	151.9	164.3	167.5
1.1.3 Minerals	**1.524**	**346.9**	**344.4**	**351.8**	**355.0**	**346.5**
1.1.3.1 Metallic Minerals	0.489	439.0	434.3	447.1	447.6	446.8
1.1.3.2 Other Minerals	0.135	204.7	183.7	217.1	217.6	217.0
1.1.3.3 Crude Petroleum	0.900	318.2	319.6	320.3	325.3	311.4
1.2 FUEL & POWER	**14.910**	**186.5**	**178.9**	**191.6**	**194.6**	**192.0**
1.2.1 Coal	2.094	208.6	210.3	189.7	210.4	189.7
1.2.2 Mineral Oils	9.364	202.5	194.6	213.9	214.0	208.1
1.2.3 Electricity	3.452	129.8	117.0	132.4	132.4	149.6
1.3 MANUFACTURED PRODUCTS	**64.972**	**147.1**	**144.6**	**148.7**	**148.7**	**149.1**
1.3.1 Food Products	**9.974**	**163.5**	**156.9**	**165.6**	**165.8**	**167.1**
1.3.1.1 Dairy Products	0.568	176.1	175.3	176.1	176.3	176.5
1.3.1.2 Canning, Preserving & Processing of Food	0.358	144.0	144.1	147.2	146.6	152.0
1.3.1.3 Grain Mill Products	1.340	156.0	145.4	166.4	165.5	165.5
1.3.1.4 Bakery Products	0.444	130.0	128.1	132.4	133.6	136.5
1.3.1.5 Sugar, Khandsari & Gur	2.089	185.7	172.8	184.2	184.9	185.1
1.3.1.6 Edible Oils	3.043	148.1	145.8	146.7	145.2	146.9
1.3.1.7 Oil Cakes	0.494	210.8	190.0	216.5	225.0	230.1
1.3.1.8 Tea & Coffee Proccessing	0.711	163.3	158.6	169.1	169.3	171.6
1.3.1.9 Manufacture of Salt	0.048	182.2	181.8	185.4	185.4	185.4
1.3.1.10 Other Food Products	0.879	164.6	161.7	171.1	171.8	172.7
1.3.2 Beverages, Tobacco & Tobacco Products	**1.762**	**175.3**	**170.7**	**181.6**	**181.2**	**181.9**
1.3.2.1 Wine Industries	0.385	124.8	123.6	126.6	125.8	125.8
1.3.2.2 Malt Liquor	0.153	171.5	171.8	170.4	170.1	170.9
1.3.2.3 Soft Drinks & Carbonated Water	0.241	152.8	151.0	157.7	157.6	159.4
1.3.2.4 Manufacture of Bidi, Cigarettes, Tobacco & Zarda	0.983	201.3	193.8	210.8	210.5	211.2
1.3.3 Textiles	**7.326**	**131.4**	**129.9**	**133.4**	**133.6**	**135.0**
1.3.3.1 Cotton Textiles	2.605	146.2	144.2	150.1	150.7	152.2
1.3.3.1.1 Cotton Yarn	1.377	157.2	154.4	164.1	164.8	166.3
1.3.3.1.2 Cotton Fabric	1.228	133.9	132.8	134.3	134.8	136.3
1.3.3.2 Man-Made Textiles	2.206	124.1	121.2	127.5	127.1	126.7
1.3.3.2.1 Man-Made Fibre	1.672	124.0	120.8	127.7	127.2	126.8
1.3.3.2.2 Man-Made Fabric	0.533	124.3	122.3	126.8	126.7	126.3
1.3.3.3 Woollen Textiles	0.294	142.6	136.7	149.8	150.0	150.6
1.3.3.4 Jute, Hemp & Mesta Textiles	0.261	177.8	174.5	181.5	180.9	182.6
1.3.3.5 Other Misc. Textiles	1.960	111.9	113.8	109.0	109.2	112.6
1.3.4 Wood & Wood Products	**0.587**	**171.0**	**166.5**	**174.1**	**174.0**	**174.3**
1.3.4.1 Timber/Wooden Planks	0.181	140.5	138.7	141.8	141.8	141.8
1.3.4.2 Processed Wood	0.128	178.9	175.2	179.9	179.9	182.7
1.3.4.3 Plywood & Fibre Board	0.241	193.6	187.0	198.9	198.7	198.5
1.3.4.4 Others	0.038	146.1	140.1	151.8	151.7	147.7

No. 21: Wholesale Price Index (Concld.)

(Base: 2004-05 = 100)

Commodities	Weight	2012-13	2012	2013		
			May	Mar.	Apr. (P)	May (P)
	1	2	3	4	5	6
1.3.5 Paper & Paper Products	**2.034**	**136.6**	**134.2**	**140.2**	**140.0**	**140.7**
1.3.5.1 Paper & Pulp	1.019	135.8	134.3	138.5	138.5	139.1
1.3.5.2 Manufacture of boards	0.550	128.2	126.2	130.7	130.2	130.9
1.3.5.3 Printing & Publishing	0.465	148.2	143.5	154.7	155.1	155.6
1.3.6 Leather & Leather Products	**0.835**	**134.2**	**132.8**	**134.7**	**135.1**	**136.1**
1.3.6.1 Leathers	0.223	112.2	111.3	112.7	112.8	112.1
1.3.6.2 Leather Footwear	0.409	149.8	148.2	148.8	150.0	151.6
1.3.6.3 Other Leather Products	0.203	126.9	125.5	130.3	129.8	131.3
1.3.7 Rubber & Plastic Products	**2.987**	**137.5**	**135.8**	**139.5**	**139.5**	**139.7**
1.3.7.1 Tyres & Tubes	0.541	163.1	162.9	162.4	162.8	162.8
1.3.7.1.1 Tyres	0.488	162.9	162.7	162.2	162.6	162.5
1.3.7.1.2 Tubes	0.053	165.1	164.9	165.1	165.1	165.1
1.3.7.2 Plastic Products	1.861	127.0	124.8	130.1	130.1	130.4
1.3.7.3 Rubber Products	0.584	147.4	145.7	148.2	148.0	147.9
1.3.8 Chemicals & Chemical Products	**12.018**	**143.6**	**141.4**	**145.9**	**145.8**	**146.1**
1.3.8.1 Basic Inorganic Chemicals	1.187	147.8	144.2	148.9	148.9	148.8
1.3.8.2 Basic Organic Chemicals	1.952	140.3	140.2	143.0	142.3	141.6
1.3.8.3 Fertilisers & Pesticides	3.145	144.7	138.8	147.7	147.6	147.8
1.3.8.3.1 Fertilisers	2.661	149.0	142.4	152.3	152.5	152.5
1.3.8.3.2 Pesticides	0.483	121.2	118.7	122.5	120.5	122.3
1.3.8.4 Paints, Varnishes & Lacquers	0.529	143.6	141.3	144.4	144.5	144.5
1.3.8.5 Dyestuffs & Indigo	0.563	126.9	125.8	128.1	128.0	127.9
1.3.8.6 Drugs & Medicines	0.456	124.2	122.9	125.4	125.5	125.8
1.3.8.7 Perfumes, Cosmetics, Toiletries etc.	1.130	151.9	150.3	153.3	152.6	154.6
1.3.8.8 Turpentine, Plastic Chemicals	0.586	140.0	140.1	144.3	145.3	145.6
1.3.8.9 Polymers including Synthetic Rubber	0.970	135.3	137.9	136.9	138.1	138.9
1.3.8.10 Petrochemical Intermediates	0.869	164.2	163.2	167.0	166.3	166.0
1.3.8.11 Matches, Explosives & other Chemicals	0.629	142.6	140.9	144.8	145.6	146.3
1.3.9 Non-Metallic Mineral Products	**2.556**	**163.3**	**159.9**	**166.8**	**166.6**	**164.8**
1.3.9.1 Structural Clay Products	0.658	164.7	162.1	167.6	167.6	165.9
1.3.9.2 Glass, Earthenware, Chinaware & their Products	0.256	130.8	129.2	131.7	131.1	131.2
1.3.9.3 Cement & Lime	1.386	168.6	164.9	172.3	171.8	169.8
1.3.9.4 Cement, Slate & Graphite Products	0.256	163.2	157.8	170.5	171.0	168.3
1.3.10 Basic Metals, Alloys & Metal Products	**10.748**	**166.1**	**166.3**	**164.8**	**164.3**	**163.8**
1.3.10.1 Ferrous Metals	8.064	156.3	157.9	154.7	154.8	154.6
1.3.10.1.1 Iron & Semis	1.563	161.6	167.3	154.8	155.5	155.1
1.3.10.1.2 Steel: Long	1.630	169.7	171.9	166.9	166.3	166.4
1.3.10.1.3 Steel: Flat	2.611	154.2	154.7	153.5	153.8	153.6
1.3.10.1.4 Steel: Pipes & Tubes	0.314	128.0	129.8	127.4	128.4	128.2
1.3.10.1.5 Stainless Steel & alloys	0.938	156.8	155.7	158.7	158.4	157.9
1.3.10.1.6 Castings & Forgings	0.871	138.9	138.0	141.3	140.8	141.1
1.3.10.1.7 Ferro alloys	0.137	151.7	152.1	153.1	153.3	153.8
1.3.10.2 Non-Ferrous Metals	1.004	160.9	159.6	161.5	161.9	161.0
1.3.10.2.1 Aluminium	0.489	134.1	131.8	134.7	135.9	133.5
1.3.10.2.2 Other Non-Ferrous Metals	0.515	186.4	186.0	186.9	186.7	187.2
1.3.10.3 Metal Products	1.680	216.0	210.2	215.3	211.9	209.3
1.3.11 Machinery & Machine Tools	**8.931**	**128.4**	**127.0**	**129.4**	**129.6**	**130.1**
1.3.11.1 Agricultural Machinery & Implements	0.139	137.0	136.3	137.6	137.4	137.7
1.3.11.2 Industrial Machinery	1.838	146.2	144.8	147.6	147.4	149.1
1.3.11.3 Construction Machinery	0.045	135.7	134.4	136.7	136.9	136.9
1.3.11.4 Machine Tools	0.367	154.4	150.2	157.9	157.8	158.3
1.3.11.5 Air Conditioner & Refrigerators	0.429	112.5	110.2	113.7	113.9	114.2
1.3.11.6 Non-Electrical Machinery	1.026	122.9	122.6	123.1	123.9	123.3
1.3.11.7 Electrical Machinery, Equipment & Batteries	2.343	133.0	131.2	134.1	134.2	135.2
1.3.11.8 Electrical Accessories, Wires, Cables etc.	1.063	143.4	141.2	144.9	145.3	145.7
1.3.11.9 Electrical Apparatus & Appliances	0.337	117.4	117.1	117.2	117.2	117.4
1.3.11.10 Electronics Items	0.961	86.7	86.0	87.3	87.2	86.8
1.3.11.11 IT Hardware	0.267	89.2	89.2	89.2	89.2	88.5
1.3.11.12 Communication Equipments	0.118	94.1	95.1	93.7	93.7	96.3
1.3.12 Transport, Equipment & Parts	**5.213**	**129.8**	**127.3**	**132.2**	**132.4**	**132.1**
1.3.12.1 Automotives	4.231	129.0	126.3	131.7	131.9	131.6
1.3.12.2 Auto Parts	0.804	130.2	128.5	131.3	131.2	131.7
1.3.12.3 Other Transport Equipments	0.178	147.3	144.9	149.7	149.8	147.8

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-April		April	
				2012-13	2013-14	2012	2013
	1	2	3	4	5	6	7
General Index	**100.00**	**170.3**	**172.2**	**164.1**	**167.8**	**164.1**	**167.8**
1 Sectoral Classification							
1.1 Mining and Quarrying	14.16	128.5	125.4	124.8	121.0	124.8	121.0
1.2 Manufacturing	75.53	181.0	183.2	173.0	177.8	173.0	177.8
1.3 Electricity	10.32	149.3	155.2	152.7	159.1	152.7	159.1
2 Use-Based Classification							
2.1 Basic Goods	45.68	150.0	153.6	148.0	151.1	148.0	151.1
2.2 Capital Goods	8.83	267.8	251.4	207.9	210.0	207.9	210.0
2.3 Intermediate Goods	15.69	144.4	146.7	141.8	145.2	141.8	145.2
2.4 Consumer Goods	29.81	186.1	190.6	187.5	192.7	187.5	192.7
2.4.1 Consumer Durables	8.46	295.1	301.2	306.2	280.9	306.2	280.9
2.4.2 Consumer Non-Durables	21.35	142.9	146.7	140.5	157.8	140.5	157.8

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–May			
	2013-14 (Budget Estimates)	2012-13 (Actuals)	2013-14 (Actuals)	Percentage to Budget Estimates	
				2012-13	2013-14
	1	2	3	4	5
1 Revenue Receipts	10,563.3	479.0	360.3	5.1	3.4
1.1 Tax Revenue (Net)	8,840.8	409.3	277.8	5.3	3.1
1.2 Non-Tax Revenue	1,722.5	69.7	82.5	4.2	4.8
2 Capital Receipts	6,089.7	1,430.0	1,813.3	25.8	29.8
2.1 Recovery of Loans	106.5	0.8	6.0	0.7	5.7
2.2 Other Receipts	558.1	13.3	0.3	4.4	0.1
2.3 Borrowings and Other Liabilities	5,425.0	1,415.9	1,806.9	27.6	33.3
3 Total Receipts (1+2)	16,653.0	1,909.0	2,173.6	12.8	13.1
4 Non-Plan Expenditure	11,099.8	1,461.4	1,490.5	15.1	13.4
4.1 On Revenue Account	9,929.1	1,290.3	1,268.0	14.9	12.8
4.1.1 Interest Payments	3,706.8	447.2	354.3	14.0	9.6
4.2 On Capital Account	1,170.7	171.1	222.4	16.4	19.0
5 Plan Expenditure	5,553.2	447.5	683.1	8.6	12.3
5.1 On Revenue Account	4,432.6	373.8	541.0	8.9	12.2
5.2 On Capital Account	1,120.6	73.8	142.1	7.3	12.7
6 Total Expenditure (4+5)	16,653.0	1,909.0	2,173.6	12.8	13.1
7 Revenue Expenditure (4.1+5.1)	14,361.7	1,664.1	1,809.0	12.9	12.6
8 Capital Expenditure (4.2+5.2)	2,291.3	244.8	364.6	12.0	15.9
9 Revenue Deficit (7-1)	3,798.4	1,185.2	1,448.7	33.8	38.1
10 Fiscal Deficit {6-(1+2.1+2.2)}	5,425.0	1,415.9	1,806.9	27.6	33.3
11 Gross Primary Deficit [10-4.1.1]	1,718.1	968.7	1,452.6	50.0	84.5

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

No. 24: Treasury Bills – Ownership Pattern

(₹ Billion)

Item	2012-13	2012	2013					
		Jun. 1	Apr. 26	May 3	May 10	May 17	May 24	May 31
	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	863.4	1,004.4	1,139.6	889.0	809.5	938.7	802.4
1.4 Others	3.7	14.7	13.0	7.0	5.9	7.9	9.6	9.3
2 91-day								
2.1 Banks	345.6	512.6	400.2	401.6	435.7	425.4	426.2	413.0
2.2 Primary Dealers	248.9	393.0	234.7	225.7	211.0	215.2	246.0	267.3
2.3 State Governments	282.0	392.9	337.0	300.0	394.4	394.6	382.3	465.5
2.4 Others	174.4	265.8	128.6	141.7	122.5	129.0	97.6	101.6
3 182-day								
3.1 Banks	234.9	136.4	217.5	207.1	240.9	229.2	201.7	194.9
3.2 Primary Dealers	207.9	298.5	283.4	270.2	252.1	273.5	299.5	309.5
3.3 State Governments	–	–	–	–	–	–	–	–
3.4 Others	199.2	125.1	138.8	162.5	146.2	139.2	140.8	137.6
4 364-day								
4.1 Banks	335.7	196.7	367.6	337.8	370.1	332.8	360.8	328.3
4.2 Primary Dealers	447.9	535.8	511.0	520.4	453.9	488.3	502.4	576.0
4.3 State Governments	3.8	4.2	3.8	3.8	3.8	3.8	3.8	6.6
4.4 Others	517.4	277.1	419.6	440.6	474.3	480.1	437.9	393.9
5 Total	4,423.5	4,016.2	4,059.6	4,157.9	3,999.7	3,928.5	4,047.2	4,006.0

No. 25: Auctions of Treasury Bills

(Amount in ₹ Billion)

Date of Auction	Notified Amount	Bids Received			Bids Accepted			Total Issue (6+7)	Cut-off Price	Implicit Yield at Cut-off Price (per cent)
		Number	Total Face Value		Number	Total Face Value				
			Competitive	Non-Competitive		Competitive	Non-Competitive			
	1	2	3	4	5	6	7	8	9	10
91-day Treasury Bills										
2013-14										
Apr. 30	50	73	269.07	18.61	33	50.00	18.61	68.61	98.15	7.5602
May 8	50	76	256.48	155.18	45	50.00	155.18	205.18	98.17	7.4769
May 15	50	69	190.67	5.31	46	50.00	5.31	55.31	98.21	7.3105
May 22	50	61	188.53	0.13	39	50.00	0.13	50.13	98.22	7.2689
May 29	70	63	175.90	109.72	41	70.00	109.72	179.72	98.21	7.3105
182-day Treasury Bills										
2013-14										
Apr. 23	50	54	138.46	–	26	50.00	–	50.00	96.33	7.6406
May 8	50	58	196.85	0.02	26	50.00	0.02	50.02	96.40	7.4894
May 22	50	39	110.36	0.02	24	50.00	0.02	50.02	96.49	7.2954
364-day Treasury Bills										
2013-14										
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
May 15	50	58	157.51	0.01	5	50.00	0.01	50.01	93.29	7.2124
May 29	50	56	118.06	–	35	50.00	–	50.00	93.22	7.2931

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
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
May 16, 2013	6.25-7.35	7.27
May 17, 2013	6.00-7.40	7.26
May 18, 2013	6.40-7.35	6.98
May 20, 2013	6.00-7.40	7.29
May 21, 2013	6.25-7.35	7.27
May 22, 2013	6.25-7.35	7.27
May 23, 2013	6.25-7.35	7.27
May 24, 2013	6.25-7.50	7.28
May 27, 2013	6.25-7.50	7.28
May 28, 2013	6.25-7.40	7.27
May 29, 2013	6.25-7.55	7.26
May 30, 2013	6.25-7.35	7.17
May 31, 2013	6.25-7.35	7.15
June 1, 2013	6.40-7.30	7.06
June 3, 2013	6.25-7.55	7.28
June 4, 2013	6.25-7.35	7.26
June 5, 2013	6.25-7.35	7.25
June 6, 2013	6.25-7.35	7.27
June 7, 2013	6.25-7.70	7.31
June 8, 2013	6.50-7.40	7.20
June 10, 2013	6.25-7.55	7.28
June 11, 2013	6.25-7.55	7.26
June 12, 2013	6.25-7.35	7.26
June 13, 2013	6.24-7.35	7.25
June 14, 2013	6.15-7.40	7.19
June 15, 2013	6.50-7.35	7.24

No. 27: Certificates of Deposit

Item	2012	2013			
	May 18	Apr. 19	May 3	May 17	May 31
	1	2	3	4	5
1 Amount Outstanding (₹ Billion)	4,394.1	3,860.4	3,797.6	3,729.9	3,609.4
1.1 Issued during the fortnight (₹ Billion)	128.4	86.6	105.9	109.4	147.9
2 Rate of Interest (per cent)	8.95-10.00	7.95-9.26	8.05-9.90	7.94-8.42	7.93-9.95

No. 28: Commercial Paper

Item	2012	2013			
	May 31	Apr. 15	Apr. 30	May 15	May 31
	1	2	3	4	5
1 Amount Outstanding (₹ Billion)	1,498.0	1,503.6	1,574.9	1,755.8	1,732.5
1.1 Reported during the fortnight (₹ Billion)	214.9	509.8	277.2	294.8	274.8
2 Rate of Interest (per cent)	7.90-15.00	7.80-13.25	7.85-13.30	7.70-12.77	7.70-13.30

No. 29: Average Daily Turnover in Select Financial Markets

(₹ Billion)

Item	2012-13	2012	2013					
		Jun. 1	Apr. 26	May 3	May 10	May 17	May 24	May 31
	1	2	3	4	5	6	7	8
1 Call Money	250.1	192.1	225.7	248.4	269.5	183.0	292.7	273.6
2 Notice Money	73.2	68.6	76.5	99.3	54.2	70.6	2.7	108.6
3 Term Money	9.4	5.4	14.9	7.8	13.5	5.7	10.5	10.8
4 CBLO	832.7	727.8	1,136.5	881.0	904.1	933.2	1,101.5	1,027.3
5 Market Repo	747.8	741.1	1,060.6	1,314.2	1,085.1	1,239.4	917.8	1,390.6
6 Repo in Corporate Bond	0.1	0.3	–	–	–	–	–	–
7 Forex (US $ million)	51,021	52,790	60,755	62,359	49,123	51,089	50,298	59,475
8 Govt. of India Dated Securities	491.3	343.0	1,304.4	1,273.4	1,465.1	2,205.4	1,659.3	1,525.8
9 State Govt. Securities	10.0	6.2	16.7	17.2	18.5	17.4	17.4	9.6
10 Treasury Bills								
10.1 91-Day	20.7	24.9	15.7	18.6	19.1	8.0	11.6	14.2
10.2 182-Day	9.3	7.5	9.3	9.7	17.6	5.4	4.9	4.8
10.3 364-Day	17.2	12.5	35.7	29.2	20.8	17.7	10.3	18.0
10.4 Cash Management Bills	–	–	–	–	–	–	–	–
11 Total Govt. Securities (8+9+10)	548.5	394.0	1,381.8	1,348.0	1,541.1	2,253.8	1,703.6	1,572.4
11.1 RBI	7.3	–	1.2	0.2	19.5	1.5	0.3	0.9

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

(Amount in ₹ Billion)

Security & Type of Issue	2012-13		2012-13 (Apr.-May)		2013-14 (Apr.-May)		May 2012		May 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	5	4.5	3	9.3	4	2.5	3	9.3
1A Premium	44	120.9	5	3.9	2	9.0	4	2.1	2	9.0
1.1 Prospectus	32	49.4	3	3.9	3	9.3	2	1.9	3	9.3
1.1.1 Premium	30	46.0	3	3.6	2	9.0	2	1.7	2	9.0
1.2 Rights	16	89.4	2	0.6	–	–	2	0.6	–	–
1.2.1 Premium	14	74.9	2	0.3	–	–	2	0.3	–	–
2 Preference Shares	–	–	–	–	–	–	–	–	–	–
2.1 Prospectus	–	–	–	–	–	–	–	–	–	–
2.2 Rights	–	–	–	–	–	–	–	–	–	–
3 Debentures	6	22.2	–	–	1	1.3	–	–	–	–
3.1 Prospectus	6	22.2	–	–	1	1.3	–	–	–	–
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	–	–	1	1.3	–	–	–	–
3.2.2.1 Prospectus	6	22.2	–	–	1	1.3	–	–	–	–
3.2.2.2 Rights	–	–	–	–	–	–	–	–	–	–
4 Bonds	–	–	–	–	–	–	–	–	–	–
4.1 Prospectus	–	–	–	–	–	–	–	–	–	–
4.2 Rights	–	–	–	–	–	–	–	–	–	–
5 Total (1+2+3+4)	54	161.0	5	4.5	4	10.6	4	2.5	3	9.3
5.1 Prospectus	38	71.6	3	3.9	4	10.6	2	1.9	3	9.3
5.2 Rights	16	89.4	2	0.6	–	–	2	0.6	–	–

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				
			May	Jan.	Feb.	Mar.	Apr.	May
		1	2	3	4	5	6	7
1 Exports	₹ Billion	16,352.6	1,349.8	1,394.8	1,385.3	1,672.5	1,286.1	1,348.1
	US $ Million	300,570.6	24,779.7	25,679.5	25,761.7	30,742.2	23,652.2	24,505.7
1.1 Oil	₹ Billion	3,261.1	228.4	277.8	271.8	307.6	280.5	..
	US $ Million	60,002.4	4,193.5	5,114.1	5,053.8	5,654.5	5,158.5	..
1.2 Non-oil	₹ Billion	13,091.5	1,121.4	1,117.0	1,113.5	1,364.9	1,005.6	..
	US $ Million	240,568.2	20,586.2	20,565.4	20,707.9	25,087.7	18,493.7	..
2 Imports	₹ Billion	26,731.1	2,273.4	2,480.7	2,218.3	2,206.0	2,280.9	2,456.2
	US $ Million	491,487.2	41,733.5	45,670.2	41,251.8	40,548.2	41,946.8	44,649.3
2.1 Oil	₹ Billion	9,200.9	792.4	874.2	816.0	728.7	768.8	826.4
	US $ Million	169,253.0	14,578.3	16,094.7	15,175.4	13,393.5	14,138.4	15,022.3
2.2 Non-oil	₹ Billion	17,530.2	1,481.0	1,606.4	1,402.2	1,477.3	1,512.1	1,629.8
	US $ Million	322,234.3	27,155.2	29,575.4	26,076.3	27,154.7	27,808.4	29,627.0
3 Trade Balance	₹ Billion	–10,378.5	–923.5	–1,085.8	–833.0	–533.5	–994.8	–1,108.1
	US $ Million	–190,916.6	–16,953.7	–19,990.6	–15,490.1	–9,805.9	–18,294.6	–20,143.6
3.1 Oil	₹ Billion	–5,939.8	–563.9	–596.4	–544.3	–421.0	–488.3	..
	US $ Million	–109,250.5	–10,384.8	–10,980.6	–10,121.6	–7,739.0	–8,979.9	..
3.2 Non-oil	₹ Billion	–4,438.7	–359.6	–489.4	–288.7	–112.5	–506.5	..
	US $ Million	–81,666.1	–6,568.9	–9,010.0	–5,368.4	–2,067.0	–9,314.7	..

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

No. 32: Foreign Exchange Reserves

Item	Unit	2012	2013					
		Jun. 22	May 17	May 24	May 31	Jun. 7	Jun. 14	Jun. 21
		1	2	3	4	5	6	7
1 Total Reseves	**₹ Billion**	**16,434**	**16,009**	**16,208**	**16,265**	**16,432**	**16,754**	**17,019**
	US $ Million	**288,628**	**291,966**	**292,076**	**287,897**	**289,676**	**290,658**	**287,846**
1.1 Foreign Currency Assets	₹ Billion	14,577	14,351	14,545	14,605	14,761	15,076	15,338
	US $ Million	255,783	261,472	261,566	258,509	260,126	261,089	258,433
1.2 Gold	₹ Billion	1,444	1,300	1,300	1,290	1,290	1,290	1,290
	US $ Million	25,585	23,974	23,974	22,836	22,836	22,836	22,836
1.3 SDRs	SDRs Million	2,885	2,887	2,887	2,887	2,887	2,887	2,887
	₹ Billion	249	236	240	244	249	254	260
	US $ Million	4,371	4,306	4,317	4,327	4,388	4,401	4,373
1.4 Reserve Tranche Position in IMF	₹ Billion	165	122	123	126	132	135	131
	US $ Million	2,889	2,214	2,220	2,225	2,326	2,333	2,204

No. 33: NRI Deposits

(US$ Million)

Scheme	Outstanding				Flows	
	2012-13	2012	2013		2012-13	2013-14
		May	Apr.	May	Apr.-May	Apr.-May
	1	2	3	4	5	6
1 NRI Deposits	**70,823**	**59,459**	**72,566**	**71,648**	**4,815**	**2,983**
1.1 FCNR(B)	15,188	14,174	15,537	15,395	–794	207
1.2 NR(E)RA	45,924	34,058	47,341	47,018	5,568	2,894
1.3 NRO	9,710	11,228	9,689	9,235	42	–117

No. 34: Foreign Investment Inflows

(US$ Million)

Item	2012-13	2012-13	2013-14	2012	2013	
		Apr.-May	Apr.-May	May	Apr.	May
	1	2	3	4	5	6
1 Foreign Investment Inflows	**46,710**	**1,086**	**13,093**	**933**	**4,390**	**8,703**
1.1 Net Foreign Direct Investment (1.1.1–1.1.2)	**19,819**	**2,587**	**4,756**	**1,024**	**2,802**	**1,954**
1.1.1 Direct Investment to India (1.1.1.1–1. 1.1.2)	**26,953**	**4,175**	**5,398**	**1,823**	**3,012**	**2,386**
1.1.1.1 Gross Inflows/Gross Investments	**34,298**	**5,102**	**6,411**	**2,286**	**3,518**	**2,892**
1.1.1.1.1 Equity	22,884	3,354	4,115	1,412	2,402	1,712
1.1.1.1.1.1 Government (SIA/FIPB)	2,319	380	297	24	108	189
1.1.1.1.1.2 RBI	15,967	2,266	2,026	1,105	836	1,189
1.1.1.1.1.3 Acquisition of shares	3,539	538	1,630	198	1,377	253
1.1.1.1.1.4 Equity capital of unincorporated bodies	1,059	170	162	85	81	81
1.1.1.1.2 Reinvested earnings	9,880	1,506	1,374	753	687	687
1.1.1.1.3 Other capital	1,534	242	922	121	429	493
1.1.1.2 Repatriation/Disinvestment	**7,345**	**927**	**1,012**	**463**	**506**	**506**
1.1.1.2.1 Equity	6,853	688	869	344	434	434
1.1.1.2.2 Other capital	493	239	144	119	72	72
1.1.2 Foreign Direct Investment by India (1.1.2.1+1.1.2.2+1.1.2.3–1.1.2.4)	**7,134**	**1,589**	**643**	**798**	**211**	**432**
1.1.2.1 Equity capital	7,101	872	784	527	396	388
1.1.2.2 Reinvested Earnings	1,189	198	198	99	99	99
1.1.2.3 Other Capital	4,331	1,093	590	460	181	410
1.1.2.4 Repatriation/Disinvestment	5,488	575	930	288	465	465
1.2 Net Portfolio Investment (1.2.1+1.2.2+1.2.3–1.2.4)	**26,891**	**–1,501**	**8,338**	**–92**	**1,588**	**6,749**
1.2.1 GDRs/ADRs	187	–	–	–	–	–
1.2.2 FIIs	27,582	–1,294	8,246	12	1,542	6,704
1.2.3 Offshore funds and others	–	–	–	–	–	–
1.2.4 Portfolio investment by India	878	207	–92	103	–46	–46

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

(US$ Million)

Item	2012-13	2012	2013		
		Apr.	Feb.	Mar.	Apr.
	1	2	3	4	5
1 Outward Remittances under the LRS	**1,206.4**	**77.8**	**96.2**	**180.2**	**141.8**
1.1 Deposit	20.1	2.6	2.5	4.2	4.8
1.2 Purchase of immovable property	77.7	6.1	8.0	16.6	9.7
1.3 Investment in equity/debt	236.9	19.1	18.2	52.4	33.6
1.4 Gift	261.6	22.3	24.3	35.7	38.7
1.5 Donations	4.5	0.1	0.1	–	0.4
1.6 Travel	44.8	0.5	3.4	3.7	3.2
1.7 Maintenance of close relatives	226.6	14.5	20.7	31.1	22.7
1.8 Medical Treatment	4.9	0.3	0.1	0.7	0.2
1.9 Studies Abroad	124.7	4.6	9.3	10.7	10.2
1.10 Others	204.1	7.6	9.7	25.0	18.4

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	
			June	May	June
	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	76.80	77.95	73.56
1.2 REER	101.38	94.62	91.98	94.47	89.15
2 Export-Based Weights					
2.1 NEER	89.13	80.05	78.45	79.73	75.38
2.2 REER	104.05	97.42	94.71	97.03	91.74
6-Currency Trade Based Weights					
1 Base: 2004-05 (April-March) =100					
1.1 NEER	84.86	76.11	74.67	75.48	70.51
1.2 REER	111.86	105.46	102.24	105.74	98.77
2 Base: 2010-11 (April-March) =100					
2.1 NEER	92.41	82.87	81.31	82.19	76.78
2.2 REER	97.35	91.77	88.97	92.01	85.96

No. 37: External Commercial Borrowings (ECBs)

(Amount in US$ Million)

Item	2012-13	2012	2013	
		May	Apr.	May
	1	2	3	4
1 Automatic Route				
1.1 Number	825	71	45	48
1.2 Amount	18,395	2,435	601	1,114
2 Approval Route				
2.1 Number	92	7	8	12
2.2 Amount	13,651	929	524	1,373
3 Total (1+2)				
3.1 Number	917	78	53	60
3.2 Amount	32,046	3,364	1,125	2,487
4 Weighted Average Maturity (in years)	6.27	5.69	5.28	6.34
5 Interest Rate (per cent)				
5.1 Weighted Average Margin over 6-month LIBOR or reference rate for Floating Rate Loans	2.73	1.94	4.19	3.30
5.2 Interest rate range for Fixed Rate Loans	0.00-12.44	0.00-8.00	0.00-8.00	0.00-12.79

No. 38: India's Overall Balance of Payments

(US $ Million)

Item	Jan-Mar 2012 (PR)			Jan-Mar 2013 (P)		
	Credit	Debit	Net	Credit	Debit	Net
	1	2	3	4	5	6
Overall Balance of Payments(1+2+3)	**264,141**	**269,878**	**–5,738**	**275,986**	**273,305**	**2,681**
1 CURRENT ACCOUNT	**138,344**	**160,112**	**–21,768**	**142,127**	**160,297**	**–18,170**
1.1 MERCHANDISE	**80,172**	**131,690**	**–51,518**	**84,772**	**130,408**	**–45,635**
1.2 INVISIBLES	**58,172**	**28,421**	**29,751**	**57,355**	**29,890**	**27,465**
1.2.1 Services	38,075	20,554	17,521	37,819	20,860	16,960
1.2.1.1 Travel	5,462	3,238	2,224	5,489	2,719	2,770
1.2.1.2 Transportation	4,681	4,311	370	4,513	3,433	1,080
1.2.1.3 Insurance	635	337	298	604	305	300
1.2.1.4 G.n.i.e.	47	214	–166	126	323	–197
1.2.1.5 Miscellaneous	27,250	12,455	14,795	27,086	14,079	13,006
1.2.1.5.1 Software Services	17,199	329	16,870	17,691	586	17,106
1.2.1.5.2 Business Services	7,204	7,574	–370	6,569	7,484	–915
1.2.1.5.3 Financial Services	1,495	1,902	–406	1,093	1,192	–99
1.2.1.5.4 Communication Services	395	491	–97	454	247	207
1.2.2 Transfers	17,824	1,021	16,803	16,896	1,205	15,690
1.2.2.1 Official	99	160	–62	98	195	–97
1.2.2.2 Private	17,725	861	16,864	16,798	1,010	15,788
1.2.3 Income	2,273	6,846	–4,573	2,640	7,825	–5,185
1.2.3.1 Investment Income	1,688	6,274	–4,586	1,840	7,250	–5,411
1.2.3.2 Compensation of Employees	585	572	13	800	574	226
2 CAPITAL ACCOUNT	**125,797**	**109,212**	**16,586**	**133,557**	**113,008**	**20,549**
2.1 Foreign Investment	**63,574**	**48,291**	**15,282**	**67,176**	**50,129**	**17,048**
2.1.1 Foreign Direct Investment	9,241	7,885	1,356	10,658	4,924	5,733
2.1.1.1 In India	8,557	4,343	4,214	9,064	1,893	7,171
2.1.1.1.1 Equity	6,098	4,262	1,836	5,751	1,856	3,895
2.1.1.1.2 Reinvested Earnings	2,051	–	2,051	2,732	–	2,732
2.1.1.1.3 Other Capital	408	81	327	581	37	544
2.1.1.2 Abroad	684	3,541	–2,857	1,594	3,032	–1,438
2.1.1.2.1 Equity	684	1,765	–1,081	1,594	2,066	–472
2.1.1.2.2 Reinvested Earnings	–	302	–302	–	297	–297
2.1.1.2.3 Other Capital	–	1,474	–1,474	–	669	–669
2.1.2 Portfolio Investment	54,333	40,407	13,926	56,518	45,204	11,314
2.1.2.1 In India	54,223	40,125	14,098	56,343	44,804	11,540
2.1.2.1.1 FIIs	54,193	40,125	14,068	56,343	44,804	11,540
2.1.2.1.1.1 Equity	–	–	–	43,819	34,171	9,648
2.1.2.1.1.2 Debt	–	–	–	12,525	10,633	1,892
2.1.2.1.2 ADR/GDRs	30	–	30	–	–	–
2.1.2.2 Abroad	110	282	–172	175	400	–225
2.2 Loans	**36,346**	**33,609**	**2,737**	**42,802**	**33,584**	**9,218**
2.2.1 External Assistance	1,120	817	303	1,415	887	529
2.2.1.1 By India	17	57	–39	13	84	–72
2.2.1.2 To India	1,103	760	342	1,402	802	600
2.2.2 Commercial Borrowings	8,189	5,907	2,282	8,792	4,571	4,221
2.2.2.1 By India	807	776	31	263	154	109
2.2.2.2 To India	7,382	5,131	2,251	8,529	4,417	4,112
2.2.3 Short Term to India	27,037	26,885	152	32,594	28,126	4,468
2.2.3.1 Suppliers' Credit > 180 days & Buyers' Credit	26,288	26,885	–597	30,765	28,126	2,639
2.2.3.2 Suppliers' Credit up to 180 days	749	–	749	1,829	–	1,829
2.3 Banking Capital	**24,503**	**22,504**	**1,999**	**17,926**	**21,497**	**–3,572**
2.3.1 Commercial Banks	24,454	22,408	2,046	17,926	21,472	–3,546
2.3.1.1 Assets	162	5,857	–5,696	206	9,518	–9,312
2.3.1.2 Liabilities	24,293	16,551	7,742	17,720	11,954	5,766
2.3.1.2.1 Non-Resident Deposits	21,013	16,355	4,658	15,423	12,629	2,794
2.3.2 Others	48	95	–47	–	26	–26
2.4 Rupee Debt Service	**–**	**47**	**–47**	**–**	**31**	**–31**
2.5 Other Capital	**1,375**	**4,761**	**–3,386**	**5,654**	**7,767**	**–2,113**
3 Errors & Omissions	**–**	**555**	**–555**	**302**	**–**	**302**
4 Monetary Movements	**5,738**	**–**	**5,738**	**–**	**2,681**	**–2,681**
4.1 I.M.F.	–	–	–	–	–	–
4.2 Foreign Exchange Reserves (Increase - / Decrease +)	5,738	–	5,738	–	2,681	–2,681

No. 39: India's Overall Balance of Payments

(₹ Billion)

Item	Jan-Mar 2012 (PR)			Jan-Mar 2013 (P)		
	Credit	Debit	Net	Credit	Debit	Net
	1	2	3	4	5	6
Overall Balance of Payments(1+2+3)	**13,280**	**13,568**	**–288**	**14,949**	**14,804**	**145**
1 CURRENT ACCOUNT	**6,955**	**8,050**	**–1,094**	**7,698**	**8,683**	**–984**
1.1 MERCHANDISE	**4,031**	**6,621**	**–2,590**	**4,592**	**7,064**	**–2,472**
1.2 INVISIBLES	**2,925**	**1,429**	**1,496**	**3,107**	**1,619**	**1,488**
1.2.1 Services	1,914	1,033	881	2,048	1,130	919
1.2.1.1 Travel	275	163	112	297	147	150
1.2.1.2 Transportation	235	217	19	244	186	58
1.2.1.3 Insurance	32	17	15	33	17	16
1.2.1.4 G.n.i.e.	2	11	–8	7	18	–11
1.2.1.5 Miscellaneous	1,370	626	744	1,467	763	704
1.2.1.5.1 Software Services	865	17	848	958	32	927
1.2.1.5.2 Business Services	362	381	–19	356	405	–50
1.2.1.5.3 Financial Services	75	96	–20	59	65	–5
1.2.1.5.4 Communication Services	20	25	–5	25	13	11
1.2.2 Transfers	896	51	845	915	65	850
1.2.2.1 Official	5	8	–3	5	11	–5
1.2.2.2 Private	891	43	848	910	55	855
1.2.3 Income	114	344	–230	143	424	–281
1.2.3.1 Investment Income	85	315	–231	100	393	–293
1.2.3.2 Compensation of Employees	29	29	–	43	31	12
2 CAPITAL ACCOUNT	**6,325**	**5,491**	**834**	**7,234**	**6,121**	**1,113**
2.1 Foreign Investment	**3,196**	**2,428**	**768**	**3,639**	**2,715**	**923**
2.1.1 Foreign Direct Investment	465	396	68	577	267	311
2.1.1.1 In India	430	218	212	491	103	388
2.1.1.1.1 Equity	307	214	92	312	101	211
2.1.1.1.2 Reinvested Earnings	103	–	103	148	–	148
2.1.1.1.3 Other Capital	21	4	16	31	2	29
2.1.1.2 Abroad	34	178	–144	86	164	–78
2.1.1.2.1 Equity	34	89	–54	86	112	–26
2.1.1.2.2 Reinvested Earnings	–	15	–15	–	16	–16
2.1.1.2.3 Other Capital	–	74	–74	–	36	–36
2.1.2 Portfolio Investment	2,732	2,031	700	3,061	2,448	613
2.1.2.1 In India	2,726	2,017	709	3,052	2,427	625
2.1.2.1.1 FIIs	2,725	2,017	707	3,052	2,427	625
2.1.2.1.1.1 Equity	–	–	–	2,373	1,851	523
2.1.2.1.1.2 Debt	–	–	–	678	576	102
2.1.2.1.2 ADR/GDRs	2	–	2	–	–	–
2.1.2.2 Abroad	6	14	–9	9	22	–12
2.2 Loans	**1,827**	**1,690**	**138**	**2,318**	**1,819**	**499**
2.2.1 External Assistance	56	41	15	77	48	29
2.2.1.1 By India	1	3	–2	1	5	–4
2.2.1.2 To India	55	38	17	76	43	33
2.2.2 Commercial Borrowings	412	297	115	476	248	229
2.2.2.1 By India	41	39	2	14	8	6
2.2.2.2 To India	371	258	113	462	239	223
2.2.3 Short Term to India	1,359	1,352	8	1,765	1,523	242
2.2.3.1 Suppliers' Credit > 180 days & Buyers' Credit	1,322	1,352	–30	1,666	1,523	143
2.2.3.2 Suppliers' Credit up to 180 days	38	–	38	99	–	99
2.3 Banking Capital	**1,232**	**1,131**	**101**	**971**	**1,164**	**–193**
2.3.1 Commercial Banks	1,229	1,127	103	971	1,163	–192
2.3.1.1 Assets	8	294	–286	11	516	–504
2.3.1.2 Liabilities	1,221	–	389	960	–	312
2.3.1.2.1 Non-Resident Deposits	1,056	822	–	835	684	–
2.3.2 Others	2	5	–2	–	1	–1
2.4 Rupee Debt Service	–	**2**	**–2**	–	**2**	**–2**
2.5 Other Capital	**69**	**239**	**–170**	**306**	**421**	**–114**
3 Errors & Omissions	–	**28**	**–28**	**16**	–	**16**
4 Monetary Movements	**288**	–	**288**	–	**145**	**–145**
4.1 I.M.F.	–	–	–	–	–	–
4.2 Foreign Exchange Reserves (Increase - / Decrease +)	288	–	288	–	145	–145

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

(US $ Million)

Item	Jan-Mar 2012 (PR)			Jan-Mar 2013 (P)		
	Credit	Debit	Net	Credit	Debit	Net
	1	2	3	4	5	6
1 Current Account	**137,706**	**159,412**	**–21,706**	**142,041**	**160,118**	**–18,078**
1.A Goods and Services	**117,708**	**151,706**	**–33,998**	**122,591**	**151,267**	**–28,676**
1.A.a Goods	**80,043**	**131,690**	**–51,647**	**84,772**	**130,408**	**–45,635**
1.A.a.1 General merchandise on a BOP basis	80,172	115,536	–35,364	82,893	113,985	–31,092
1.A.a.2 Net exports of goods under merchanting	–129	–	–129	1,880	609	1,270
1.A.a.3 Non-monetary gold	–	16,155	–16,155	–	15,813	–15,813
1.A.b Services	**37,665**	**20,016**	**17,650**	**37,819**	**20,859**	**16,960**
1.A.b.1 Manufacturing services on physical inputs owned by others	–	–	–	12	12	–
1.A.b.2 Maintenance and repair services n.i.e.	–	–	–	36	80	–43
1.A.b.3 Transport	4,686	4,333	353	4,513	3,433	1,080
1.A.b.4 Travel	5,462	3,238	2,224	5,489	2,719	2,770
1.A.b.5 Construction	219	329	–110	301	455	–154
1.A.b.6 Insurance and pension services	635	337	298	604	305	300
1.A.b.7 Financial services	1,495	1,902	–406	1,093	1,192	–99
1.A.b.8 Charges for the use of intellectual property n.i.e.	85	990	–905	65	1,159	–1,094
1.A.b.9 Telecommunications, computer, and information services	17,614	923	16,691	18,217	952	17,265
1.A.b.10 Other business services	6,832	7,035	–203	6,569	7,484	–915
1.A.b.11 Personal, cultural, and recreational services	118	69	49	262	144	119
1.A.b.12 Government goods and services n.i.e.	47	214	–166	126	323	–197
1.A.b.13 Others n.i.e.	473	647	–174	529	2,602	–2,073
1.B Primary Income	**2,273**	**6,845**	**–4,572**	**2,640**	**7,825**	**–5,185**
1.B.1 Compensation of employees	585	572	13	800	574	226
1.B.2 Investment income	1,619	6,081	–4,462	1,547	6,819	–5,272
1.B.2.1 Direct investment	659	6,032	–5,373	479	3,009	–2,530
1.B.2.2 Portfolio investment	–	–	–	31	943	–912
1.B.2.3 Other investment	–	44	–44	77	2,866	–2,790
1.B.2.4 Reserve assets	960	6	955	960	1	959
1.B.3 Other primary income	69	192	–123	293	432	–139
1.C Secondary Income	**17,725**	**861**	**16,864**	**16,810**	**1,027**	**15,783**
1.C.1 Financial corporations, nonfinancial corporations, households, and NPISHs	17,725	861	16,864	16,798	1,010	15,788
1.C.1.1 Personal transfers (Current transfers between resident and/ non-resident households)	17,192	756	16,437	16,220	918	15,302
1.C.1.2 Other current transfers	533	105	428	578	92	486
1.C.2 General Government	–	–	–	12	17	–5
2 Capital Account	**99**	**252**	**–153**	**581**	**430**	**150**
2.1 Gross acquisitions (DR.)/disposals (CR.) of non-produced nonfinancial assets	1	92	–91	6	10	–4
2.2 Capital transfers	99	160	–62	574	420	154
3 Financial Account	**131,534**	**109,120**	**22,415**	**133,334**	**115,708**	**17,626**
3.1 Direct Investment	**9,241**	**7,885**	**1,356**	**10,658**	**4,924**	**5,733**
3.1.A Direct Investment in India	8,557	4,343	4,214	9,064	1,893	7,171
3.1.A.1 Equity and investment fund shares	8,149	4,262	3,887	8,483	1,856	6,627
3.1.A.1.1 Equity other than reinvestment of earnings	6,098	4,262	1,836	5,751	1,856	3,895
3.1.A.1.2 Reinvestment of earnings	2,051	–	2,051	2,732	–	2,732
3.1.A.2 Debt instruments	408	81	327	581	37	544
3.1.A.2.1 Direct investor in direct investment enterprises	408	81	327	581	37	544
3.1.B Direct Investment by India	684	3,541	–2,857	1,594	3,032	–1,438
3.1.B.1 Equity and investment fund shares	684	2,067	–1,383	1,594	2,363	–769
3.1.B.1.1 Equity other than reinvestment of earnings	684	1,765	–1,081	1,594	2,066	–472
3.1.B.1.2 Reinvestment of earnings	–	302	–302	–	297	–297
3.1.B.2 Debt instruments	–	1,474	–1,474	–	669	–669
3.1.B.2.1 Direct investor in direct investment enterprises	–	1,474	–1,474	–	669	–669
3.2 Portfolio Investment	**54,303**	**40,407**	**13,896**	**56,518**	**45,204**	**11,314**
3.2A Portfolio Investment in India	54,193	40,125	14,068	56,343	44,804	11,540
3.2A.1 Equity and investment fund shares	35,425	26,244	9,181	43,819	34,171	9,648
3.2A.2 Debt securities	18,768	13,881	4,887	12,525	10,633	1,892
3.2.B Portfolio Investment by India	110	282	–172	175	400	–225
3.3 Financial derivatives (other than reserves) and employee stock options	**–**	**–**	**–**	**1,031**	**1,942**	**–911**
3.4 Other investment	**62,253**	**60,828**	**1,425**	**65,119**	**60,937**	**4,181**
3.4.1 Other equity (ADRs/GDRs)	30	–	30	–	–	–
3.4.2 Currency and deposits	21,061	16,450	4,611	15,423	12,654	2,768
3.4.2.1 Central bank (Rupee Debt Movements; NRG)	48	95	–47	–	26	–26
3.4.2.2 Deposit-taking corporations, except the central bank (NRI Deposits)	21,013	16,355	4,658	15,423	12,629	2,794
3.4.2.3 General government	–	–	–	–	–	–
3.4.2.4 Other sectors	–	–	–	–	–	–
3.4.3 Loans (External Assistance, ECBs and Banking Capital)	12,750	12,777	–26	12,710	14,301	–1,591
3.4.3A Loans to India	11,927	11,945	–18	12,434	14,063	–1,629
3.4.3B Loans by India	824	832	–8	276	238	38
3.4.4 Insurance, pension, and standardized guarantee schemes	–	–	–	7	19	–12
3.4.5 Trade credit and advances	27,037	26,885	152	32,594	28,126	4,468
3.4.6 Other accounts receivable/payable - other	1,374	4,716	–3,342	4,392	5,856	–1,464
3.4.7 Special drawing rights	–	–	–	–	–	–
3.5 Reserve assets	**5,738**	**–**	**5,738**	**–**	**2,681**	**–2,681**
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)	5,738	–	5,738	–	2,681	–2,681
3 Total assets/liabilities (Instrument wise)	**131,534**	**109,120**	**22,415**	**133,334**	**115,708**	**17,626**
3.0.1 Equity and investment fund shares	44,368	32,855	11,513	55,109	40,752	14,357
3.0.2 Debt instruments	80,024	71,549	8,476	73,833	66,420	7,413
3.0.3 Other financial assets and liabilities	7,142	4,716	2,426	4,392	8,537	–4,145
4 Net errors and omissions	**–**	**–**	**–555**	**–**	**–**	**302**

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

(₹ Billion)

Item	Jan-Mar 2012 (PR)			Jan-Mar 2013 (P)		
	Credit	Debit	Net	Credit	Debit	Net
	1	2	3	4	5	6
1 Current Account	**6,923**	**8,015**	**–1,091**	**7,694**	**8,673**	**–979**
1.A Goods and Services	**5,918**	**7,627**	**–1,709**	**6,640**	**8,193**	**–1,553**
1.A.a Goods	**4,024**	**6,621**	**–2,597**	**4,592**	**7,064**	**–2,472**
1.A.a.1 General merchandise on a BOP basis	4,031	5,809	–1,778	4,490	6,174	–1,684
1.A.a.2 Net exports of goods under merchanting	–6	–	–6	102	33	69
1.A.a.3 Non-monetary gold	–	812	–812	–	857	–857
1.A.b Services	**1,894**	**1,006**	**887**	**2,048**	**1,130**	**919**
1.A.b.1 Manufacturing services on physical inputs owned by others	–	–	–	1	1	–
1.A.b.2 Maintenance and repair services n.i.e.	–	–	–	2	4	–2
1.A.b.3 Transport	236	218	18	244	186	58
1.A.b.4 Travel	275	163	112	297	147	150
1.A.b.5 Construction	11	17	–6	16	25	–8
1.A.b.6 Insurance and pension services	32	17	15	33	17	16
1.A.b.7 Financial services	75	96	–20	59	65	–5
1.A.b.8 Charges for the use of intellectual property n.i.e.	4	50	–46	4	63	–59
1.A.b.9 Telecommunications, computer, and information services	886	46	839	987	52	935
1.A.b.10 Other business services	343	354	–10	356	405	–50
1.A.b.11 Personal, cultural, and recreational services	6	3	2	14	8	6
1.A.b.12 Government goods and services n.i.e.	2	11	–8	7	18	–11
1.A.b.13 Others n.i.e.	24	33	–9	29	141	–112
1.B Primary Income	**114**	**344**	**–230**	**143**	**424**	**–281**
1.B.1 Compensation of employees	29	29	1	43	31	12
1.B.2 Investment income	81	306	–224	84	369	–286
1.B.2.1 Direct investment	33	303	–270	26	163	–137
1.B.2.2 Portfolio investment	–	–	–	2	51	–49
1.B.2.3 Other investment	–	2	–2	4	155	–151
1.B.2.4 Reserve assets	48	–	48	52	–	52
1.B.3 Other primary income	3	10	–6	16	23	–8
1.C Secondary Income	**891**	**43**	**848**	**910**	**56**	**855**
1.C.1 Financial corporations, nonfinancial corporations, households, and NPISHs	891	43	848	910	55	855
1.C.1.1 Personal transfers (Current transfers between resident and/ non-resident households)	864	38	826	879	50	829
1.C.1.2 Other current transfers	27	5	22	31	5	26
1.C.2 General Government	–	–	–	1	1	–
2 Capital Account	**5**	**13**	**–8**	**31**	**23**	**8**
2.1 Gross acquisitions (DR.)/disposals (CR.) of non-produced nonfinancial assets	–	5	–5	–	1	–
2.2 Capital transfers	5	8	–3	31	23	8
3 Financial Account	**6,613**	**5,486**	**1,127**	**7,222**	**6,267**	**955**
3.1 Direct Investment	**465**	**396**	**68**	**577**	**267**	**311**
3.1.A Direct Investment in India	430	218	212	491	103	388
3.1.A.1 Equity and investment fund shares	410	214	195	459	101	359
3.1.A.1.1 Equity other than reinvestment of earnings	307	214	92	312	101	211
3.1.A.1.2 Reinvestment of earnings	103	–	103	148	–	148
3.1.A.2 Debt instruments	21	4	16	31	2	29
3.1.A.2.1 Direct investor in direct investment enterprises	21	4	16	31	2	29
3.1.B Direct Investment by India	34	178	–144	86	164	–78
3.1.B.1 Equity and investment fund shares	34	104	–70	86	128	–42
3.1.B.1.1 Equity other than reinvestment of earnings	34	89	–54	86	112	–26
3.1.B.1.2 Reinvestment of earnings	–	15	–15	–	16	–16
3.1.B.2 Debt instruments	–	74	–74	–	36	–36
3.1.B.2.1 Direct investor in direct investment enterprises	–	74	–74	–	36	–36
3.2 Portfolio Investment	**2,730**	**2,031**	**699**	**3,061**	**2,448**	**613**
3.2A Portfolio Investment in India	2,725	2,017	707	3,052	2,427	625
3.2A.1 Equity and investment fund shares	1,781	1,319	462	2,373	1,851	523
3.2A.2 Debt securities	944	698	246	678	576	102
3.2.B Portfolio Investment by India	6	14	–9	9	22	–12
3.3 Financial derivatives (other than reserves) and employee stock options	**–**	**–**	**–**	**56**	**105**	**–49**
3.4 Other investment	**3,130**	**3,058**	**72**	**3,527**	**3,301**	**226**
3.4.1 Other equity (ADRs/GDRs)	2	–	2	–	–	–
3.4.2 Currency and deposits	1,059	827	232	835	685	150
3.4.2.1 Central bank (Rupee Debt Movements; NRG)	2	5	–2	–	1	–1
3.4.2.2 Deposit-taking corporations, except the central bank (NRI Deposits)	1,056	822	234	835	684	151
3.4.2.3 General government	–	–	–	–	–	–
3.4.2.4 Other sectors	–	–	–	–	–	–
3.4.3 Loans (External Assistance, ECBs and Banking Capital)	641	642	–1	688	775	–86
3.4.3A Loans to India	600	601	–1	673	762	–88
3.4.3B Loans by India	41	42	–0	15	13	2
3.4.4 Insurance, pension, and standardized guarantee schemes	–	–	–	–	1	–1
3.4.5 Trade credit and advances	1,359	1,352	8	1,765	1,523	242
3.4.6 Other accounts receivable/payable - other	69	237	–168	238	317	–79
3.4.7 Special drawing rights	–	–	–	–	–	–
3.5 Reserve assets	**288**	**–**	**288**	**–**	**145**	**–145**
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)	288	–	288	–	145	–145
3 Total assets/liabilities (Instrument wise)	**6,613**	**5,486**	**1,127**	**7,222**	**6,267**	**955**
3.0.1 Equity and investment fund shares	2,231	1,652	579	2,985	2,207	778
3.0.2 Debt instruments	4,023	3,597	426	3,999	3,598	402
3.0.3 Other financial assets and liabilities	359	237	122	238	462	–225
4 Net errors and omissions	**–**	**–**	**–28**	**–**	**–**	**16**

No. 42: International Investment Position

(US$ Million)

Item	As on Financial Year /Quarter End							
	2012-13		2012				2013	
			Mar.		Dec.		Mar.	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
	1	2	3	4	5	6	7	8
1 Direct Investment Abroad/in India	119,510	233,678	112,376	222,206	118,072	225,094	119,510	233,678
1.1 Equity Capital and Reinvested Earnings	84,851	223,143	82,048	213,109	84,081	215,009	84,851	223,143
1.2 Other Capital	34,659	10,535	30,329	9,097	33,991	10,085	34,659	10,535
2 Portfolio Investment	1,390	182,957	1,472	165,820	1,521	169,058	1,390	182,957
2.1 Equity	1,307	139,460	1,455	125,327	1,440	128,932	1,307	139,460
2.2 Debt	83	43,497	17	40,493	81	40,126	83	43,497
3 Other Investment	34,822	338,456	28,979	298,661	28,677	329,914	34,822	338,456
3.1 Trade Credit	3,921	88,961	–39	67,327	5,671	84,590	3,921	88,961
3.2 Loan	4,917	165,893	5,982	160,221	3,524	165,576	4,917	165,893
3.3 Currency and Deposits	13,058	71,004	11,144	58,778	6,888	67,758	13,058	71,004
3.4 Other Assets/Liabilities	12,926	12,597	11,893	12,335	12,592	11,990	12,926	12,597
4 Reserves	292,046	–	294,397	–	295,638	–	292,046	–
5 Total Assets/ Liabilities	447,768	755,091	437,225	686,687	443,907	724,067	447,768	755,091
6 IIP (Assets - Liabilities)		–307,323		–249,462		–280,159		–307,323

Payment and Settlement Systems

No. 43: Payment System Indicators

System	Volume (Million)				Value (₹ Billion)			
	2012-13	2013			2012-13	2013		
		Mar.	Apr.	May		Mar.	Apr.	May
	1	2	3	4	5	6	7	8
1 RTGS	**68.52**	**7.30**	**6.46**	**6.69**	**1,026,350.05**	**90,683.94**	**74,641.77**	**71,678.93**
1.1 Customer Transactions	63.99	6.83	6.04	6.26	512,997.84	60,037.57	45,362.17	44,931.62
1.2 Interbank Transactions	4.52	0.46	0.42	0.44	163,843.20	17,371.98	15,698.95	13,791.49
1.3 Interbank Clearing	0.009	0.001	0.001	0.001	349,509.02	13,274.39	13,580.65	12,955.83
2 CCIL Operated Systems	**2.26**	**0.21**	**0.22**	**0.31**	**501,598.49**	**47,793.81**	**54,742.18**	**64,457.15**
2.1 CBLO	0.16	0.01	0.01	0.01	120,480.39	11,076.41	12,983.41	12,176.45
2.2 Govt. Securities Clearing	0.70	0.06	0.09	0.15	119,947.98	11,833.04	16,248.21	26,762.78
2.2.1 Outright	0.66	0.06	0.09	0.15	65,920.33	6,532.37	10,213.01	19,125.65
2.2.2 Repo	0.041	0.003	0.004	0.007	54,027.65	5,300.67	6,035.20	7,637.13
2.3 Forex Clearing	1.40	0.13	0.12	0.14	261,170.12	24,884.36	25,510.56	25,517.92
3 Paper Clearing	**1,313.05**	**118.75**	**108.84**	**103.38**	**100,396.48**	**9,824.55**	**8,547.90**	**7,926.18**
3.1 Cheque Truncation System (CTS)	275.04	31.43	31.65	32.74	21,779.52	2,539.50	2,619.90	2,535.76
3.2 MICR Clearing	823.31	66.47	59.05	54.24	57,503.97	5,367.19	4,349.07	4,000.99
3.2.1 RBI Centres	496.81	38.62	35.73	31.80	36,045.97	2,957.09	2,754.61	2,338.48
3.2.2 Other Centres	326.50	27.85	23.32	22.45	21,458.00	2,410.10	1,594.46	1,662.51
3.3 Non-MICR Clearing	215.31	20.85	18.14	16.40	20,898.28	1,917.86	1,578.93	1,389.43
4 Retail Electronic Clearing	**694.07**	**73.92**	**66.48**	**67.01**	**31,881.14**	**3,868.68**	**3,546.13**	**3,318.82**
4.1 ECS DR	176.53	15.39	15.57	15.20	1,083.10	95.22	94.84	95.33
4.2 ECS CR (includes NECS)	122.18	11.15	9.99	9.42	1,771.28	170.55	191.59	153.57
4.3 EFT/NEFT	394.13	47.09	40.65	42.02	29,022.42	3,601.66	3,258.26	3,067.98
4.4 Interbank Mobile Payment Service (IMPS)	1.23	0.30	0.27	0.38	4.33	1.25	1.44	1.94
5 Cards	**6,398.35**	**590.37**	**584.52**	**592.70**	**18,637.36**	**1,735.80**	**1,765.63**	**1,836.89**
5.1 Credit Cards	399.13	35.85	37.79	31.44	1,243.93	112.71	125.51	125.15
5.1.1 Usage at ATMs	2.52	0.23	0.23	0.23	14.42	1.49	1.33	1.34
5.1.2 Usage at POS	396.61	35.62	37.56	31.21	1,229.51	111.22	124.18	123.81
5.2 Debit Cards	5,999.21	554.52	546.73	561.26	17,393.44	1,623.09	1,640.12	1,713.04
5.2.1 Usage at ATMs	5,530.16	508.85	501.07	514.01	16,650.08	1,556.15	1,563.87	1,636.13
5.2.2 Usage at POS	469.05	45.67	45.66	47.25	743.36	66.94	76.26	76.91
6 Prepaid Payment Instruments (PPIs)	**66.94**	**10.35**	**9.59**	**10.51**	**79.22**	**5.61**	**5.79**	**6.15**
6.1 m-Wallet	32.70	6.60	6.63	7.01	10.01	1.75	1.76	1.98
6.2 PPI Cards	33.76	3.71	2.91	3.45	49.62	2.10	1.90	2.10
6.3 Paper Vouchers	0.48	0.04	0.05	0.05	19.60	1.77	2.13	2.07
7 Mobile Banking	**53.30**	**6.40**	**6.33**	**6.87**	**59.90**	**9.92**	**9.89**	**11.94**
8 Cards Outstanding	**350.75**	**350.75**	**356.44**	**361.27**	–	–	–	–
8.1 Credit Card	19.55	19.55	19.57	19.58	–	–	–	–
8.2 Debit Card	331.20	331.20	336.87	341.80	–	–	–	–
9 Number of ATMs (in actuals)	**114014**	**114014**	**116378**	**118585**	–	–	–	–
10 Number of POS (in actuals)	**845653**	**845653**	**913867**	**959281**	–	–	–	–
11 Grand Total (1.1+1.2+2+3+4+5+6)	**8,543.17**	**800.90**	**776.12**	**780.61**	**1,329,433.72**	**140,638.00**	**129,668.75**	**136,268.30**

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.

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

Recent Publications of the Reserve Bank of India

Name of Publication	Price	
	India	Abroad
1. Reserve Bank of India Bulletin 2013	₹ 230 per copy (over the counter) ₹ 270 per copy (inclusive of postage) ₹ 3000 (one year subscription - inclusive of postage)	US$ 17 per copy (inclusive of postage) US$ 200 (one-year subscription)
2. Weekly Statistical Supplement to RBI Monthly Bulletin 2013	₹ 18 per copy (over the counter) ₹ 950 (one-year subscription)	US$ 45 one-year subscription (inclusive of air mail charges)
3. Report on Trend and Progress of Banking in India 2011-12	₹ 150 per copy (over the counter) ₹ 190 per copy (including postal charges) ₹ 150 per copy (concessional including postage) ₹ 110 per copy (concessional price over the counter)	US$ 12 per copy (inclusive of air mail courier charges)
4. Handbook of Statistics on the Indian Economy 2011-12	Print version along with CD-ROM ₹ 200 (over the counter) ₹ 270 (inclusive of postage) ₹ 150 (concessional) ₹ 210 (concessional with postage)	US$ 30 for Print version along with CD-ROM (inclusive of air mail courier charges)
5. Report on Currency and Finance 2009-12 Fiscal-Monetary Co-ordination	₹ 515 (normal) ₹ 555 (inclusive of postage)	US$ 16 per copy (including air mail courier charges)
6. Report on Currency and Finance 2003-08 Vol. I to V (Special Issue)	₹ 1,100 (normal) ₹ 1,170 (inclusive of postage) ₹ 830 (concessional) ₹ 900 (concessional inclusive of postage)	US$ 55 per copy (including air mail courier charges)
7. State Finances - A Study of Budgets of 2012-13	₹ 220 per copy (over the counter) ₹ 260 per copy (including postal charges) ₹ 165 per copy (concessional at counter) ₹ 205 per copy (concessional inclusive of postage)	US$ 17 per copy (including air mail courier charges)
8. Handbook of Statistics on State Government Finances 2010	Print version along with CD ₹ 380 ₹ 430 (inclusive of postage) ₹ 285 (concessional) ₹ 335 (concessional inclusive postage) CD-ROM ₹ 80 (normal) ₹ 105 (inclusive of postage) ₹ 60 (concessional) ₹ 85 (concessional inclusive of postage)	US$ 31for print version along with CD Rom by air mail courier charges) US$ 16 per CD (inclusive of air mail courier charges) US$ 4 per CD (inclusive of registerted air mail charges)
9. CD Compendium of Articles on State Finances (1950-51 to 2010-11)	₹ 280 (over the counter) ₹ 305 (inclusive of postal charges) ₹ 210 (concessional) ₹ 235 (concessional inclusive of postage)	US$ 8 (air mail book post charges)

Name of Publication	Price	
	India	Abroad
10. Perspectives on Central Banking Governors Speak (1935-2010) Platinum Jubilee	₹ 1400 per copy (over the counter)	US$ 50 per copy (inclusive of air mail charges)
11. Mint Road Milestones RBI at 75	₹ 1,650 per copy (over the counter)	US$ 50 per copy
12. India's Financial Sector, An Assessment Vol. I to VI 2009	₹ 2000 per copy (over the counter) ₹ 2300 per copy (inclusive postal charges) ₹ 1500 per copy (concessional price) ₹ 1800 per copy (concessional inclusive of postage)	US$ 40 per set and US$ 120 per set (inclusive of air mail courier charges)
13. The Paper and the Promise: A Brief History of Currency & Banknotes in India, 2009	₹ 200 per copy (over the counter)	US$ 30 per copy (inclusive of registered air mail)
14. Report of the committee on Fuller Capital account Convertibility (Tarapore Committee Report II)	₹ 140 per copy (normal) ₹ 170 (per copy by post)	US$ 25 per copy (inclusive of air mail charges)
15. A Profile of Banks 2011-12	₹ 125 per copy (over the counter) ₹ 190 per copy (inclusive of postal charges)	US$ 55 per copy (inclusive of courier charges)
16. Selected Banking Indicators 1981 to 2002 (On CD-ROM)	₹ 250 per CD (over the counter) ₹ 300 per CD (including postal charges)	US$ 75 (per CD)
17. Statistical Tables Relating to Banks in India 2011-12	₹ 250 per copy (over the counter) ₹ 560 (inclusive of postage)	US$ 75 per copy (inclusive of courier charges)
18. Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks 2012 1. March 2. June	₹ 50 per copy (normal) ₹ 80 per copy (inclusive of postal charges)	US$ 15 per copy (inclusive of courier charges)
19. Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks 1981-2003 (on CD-ROM)	₹ 185 per copy (over the counter) ₹ 240 per copy (including postal charges)	US$ 20 per copy (inclusive of registered air mail) US$ 55 per copy (inclusive of courier charges)
20. Branch Banking Statistics Vol. 4 March 2009	₹ 300 per copy (over the counter) ₹ 340 per copy (inclusive of postal charges)	US$ 60 per copy (inclusive of courier charges) US$ 25 per copy inclusive of registered air mail charges)
21. Basic Statistical Returns of Scheduled Commercial Banks in India Vol. 40 March 2011	₹ 212 per copy (over the counter) ₹ 312 per copy (inclusive of postal charges)	US$ 15 per copy (inclusive of registered air mail) US$ 60 per copy (inclusive of courier charges)

Name of Publication	Price	
	India	Abroad
22. Private Corporate Business Sector in India - Selected Financial Statistics from 1950-51 to 1997-98 (All Industries)	₹ 300 per copy, (print version) (inclusive postal charges) ₹ 500 per CD (over the counter) ₹ 500 per CD (inclusive postal charges)	US$ 60 per copy (inclusive of registered air mail) US$ 100 per CD ROM (inclusive of registered air mail)
23. Banking Paribhashik Kosh (English-Hindi) 2010	₹ 75 per copy (over the counter) ₹ 97 per copy (including postal charges)	–
24. Banking Glossary (2012)	₹ 80 (normal) (postage extra)	

Notes

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

General Instructions

1. Publications once sold will not be taken back.
2. Publications will not be supplied on a consignment VPP basis.
3. Wherever concessional price is not indicated, a discount of 25 per cent is available for students, teachers/lecturers, academic/education institutions, public libraries and book sellers in India provided the proof of eligibility is submitted from the concerned institution. Back issues of the publication are generally not available.
4. The publications are available for sale between 10.30 am to 3.00 pm (Monday to Friday), at the Sales Section, Division of Reports and Knowledge Dissemination, Department of Economic and Policy Research, Reserve Bank of India, Amar Building, Ground Floor, Sir P. M. Road, Fort, P. B. No.1036, Mumbai - 400 001. The contact number of Sales Section is 022-2260 3000 Extn.: 4002, Email: spsdrrp@rbi.org.in.
5. Subscription should be sent by demand draft/cheque payable at Mumbai in favour of Reserve Bank of India, Mumbai to the Director, Division of Reports and Knowledge Dissemination, Department of Economic and Policy Research, Reserve Bank of India, Central Office, Fort, Mumbai - 400 001.
6. Recent publications are also available from Sales and Dissemination Cells at the Regional Offices of the Reserve Bank of India
7. Every endeavour will be made to despatch publications expeditiously. In case of rush of orders, dispatch will be executed on a first-come first-served basis. It may take a minimum of a month's time to complete formalities and then to dispatch the available publication. Complaints regarding 'non-receipt of publication' may be sent within a period of 2 months.