*Press Release**

March 2012

RBI Announces Reduction in the CRR Monetary/Liquidity Measures

March 9, 2012

It has been decided to:

- reduce the cash reserve ratio (CRR) of scheduled banks by 75 basis points from 5.5 per cent to 4.75 per cent of their net demand and time liabilities (NDTL) effective the fortnight beginning March 10, 2012.

This reduction will inject around `480 billion of primary liquidity into the banking system.

In order to mitigate tight liquidity conditions, the cash reserve ratio was reduced by 50 basis points in the Third Quarter Review (TQR) of January 2012, injecting primary liquidity of `315 billion into the banking system. The Reserve Bank also continued with the open market operations (OMOs), injecting primary liquidity of over `1,245 billion this financial year so far, of which `528 billion was injected after the TQR.

Despite these measures, the liquidity deficit has remained large on account of both structural and frictional factors. This was reflected in the net average borrowing under the Reserve Bank's liquidity adjustment facility (LAF) rising from an average of `1,292 billion in January 2012 to `1,405 billion in February. Net injection of liquidity through LAF rose to a peak of `1,917 billion on March 1, 2012, though subsequently it declined to `1,273 billion on March 7, 2012.

Further, the liquidity deficit is expected to increase significantly during the second week of March due to advance tax outflows and the usual frontloading of cash balances by banks with the Reserve Bank. Thus, the overall deficit in the system persists above the comfort level of the Reserve Bank. Accordingly, it has been decided to inject permanent primary liquidity into the system by reducing the CRR so as to ensure smooth flow of credit to productive sectors of the economy.

As already announced, the Reserve Bank will provide its assessment of the macroeconomic situation in its Mid-Quarter Review to be published on March 15, 2012.

* Important Press Releases during March 2012.

Reserve Bank Cancels the Licence of Krishna Valley Co-operative Bank Ltd., Kupwad, Sangli (Maharashtra)

March 12, 2012

In view of the fact that Krishna Valley Co-operative Bank Ltd., Kupwad, Sangli (Maharashtra), had ceased to be solvent, all efforts to revive it in close consultation with the Government of Maharashtra had failed and the depositors were being inconvenienced by continued uncertainty, the Reserve Bank of India delivered the order cancelling its licence to the bank with effect from the close of business on March 5, 2012. The Registrar of Co-operative Societies, Maharashtra has also been requested to issue an order for winding up the bank and appoint a liquidator for the bank. It may be highlighted that on liquidation, every depositor is entitled to repayment of his/ her deposits up to a monetary ceiling of `1,00,000/- (Rupees One lakh only) from the Deposit Insurance and Credit Guarantee Corporation (DICGC) under usual terms and conditions.

The bank was granted a licence by Reserve Bank on February 26, 1998 to commence banking business. The bank was placed under all-inclusive directions under Section 35A of the Banking Regulation Act, 1949 (As Applicable to Co-operative Societies) [the Act] in view of the precarious financial position of the bank with effect from December 26, 2003 based on the inspections findings with reference to its financial position as on March 31, 2003. The Board of Directors was ineffective and was responsible for deterioration in the financial position of the bank and for conducting the affairs of the bank in a manner detrimental to the interest of the depositors. The Board of the bank was superseded on December 26, 2003 by RCS and Administrator was appointed to manage the affairs of the bank.

Subsequent inspections revealed further deterioration in the financial position of the bank. The statutory inspection of the bank under Section 35 of the Act, with reference to its financial position as on March 31, 2011 revealed that most of the violations observed earlier continued to persist and financial parameters of the bank had further deteriorated. As per the findings of the inspection with reference to the bank's position as on March 31, 2011, assessed net worth of the bank stood negative at (-) `407.71 lakh, assessed CRAR was (-)532.2% and gross NPAs amounted to `319.06 lakh (100%) of gross advances. Erosion in deposits stood at 72.8% of total deposits of `559.90 lakh. The bank was also not holding the required CRR, thus violating the provisions of Sections 18 of the Act.

Serious deficiencies as mentioned above revealed that the affairs of the bank were being conducted in a manner detrimental to the interest of its depositors. The bank does not comply with the provisions of Section 11(1), 18, 22(3)(a) and 22(3)(b) of the Act. A show cause notice dated November 29, 2011 was issued to the bank requiring it to show cause as to why the licence granted to it under Section 22 of the Act, on February 26, 1998 to carry on banking business should not be cancelled and the bank be taken to liquidation. The bank's reply vide its letter dated December 27, 2011 was examined and not considered satisfactory. The bank did not submit any concrete revival plan or any proposal for merger of the bank.

The realisable value of bank's paid-up capital and reserves was negative and the chances of revival of the bank were remote. In the absence of any viable action plan for revival/ merger, Reserve Bank of India took the extreme measure of cancelling licence of the bank in the interest of bank's depositors. With the cancellation of licence and commencement of liquidation proceedings, the process of paying the depositors of the Krishna Valley Co-operative Bank Ltd., Kupwad, Sangli (Maharashtra), the amount insured as per the DICGC Act, will be set in motion subject to the terms and conditions of the Deposit Insurance Scheme.

Consequent to the cancellation of its licence, Krishna Valley Co-operative Bank Ltd., Kupwad, Sangli (Maharashtra) is prohibited from carrying on 'banking business' as defined in Section 5(b) of the Act.

For any clarifications, depositors may approach Smt. K.S. Jyotsna, Deputy General Manager, Urban Banks Department, Mumbai Regional Office, Reserve Bank of India, Mumbai, whose contact details are as below:

Postal Address: Urban Banks Department, Mumbai Regional Office, Reserve Bank of India, 2nd Floor, Garment House, Dr. A.B. Road, Worli, Mumbai–400018 Telephone Number: (022) 24920225, Fax Number: (022) 24935495.

Mid-Quarter Monetary Policy Review: March 2012

March 15, 2012

Monetary and Liquidity Measures

On the basis of the current macroeconomic assessment, it has been decided to:

- keep the cash reserve ratio (CRR) of scheduled banks unchanged at 4.75 per cent of their net demand and time liabilities; and
- keep the policy repo rate under the liquidity adjustment facility (LAF) unchanged at 8.5 per cent.

Consequently, the reverse repo rate under the LAF will remain unchanged at 7.5 per cent, and the marginal standing facility (MSF) rate and the Bank Rate at 9.5 per cent.

Introduction

2. The Reserve Bank reduced the CRR by 75 basis points from 5.5 per cent to 4.75 per cent effective March 10, 2012. This measure was necessitated ahead of this scheduled Mid-Quarter Review to address the persistent

structural liquidity deficit beyond the Reserve Bank's comfort level, which would have further worsened during the week of March 12-16 due to advance tax outflows.

Global Economy

3. Since the Reserve Bank's Third Quarter Review (TQR) of January 24, 2012, there has been modest improvement in the global macroeconomic situation. The recent macroeconomic data for the US economy show some positive signs. In particular, labour market conditions have improved. However, the US Fed expects that economic conditions warrant exceptionally low levels for the federal funds rate at least through late 2014.

4. The immediate financial market pressures in the euro area have been alleviated to some extent by the European Central Bank (ECB) injecting liquidity of more than one trillion euro through the two long-term refinancing operations. Growth in the euro area, however, turned negative in Q4. The emerging and developing economies (EDEs) are showing signs of growth slowdown. As a result, the global growth for 2012 and 2013 is expected to be lower than earlier anticipated.

5. Inflation pressures in both advanced economies and EDEs moderated towards the end of 2011 on account of subdued domestic demand and correction in non-fuel commodity prices. Global crude prices, however, have spiked suddenly reflecting both geo-political concerns and abundant global liquidity, accentuating the risks to growth and inflation.

Domestic Economy

Growth

6. GDP growth [year-on-year (y-o-y)] decelerated to 6.1 per cent in Q3 of 2011-12 from 6.9 per cent in Q2 mainly reflecting a slowdown in industrial activity. On the expenditure side, the growth moderation was mainly due to a deceleration in investment activity and weak external demand. The Central Statistics Office (CSO) has estimated the full year growth for 2011-12 at 6.9 per cent, which is in line with the Reserve Bank's projection.

7. Growth in industrial production, as reflected in the index of industrial production (IIP), moderated to 4.0 per cent during 2011-12 (April-January) from 8.3 per cent in the corresponding period a year ago. While growth in the capital goods and intermediate goods sectors was negative, growth in the basic goods and consumer goods sectors decelerated marginally. Given the significant volatility in IIP numbers, the Reserve Bank also uses several other indicators to assess the overall industrial activity. The Manufacturing PMI for February suggested that industrial activity remained in an expansionary mode. While corporate sales growth in Q3 of 2011-12 was robust, margins moderated, reflecting increasing difficulty in passing on rising input prices.

Inflation

8. After remaining above 9 per cent during April-November 2011, y-o-y headline wholesale price index (WPI) inflation rate moderated to 7.7 per cent in December and further to 6.6 per cent in January 2012, before rising to 7.0 per cent in February. While moderation in WPI inflation stemmed mainly from primary food articles, fuel and manufactured products groups also contributed.

9. Primary food articles inflation, which was modest at 0.8 per cent in December, turned negative (-0.5 per cent) in January 2012, before rising to 6.1 per cent in February. Despite the sharp increase in global crude oil prices, fuel group inflation moderated from 15.0 per cent in December to 12.8 per cent in February, reflecting the absence of commensurate pass-through to domestic consumers.

10. Non-food manufactured products inflation moderated from 7.9 per cent in December to 5.8 per cent in February 2012, reflecting both a slowdown in domestic demand following the monetary tightening and moderation in global non-oil commodity prices. The momentum indicator of non-food manufactured products inflation (seasonally adjusted 3-month moving average inflation rate) also showed a moderating trend.

11. Notably, Consumer Price Index (CPI) inflation (as measured by the new series, base year 2010) for the month of January 2012 was 7.7 per cent suggesting that price pressures persist at the retail level.

Fiscal Situation

12. The Centre's fiscal conditions deteriorated during 2011-12 (April-January) with key deficit indicators already crossing the budget estimates for the full year. Apart from sluggishness in tax revenues, Government's non-plan expenditure, particularly subsidies, increased sharply. As indicated in the TQR, the slippage in the fiscal deficit has been adding to inflationary pressures. Credible fiscal consolidation, therefore, will be an important factor in shaping the inflation outlook.

Money, Credit and Liquidity Conditions

13. The y-o-y money supply (M_3) growth and non-food credit growth moderated, reflecting the slowdown in the economy. Liquidity conditions have remained significantly in deficit mode. In order to mitigate the liquidity tightness, the Reserve Bank undertook steps to inject primary liquidity of a more durable nature through open market operations (OMOs) aggregating `1,247 billion during November 2011- March 9, 2012 and reduced the CRR by 125 basis points (50 basis points effective January 28 and 75 basis points effective March 10), injecting primary liquidity of about `800 billion. The liquidity situation has since improved and it is expected to ease further in the weeks ahead.

External Sector

14. While merchandise exports growth decelerated, moderation in imports growth was less pronounced leading to a widening of the trade deficit. After the TQR, the rupee has moved in a range of `48.69 to `50.58 per USD. With sluggish demand conditions in the advanced economies impeding exports growth and crude oil prices rising sharply, the current account deficit (CAD) is likely to remain high. The financing of the CAD will continue to pose a challenge so long as the global situation remains uncertain.

Outlook

15. While the recovery in the US has been progressing, economic activity in the euro area has contracted. Although abundant liquidity injection by the ECB has mitigated the immediate pressures in financial markets, a credible solution to the sovereign debt problem is yet to emerge. Sluggish global economic activity, uncertainty in the euro area and rising crude oil prices will hamper growth prospects of EDEs.

16. On the domestic front, while most indicators suggest that the economy is slowing down, the performance in Q4 of 2011-12 is expected to be better than that in Q3. Inflation has broadly evolved along the projected trajectory so far. However, upside risks to inflation have increased from the recent surge in crude oil prices, fiscal slippage and rupee depreciation. Besides, there continues to be significant suppressed inflation in fuel, fertilizer and power as administered prices do not fully reflect the costs of production.

Guidance

17. Recent growth-inflation dynamics have prompted the Reserve Bank to indicate that no further tightening is required and that future actions will be towards lowering the rates. However, notwithstanding the deceleration in growth, inflation risks remain, which will influence both the timing and magnitude of future rate actions.

The United Co-operative Bank Ltd., Ahmedabad – Penalised

March 15, 2012

The Reserve Bank of India has imposed a monetary penalty of `5.00 lakh (Rupees five lakh only) on the The United Co-operative Bank Ltd., Ahmedabad, in exercise of powers vested in it under the provisions of Section 47(A)(1)(b) read with Section 46(4) of the Banking Regulation Act, 1949 (As applicable to Co-operative Societies), for violation of Reserve Bank of India's instructions on Know your customer (KYC) norms, share linking norms, individual exposure ceiling, unsecured advances, submission of Cash Transaction Report (CTR) statements and the provision of Sections 9, 20 and 46 of the Act observed during the course of bank's inspection as on March 31, 2010.

The Reserve Bank of India had issued a show cause notice to the bank, in response to which the bank submitted a written reply. After considering the facts of the case and the bank's reply in the matter, the

Reserve Bank of India came to the conclusion that the violation was substantiated and warranted imposition of the penalty.

Finance Minister meets the Directors of the RBI Central Board

March 19, 2012

Shri Pranab Mukherjee, Hon'ble Union Minister of Finance today addressed the Central Board of the Reserve Bank Board on the various aspects of the Budget and the background of constraints arising out of the international financial situations as also the difficult domestic situation. He said that he had tried to focus on agriculture and infrastructure. He had endeavoured to push the economy on high growth path keeping in view the growth – inflation trade-off. He emphasised the Government's earnest commitment to fiscal consolidation and indicated that all necessary steps would be taken to ensure that budget estimates would be met. The Finance Minster appreciated the Reserve Bank's pro-active role in supporting Government's efforts to promote financial inclusion. He also urged the Reserve Bank to expeditiously finalise the revised priority sector guidelines.

Earlier, the Governor welcomed the Finance Minister and complimented him on the Budget which was formulated in a trying and complex environment. He also articulated the Reserve Bank's concerns particularly with respect to fiscal consolidation.

The Union Finance Minister was addressing the customary post-Budget meeting of the Central Board of the Reserve Bank of India held in New Delhi today. Besides Dr. D. Subbarao, Governor of the Reserve Bank, Deputy Governors Dr. K.C.Chakrabarty, Dr. Subir Gokarn, Shri Anand Sinha and Shri Harun R. Khan of the Reserve Bank attended the meeting. The meeting was also attended by Shri Namo Narain Meena, Minister of State (Expenditure, Banking and Insurance), Shri R. S. Gujral, Finance Secretary and Secretary (Revenue), Shri Mohammad Haleem Khan, Secretary, Disinvestment, Government nominee directors on the Central Board Shri R. Gopalan, Secretary, Economic Affairs and Shri D. K.Mittal, Secretary, Financial Services. The other Directors of the Central Board of the Reserve Bank of India present at the meeting included Shri Kiran Karnik, Dr. Anil Kakodkar, Shri M.V. Rajeev Gowda, Shri Y.H.Malegam, Shri Dipankar Gupta, Shri G. M. Rao, Ms. Ela Bhatt, Dr. Indira Rajaraman and Dr. Najeeb Jung.

RBI holds Annual Statistics Conference 2012

March 21, 2012

The Annual Statistics Conference 2012 of the Reserve Bank of India was organised by its Department of Statistics and Information Management on March 17-18, 2012 in Chandigarh. This conference provided a platform to the statisticians of the Reserve Bank to present their research before the external experts and receive their feedback in order to make analysis more meaningful for policy and research.

Dr. K. C. Chakrabarty and Dr. Subir Gokarn, Deputy Governors; Shri Deepak Mohanty, Executive Director; Heads of select departments/office of the Reserve Bank; renowned statisticians and economists from the academia; and RBI statisticians participated in the conference.

The conference highlighted some broad principles of statistical activity in the Reserve Bank. The two key takeaways were:

- The Reserve Bank plays an important role in providing a large pool of statistics as public good. This, however, puts on it the concomitant responsibility to provide timely, reliable and meaningful data and its dissemination, by harnessing technology to its fullest possible extent.
- The statistical research also needs to encompass operational areas, such as, bank supervision and further develop database for risk assessment, rural credit and financial inclusion.

The conference deliberated on issues in coverage of banking data, need for its improvement and develop micro-level, granular and consistent data to enhance its utility in policy making. It underscored the need to strengthen the database on areas like regional and sectoral distribution of non-performing assets through more effective utilisation of the existing data systems of banks.

Building on the initiatives of the Department in bridging data gaps, undertaking forward looking surveys, providing research inputs, and data dissemination for public use, some areas of further work were identified.

These included building statistical intelligence for regional agricultural conditions and price developments; initiating quarterly survey on retail sales; strengthening modelling and forecasting capabilities; and broadbasing statistical research across departments and regional offices to address operational issues.

The technical sessions of the conference deliberated upon analytical issues in modelling, external sector developments, banking and corporate sector, surveys, risk measurement and other relevant areas.

A new user-friendly interface for the Database on the Indian Economy (DBIE) of the Reserve Bank was released during the conference, which is now open to the public on the RBI website (URL http://dbie.rbi.org.in).

Certificate of Registration of Tamil Nadu Water Investments Company Ltd – Cancelled

March 22, 2012

The Reserve Bank of India has on February 3, 2012 cancelled the certificate of registration No.07.00728 dated June 15, 2002, issued to Tamil Nadu Water Investment Company Ltd., having its registered office at ANURAG, No.15, Murray's Gate Road, Alwarpet, Chennai-600018 for carrying on the business of a non-banking financial institution as the company has voluntarily exited from carrying on NBFI activities. Following cancellation of the registration certificate the company cannot transact the business of a non-banking financial institution.

By the powers conferred under Section 45-IA (6) of the Reserve Bank of India Act, 1934, the Reserve Bank can cancel the registration certificate of a non-banking financial company. The business of a non-banking financial institution is defined in clause (a) of Section 45-I of the Reserve Bank of India Act, 1934.

Certificate of Registration of LSP Finance Limited – Cancelled

March 22, 2012

The Reserve Bank of India has on January 17, 2012 cancelled the certificate of registration No.07.00353 dated November 6, 1998, issued to LSP Finance Limited., having its registered office at No.12, Ponneri High Road, Manali New Town, Chennai-633103 for carrying on the business of a non-banking financial institution on the supervisory grounds. Following cancellation of the registration certificate the company cannot transact the business of a non-banking financial institution.

By the powers conferred under Section 45-IA (6) of the Reserve Bank of India Act, 1934, the Reserve Bank can cancel the registration certificate of a non-banking financial company. The business of a non-banking financial institution is defined in clause (a) of Section 45-I of the Reserve Bank of India Act, 1934.

Certificate of Registration of Ashley Holdings Limited – Cancelled

March 22, 2012

The Reserve Bank of India has on January 31, 2012 cancelled the certificate of registration No.07.00202 dated March 27, 1998, issued to Ashley Holdings Limited., having its registered office at 19, Rajaji Salai, Chennai-600001 for carrying on the business of a non-banking financial institution as the company has voluntarily exited from carrying on NBFI activities. Following cancellation of the registration certificate the company cannot transact the business of a non-banking financial institution.

By the powers conferred under Section 45-IA (6) of the Reserve Bank of India Act, 1934, the Reserve Bank can cancel the registration certificate of a non-banking financial company. The business of a non-banking financial institution is defined in clause (a) of Section 45-I of the Reserve Bank of India Act, 1934.

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Certificate of Registration of R. R. Finance and Projects Limited – Cancelled

March 27, 2012

The Reserve Bank of India has on January 18, 2012 cancelled the certificate of registration No.09.00227dated December 4, 1998, issued to R. R. Finance and Projects Limited, having its registered office at H.No.301, B-Saidatta Apartments, Srinivasa Nagar Colony (East) Ameerpet, Hyderabad-500038 for carrying on the business of a non-banking financial institution as the company has voluntarily exited from carrying on NBFI activities.. Following cancellation of the registration certificate the company cannot transact the business of a non-banking financial institution.

By the powers conferred under Section 45-IA (6) of the Reserve Bank of India Act, 1934, the Reserve Bank can cancel the registration certificate of a non-banking financial company. The business of a non-banking financial institution is defined in clause (a) of Section 45-I of the Reserve Bank of India Act, 1934.

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Issuance Calendar for Marketable Dated Securities for April-September 2012-13

March 27, 2012

It has been decided to continue with the practice of releasing indicative calendar for issuance of Government dated securities, enabling institutional and retail investors plan their investment efficiently and, at the same time, providing transparency and stability to the Government securities market. Accordingly, in consultation with the Government of India, an indicative calendar amounting to `370,000 crore for issuance of Government dated securities for the first half of the fiscal year 2012-13 (April 1 to September 30, 2012) is being issued as under:

Calendar for Issuance of Government of India Dated Securities
(April 1, 2012 to September 30, 2012)

Sr. No.	Week of Auction	Amount (` Crore)	Security-wise allocation
1	April 2-6, 2012	18,000	i) 5-9 Years for `4,000-5000 cr. ii) 10-14 Years for `7,000-8,000 cr. iii) 15-19 Years for `3,000-4000 cr. iv) 20 Years & Above for `3,000-4,000 cr.
2	April 9-13, 2012	15,000	i) 5-9 Years for `4,000-5000 cr. ii) 10-14 Years for `6,000-7,000 cr. iii) 15-19 Years for `2,000-3000 cr. iv) 20 Years & Above for `2,000-3,000 cr.
3	April 16-20, 2012	16,000	i) 5-9 Years for `4,000-5000 cr. ii) 10-14 Years for `6,000-7,000 cr. iii) 15-19 Years for `2,000-3000 cr. iv) 20 Years & Above for `2,000-3,000 cr.
4	April 23-27, 2012	16,000	i) 5-9 Years for `4,000-5000 cr. ii) 10-14 Years for `6,000-7,000 cr. iii) 15-19 Years for `2,000-3000 cr. iv) 20 Years & Above for `2,000-3,000 cr.
5	April 30- May 4, 2012	18,000	i) 5-9 Years for `4,000-5000 cr. ii) 10-14 Years for `7,000-8,000 cr. iii) 15-19 Years for `3,000-4000 cr. iv) 20 Years & Above for `3,000-4,000 cr.
6	May 7-11, 2012	15,000	i) 5-9 Years for `4,000-5000 cr. ii) 10-14 Years for `6,000-7,000 cr. iii) 15-19 Years for `2,000-3000 cr. iv) 20 Years & Above for `2,000-3,000 cr.
7	May 14-18, 2012	15,000	i) 5-9 Years for `4,000-5000 cr. ii) 10-14 Years for `6,000-7,000 cr. iii) 15-19 Years for `2,000-3000 cr. iv) 20 Years & Above for `2,000-3,000 cr.
8	May 21-25, 2012	15,000	i) 5-9 Years for `4,000-5000 cr. ii) 10-14 Years for `6,000-7,000 cr. iii) 15-19 Years for `2,000-3000 cr. iv) 20 Years & Above for `2,000-3,000 cr.
9	May 28- June 1, 2012	15,000	i) 5-9 Years for `4,000-5000 cr. ii) 10-14 Years for `6,000-7,000 cr. iii) 15-19 Years for `2,000-3000 cr. iv) 20 Years & Above for `2,000-3,000 cr.
10	June 4-8, 2012	15,000	i) 5-9 Years for `4,000-5000 cr. ii) 10-14 Years for `6,000-7,000 cr. iii) 15-19 Years for `2,000-3000 cr. iv) 20 Years & Above for `2,000-3,000 cr.
11	June 18-22, 2012	15,000	i) 5-9 Years for `4,000-5000 cr. ii) 10-14 Years for `6,000-7,000 cr. iii) 15-19 Years for `2,000-3000 cr. iv) 20 Years & Above for `2,000-3,000 cr.
12	June 25-29, 2012	15,000	i) 5-9 Years for `4,000-5000 cr. ii) 10-14 Years for ` 6,000-7,000 cr. iii) 15-19 Years for ` 2,000-3000 cr. iv) 20 Years & Above for `2,000-3,000 cr.

Sr. No.	Week of Auction	Amount (` Crore)	Security-wise allocation
13	July 2-6, 2012	15,000	i) 5-9 Years for `4,000-5000 cr. ii) 10-14 Years for `6,000-7,000 cr. iii) 15-19 Years for `2,000-3000 cr. iv) 20 Years & Above for `2,000-3,000 cr.
14	July 9-13, 2012	16,000	i) 5-9 Years for `4,000-5000 cr. ii) 10-14 Years for `6,000-7,000 cr. iii) 15-19 Years for `2,000-3000 cr. iv) 20 Years & Above for `2,000-3,000 cr.
15	July 16-20, 2012	15,000	i) 5-9 Years for `4,000-5000 cr. ii) 10-14 Years for `6,000-7,000 cr. iii) 15-19 Years for `2,000-3000 cr. iv) 20 Years & Above for `2,000-3,000 cr.
16	July 23-27, 2012	15,000	i) 5-9 Years for `4,000-5000 cr. ii) 10-14 Years for `6,000-7,000 cr. iii) 15-19 Years for `2,000-3000 cr. iv) 20 Years & Above for `2,000-3,000 cr.
17	July 30-August 3, 2012	15,000	i) 5-9 Years for `4,000-5000 cr. ii) 10-14 Years for `6,000-7,000 cr. iii) 15-19 Years for `2,000-3000 cr. iv) 20 Years & Above for `2,000-3,000 cr.
18	August 6-10, 2012	15,000	i) 5-9 Years for `4,000-5000 cr. ii) 10-14 Years for `6,000-7,000 cr. iii) 15-19 Years for `2,000-3000 cr. iv) 20 Years & Above for `2,000-3,000 cr.
19	August 13-17, 2012	15,000	i) 5-9 Years for `4,000-5000 cr. ii) 10-14 Years for `6,000-7,000 cr. iii) 15-19 Years for `2,000-3000 cr. iv) 20 Years & Above for `2,000-3,000 cr.
20	August 20-24, 2012	15,000	i) 5-9 Years for `4,000-5000 cr. ii) 10-14 Years for `6,000-7,000 cr. iii) 15-19 Years for `2,000-3000 cr. iv) 20 Years & Above `2,000-3,000 cr.
21	August 27-31, 2012	15,000	i) 5-9 Years for `4,000-5000 cr. ii) 10-14 Years for `6,000-7,000 cr. iii) 15-19 Years for ` 2,000-3000 cr. iv) 20 Years & Above for `2,000-3,000 cr.
22	September 3-7, 2012	16,000	i) 5-9 Years for `4,000-5000 cr. ii) 10-14 Years for `6,000-7,000 cr. iii) 15-19 Years for `2,000-3000 cr. iv) 20 Years & Above for `2,000-3,000 cr.
23	September 17-21, 2012	15,000	i) 5-9 Years for `4,000-5000 cr. ii) 10-14 Years for `6,000-7,000 cr. iii) 15-19 Years for `2,000-3000 cr. iv) 20 Years & Above for `2,000-3,000 cr.
24	September 24-28, 2012	15,000	i) 5-9 Years for `4,000-5000 cr. ii) 10-14 Years for `6,000-7,000 cr. iii) 15-19 Years for `2,000-3000 cr. iv) 20 Years & Above for `2,000-3,000 cr.
Total		**370,000**	

As hitherto, all the auctions covered by the calendar will have the facility of non-competitive bidding scheme under which five per cent or more of the notified amount will be reserved for the specified retail investors.

Like in the past, the Government of India/ Reserve Bank will continue to have the flexibility to bring about modifications in the above calendar in terms of notified amount, issuance period, maturities, *etc.* and to issue different types of instruments depending upon the requirement of the Government of India, evolving market conditions and other relevant factors after giving due notice.

Reserve Bank Cancels the Licence of The Bhusawal People's Co-operative Bank Ltd., Bhusawal, Jalgaon (Maharashtra)

March 28, 2012

In view of the fact that The Bhusawal People's Co-operative Bank Ltd., Bhusawal, Jalgaon (Maharashtra), had ceased to be solvent, all efforts to revive it in close consultation with the Government of Maharashtra had failed and the depositors were being inconvenienced by continued uncertainty, the Reserve Bank of India [RBI] delivered the order cancelling its licence to the bank and the same is effective from the close of business as on March 22, 2012. The Registrar of Co-operative Societies, Maharashtra has also been requested to issue an order for winding up the bank and appoint a liquidator for the bank. It may be highlighted that on liquidation, every depositor is entitled to repayment of his/her deposits up to a monetary ceiling of ` 1,00,000/- (Rupees One lakh only) from the Deposit Insurance and Credit Guarantee Corporation (DICGC) under usual terms and conditions.

The bank was granted a licence by RBI on March 31, 1980 to commence banking business. The statutory inspection of the bank under Section 35 of the Banking Regulation Act, 1949 (As Applicable to Co-operative Societies) (hereinafter referred to as the 'Act'), with reference to its financial position as on March 31, 2006 revealed that the gross and net NPAs were assessed at 19.0% & 15.2% of gross and net advances, respectively.

The total loss of the bank for the year 2005-06 was assessed at (-) `34.15 lakh.

The bank was issued operational instructions based on the findings of inspection with reference to its financial position as on March 31, 2006. The bank's exposure limits for lending to individual / group borrowers was restricted to 10% and 25% of its capital funds vide RBI's letter dated September 20, 2006. The bank was further prohibited vide letter dated February 5, 2009 to make any fresh lending or to renew any credit facility except those which are classified as standard.

The financial parameters of the bank continued to deteriorate further as revealed during subsequent inspections conducted with reference to its financial position as on March 31, 2007; March 31, 2008; March 31, 2009; and March 31, 2010.

The statutory inspection of the bank under Section 35 of the Act, with reference to the financial position of the bank as on March 31, 2011 revealed further deterioration in its financial position and other violations. Its net worth was assessed at (-) `420.77 lakh and CRAR was assessed at (-) 13.3% The erosion in deposits was to the extent of 27.1%. The gross and net NPAs formed 88.5% and 69.7% of the gross and net advances respectively. The assessed net loss of the bank stood at `264.64 lakh for the year ended March 31, 2011. The accumulated losses reported by the bank as on March 31, 2011 stood at `813.03 lakh.

In view of the deteriorating financial position, the bank was placed under all inclusive directions under Section 35 A of the Act from the close of business as on October 25, 2011 vide directive UBD. CO.BSD1/D-60/12.22.027/2011-12 dated October 24, 2011 placing restrictions on its activities.

Serious deficiencies as mentioned above revealed that the affairs of the bank were being conducted in a manner detrimental to the interests of the depositors. The bank did not comply with the provisions of Sections 11(1), 22(3) (a) and 22(3) (b) of the Act. Based on the financial position of the bank as on March 31, 2011 the bank was issued a Show Cause Notice (SCN) vide letter dated November 23, 2011 to show cause as to why the licence granted to it on March 31, 1980 to carry on banking business under Section 22 of the Act should not be cancelled and the bank be taken into liquidation. The bank had submitted reply to the SCN vide its letter dated December 21, 2011 and the same was examined and not found to be satisfactory. The bank had not submitted any concrete viable revival plan or merger proposal.

Therefore, RBI took the extreme measure of cancelling licence of the bank in the interest of bank's depositors. With the cancellation of licence and commencement of liquidation proceedings, the process of paying the depositors of the The Bhusawal People's Co-operative Bank Ltd., Bhusawal, Jalgaon (Maharashtra) the amount insured as per the DICGC Act, will be set in motion subject to the terms and conditions of the Deposit Insurance Scheme.

Consequent to the cancellation of its licence, The Bhusawal People's Co-operative Bank Ltd., Bhusawal, Jalgaon (Maharashtra) is prohibited from carrying on 'banking business' as defined in Section 5(b) of the Act.

For any clarifications, depositors may approach Smt.K.S.Jyotsna, Deputy General Manager, Urban Banks Department, Mumbai Regional Office, Reserve Bank of India, Mumbai, whose contact details are as below:

Postal Address: Urban Banks Department, Mumbai Regional Office, Reserve Bank of India, 2nd Floor, Garment House, Dr. A.B. Road, Worli, Mumbai – 400 018; Telephone Number: (022) 24920225, Fax Number: (022) 24935495.

The Harij Nagarik Sahakari Bank Ltd., Harij, Dist. Patan (Gujarat) – Penalised

March 28, 2012

The Reserve Bank of India has imposed a monetary penalty of `1.00 lakh (Rupees one lakh only) on The Harij Nagarik Sahakari Bank Ltd., Harij, Dist. Patan (Gujarat), in exercise of powers vested in it under the provisions of Section 47(A)(1)(b) read with Section 46(4) of the Banking Regulation Act, 1949 (As applicable to Co-operative Societies), for violation of Reserve Bank of India's instructions relating to Section 20A of B.R. Act, 1949 and Anti – Money Laundering (AML) guidelines.

The Reserve Bank of India had issued a show cause notice to the bank, in response to which the bank submitted a written reply. After considering the bank's reply in the matter and submission made during the personal hearing, the Reserve Bank of India came to the conclusion that the violation was substantiated and warranted imposition of the penalty.

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RBI keeps Normal Ways and Means Advances to the State Governments Unchanged for Fiscal 2012-13

March 29, 2012

The aggregate Normal Ways and Means Advances (WMA) limit for the State Governments inclusive of the Union Territory of Puducherry is placed at Rs.10,240 crore for the year 2012-13, the Reserve Bank of India stated today. The limits are unchanged from the last year's limits. Other terms and conditions of the Scheme would remain unchanged. The decision was taken after a review of the State-wise limits of Normal Ways and Means Advances (WMA) for the year 2011-12.

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LAF Auction Calendar for the Quarter ending 30 June 2012

March 29, 2012

The auctions for Repo/ Reverse repo operations under LAF will be conducted on all working days at Mumbai, excluding Saturdays, Sundays and holidays notified by the Government of Maharashtra under Negotiable Instruments Act, 1881 as well as RTGS holidays declared by RBI. The tenor of the LAF operations shall be one day (unless notified otherwise) and accordingly, the reversal leg of the transaction will fall due on the next working day excluding Saturdays, Sundays and holidays notified by the Government of Maharashtra under Negotiable Instruments Act, 1881 as well as RTGS holidays declared by the Reserve Bank of India.

There is no change in the existing terms and conditions under which the LAF auctions are conducted.

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Sulaimani Co-operative Bank Limited, Vadodara (Gujarat) – Penalised

March 29, 2012

The Reserve Bank of India has imposed a monetary penalty of `5.00 lakh (Rupees five lakh only) on the Sulaimani Co-operative Bank Limited, Vadodara (Gujarat) in exercise of powers vested in it under the provisions of Section 47(A)(1)(b) read with Section 46(4) of the Banking Regulation Act, 1949 (As applicable to Co-operative Societies), for violation of operational instructions imposed on the bank by RBI, non-adherence to exposure ceiling prescribed for unsecured advances, non-reporting of loans and advances granted to Directors, non-compliance with KYC norms and AML guidelines, *etc.*

The Reserve Bank of India had issued a show cause notice to the bank, in response to which the bank submitted a written reply. After considering the facts of the case and the bank's reply in the matter, the Reserve Bank of India came to the conclusion that the violation was substantiated and warranted imposition of the penalty.

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Reserve Bank of India penalises The Siddhi Co-operative Bank Ltd., Ahmedabad.

March 29, 2012

The Reserve Bank of India, in exercise of powers vested in it under the provisions of Section 47 A (1)(b) read with Section 46(4) of the Banking Regulation Act, 1949 (AACS), imposed a monetary penalty of Rs. 5.00 lakh (Rupees five lakh only) on The Siddhi Co-operative Bank Ltd., Ahmedabad, for violation of RBI instructions/ directions relating to non disclosure of penalty levied in its balance sheet and inordinate delay in reporting of Securities Transaction Reports (STRs) without any cogent reason.

RBI had issued a Show Cause Notice to the bank in response to which the bank submitted a written reply and after considering facts of the case, bank's reply and personal submissions in the matter, RBI came to the conclusion that the violations were substantiated and warranted imposition of penalty.

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WMA Limits for Government of India fixed for the First Half of the Financial Year 2012-13

March 30, 2012

It has been decided in consultation with the Government of India that the limits for Ways and Means Advances (WMA) for the first half of the financial year 2012-13 would be as under:

- `50,000 crore for April 01, 2012 to June 30, 2012.
- `45,000 crore for July 1, 2012 to September 30, 2012.

The Reserve Bank may trigger fresh floatation of market loans when the Government of India utilises 75 per cent of the WMA limit.

The Reserve Bank would retain the flexibility to revise the limits at any time, in consultation with the Government of India, taking into consideration the prevailing circumstances.

The interest rate on WMA/overdraft will be:

a. WMA : Repo Rate

b. Overdraft : Two percent above the Repo Rate

The minimum balance required to be maintained by the Government of India with the Reserve Bank of India will not be less than `100 crore on Fridays, on the date of closure of Government of India's financial year and on June 30, *i.e.*, closure of the annual accounts of the Reserve Bank of India and not less than `10 crore on other days.

As per the provisions of the agreement dated March 26, 1997 between the Government of India and the Reserve Bank of India, overdrafts beyond ten consecutive working days will not be allowed.

The WMA limits for the second half of the financial year 2012-13 would be fixed in September 2012.

State Finances: A Study of Budgets of 2011-12

March 31, 2012

The Reserve Bank of India (RBI) today released 'State Finances: A Study of Budgets of 2011-12', a publication that provides data, analysis and assessment of finances of State governments.

The State government budgets for 2011-12 proposed to carry forward the fiscal correction process by focusing more on expenditure control against the backdrop of roll back of fiscal stimulus measures and tapering off of the impact of the Sixth Pay Commission award. All States, barring one, amended their Fiscal Responsibility and Budget Management (FRBM) Acts/Rules, in line with the Thirteenth Finance Commission (ThFC) recommendation, with the aim of eliminating revenue deficits and bringing about graduated reductions in fiscal deficit and debt levels latest by 2014-15.

Role of the Reserve Bank in State Finances

The theme chapter on the 'Role of the Reserve Bank in State Finances' traces the responsibilities of the Reserve Bank which have, over the years, increased beyond its mandated roles of serving as a banker and debt manager of the State governments. As a banker to the States, the Reserve Bank extends banking services to all the States. It also modulates ways and means (WMA) limits and overdraft (OD) regulations to meet the short-term resource requirements of the States without impinging upon fiscal discipline and monetary stability. As a debt manager, the Reserve Bank created the enabling conditions for the States to transit from an administered system to a full-fledged auction system for market borrowings. Apart from these traditional roles, the Reserve Bank has also been playing an advisory role and has been instrumental in initiating rule-based medium-term fiscal consolidation of the States, besides advising them on policy issues emerging from time to time to ensure fiscal sustainability. The dissemination of information and analysis of State finances by the Reserve Bank every year have become an important reference for not only undertaking policy decisions but also facilitating research in this area.

Issues in State finances

The Study also highlights several issues of significance and concern for the State Governments. Although all the States except Goa have amended their FRBM Acts/Rules, most of them do not include provisions for additional disclosures for enabling transparent assessment of State finances. The recommended restructuring of the public expenditure system would enable better management of outlays for effective outcomes. Successful restructuring of the public expenditure management system would, however, call for appropriate assimilation of the new system across the government machineries at all levels including the Planning Commission, the Central and the State governments. The rationalisation of the operation of Centrally Sponsored Schemes is expected to address the issues of lack of flexibility in these schemes, counterpart funding shortage from States and low utility of large number of schemes with thinly spread resources at the field level. The financial losses of State power utilities continue to be a drag on State finances which necessitate not only renegotiating debt liabilities of distribution utilities but also undertaking necessary reforms to enable independent functioning of State Electricity Regulatory Commissions and to address issues relating to periodic tariff revisions. As part of fiscal transparency initiatives, the State governments need to ensure that their finances capture both explicit and implicit liabilities associated with certain off-budget activities, including project financing undertaken through SPVs/public-private partnership mode. There is also need for greater focus on structural issues confronting State finances, particularly for those States that could not undertake rule-based fiscal corrections prior to the crisis years of 2008-09 and 2009-10.

Major findings of the Study

Fiscal consolidation budgeted to continue in 2011-12, with a turnaround in the consolidated revenue account

- The consolidated revenue account is budgeted to switch from deficit to surplus during 2011-12 after a gap of two years, driven primarily by a compression in revenue expenditure.
- The improvement in the revenue account is expected to not only provide the necessary resources for increased capital outlay but also enable a reduction in the GFD-GDP ratio by 0.5 percentage point in 2011-12(BE) over 2010-11(RE). The envisaged fiscal deficit-GDP ratio for 2011-12 is, however, higher than the ThFC's annual path, mainly on account of higher capital outlay.

Improvement in key fiscal indicators to be broad-based across States

- Most States have budgeted to eliminate their revenue deficit in 2011-12 as envisioned by the ThFC, with 23 out of the 28 States expected to record revenue surpluses. The GFD-GSDP ratio is budgeted to decline in 18 States during 2011-12, even though capital outlay (CO)-GSDP ratio is placed higher in 17 States during the same period.
- The budgeted improvement in the revenue account is led by a reduction in revenue expenditure-GSDP ratio in 16 States.

Decline in key expenditure ratios raises concern regarding the quality of fiscal adjustment

- State-wise position with regard to quality of expenditure shows that during 2011-12, out of the 28 States, 15 States have budgeted for a decline in development expenditure-GSDP ratio and 16 States have budgeted for a decline in social-sector expenditure-GSDP ratio over the previous year. Committed expenditure-GSDP ratio is budgeted to increase in 15 States during the same period. This raises concerns about the quality of fiscal adjustment being undertaken at the State level.

Decline in States' overall debt-GDP ratio to continue in 2011-12

- The consolidated debt-GDP ratio of the States declined during 2010-11 to 23.5 per cent from 25.5 per cent in 2009-10, with a reduction in debt-GSDP ratio across all the States (except two in the special category). With further budgeted reduction during 2011-12, debt-GDP ratio at 22.5 per cent is expected to be much below the ThFC recommended limit of 26.1 per cent for the year. This trend is poised to continue in the medium term with the amended FRBMs of the States setting out a graduated path of reduction in debt-GSDP ratios for the respective States.
- The compositional shift of outstanding liabilities towards market loans continued during 2010-11

and is budgeted to increase further during 2011-12. The declining trend in the share of NSSF (the high cost component of debt) could be further reinforced in the light of reduction in the mandatory allocation of small savings collections for the States from 80 per cent to 50 per cent from the fiscal year 2012-13.

- Aided by the reduction in debt-GSDP ratios, interest payments (IP) to revenue receipts (RR) ratios of 14 of non-special category States are expected to be lower in 2011-12(BE) than their levels in 2010-11(RE).

This publication has been prepared in the Fiscal Analysis Division (FAD) of the Department of Economic and Policy Research. The current issue along with past issues are available on the RBI website (www.rbi.org.in). All the articles/studies on State Finances from 1950-51 to 2010-11 are available in a Compendium CD, which was released in July 2011. Comments on this publication may be sent to Director, Fiscal Analysis Division, Department of Economic and Policy Research, Reserve Bank of India, Shahid Bhagat Singh Road, Mumbai-400001. Comments can also be sent via e-mail.