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SPEECHES

*Strengthening Free Enterprise in India**

Raghuram G. Rajan

I did not have the privilege of meeting Nani Palkhivala, but every citizen of India has been affected in some way by his life's work, and owes him a debt of gratitude. Born in 1920, Mr. Palkhivala was not only a jurist of the highest caliber, he was also a tireless champion of constitutional liberties, of human rights and individual freedom, and of economic freedom. Nani Palkhivala fought the Kesavananda Bharati case that established the principle that the Indian Parliament cannot alter the basic structure of the constitution. This, by itself, would be enough to enshrine him as a founder of modern India. But he did much more. He stood up to the Emergency, one of the few voices raised against authoritarianism, when the very character of India's democracy was in question. And recognising that political and economic freedom go hand in hand, in his regular post budget speech, he enthralled thousands with his views on the economic policies of the country.

Mr. Palkhivala was a lonely voice against the socialism practiced in India then, arguing that it was a fraud – transferring wealth from the honest rich to the dishonest rich. Instead, he championed free enterprise. It bears remembering that he was chairman of TCS, one of the brightest stars of the Indian economy today. No wonder Rajaji once called him 'God's own gift to India'.

Towards the end of his life, Nani Palkhivala soured on the Indian experience. In a speech in Australia, dejected by the leak of the IIT entrance exam papers, reflecting the weakening of yet another once-sacrosanct institution, he said, 'I do not think India, in its entire history of 5,000 years, has ever reached a lower level of degradation than it has reached now.' But in that speech, he also said that India always seemed to find a way of coming out of the morass. I will argue in my talk today that Palkhivala's optimism about India eventually finding the way was probably more warranted than his pessimism. Yes, we have our weaknesses and our excesses, but our democracy is self-correcting, and even while some institutions weaken, others come to the fore. India's is a dynamic society, ever changing, ever rejuvenating. Indeed, the possibilities for free enterprise in India today are probably better than ever before in its history.

Conditions for free enterprise to flourish have historically thought to be two:

1. Level playing field with easy entry and exit, and
2. Protection of property rights.

Let me first discuss these conditions, then I will add two more that I think important for free enterprise to be politically viable.

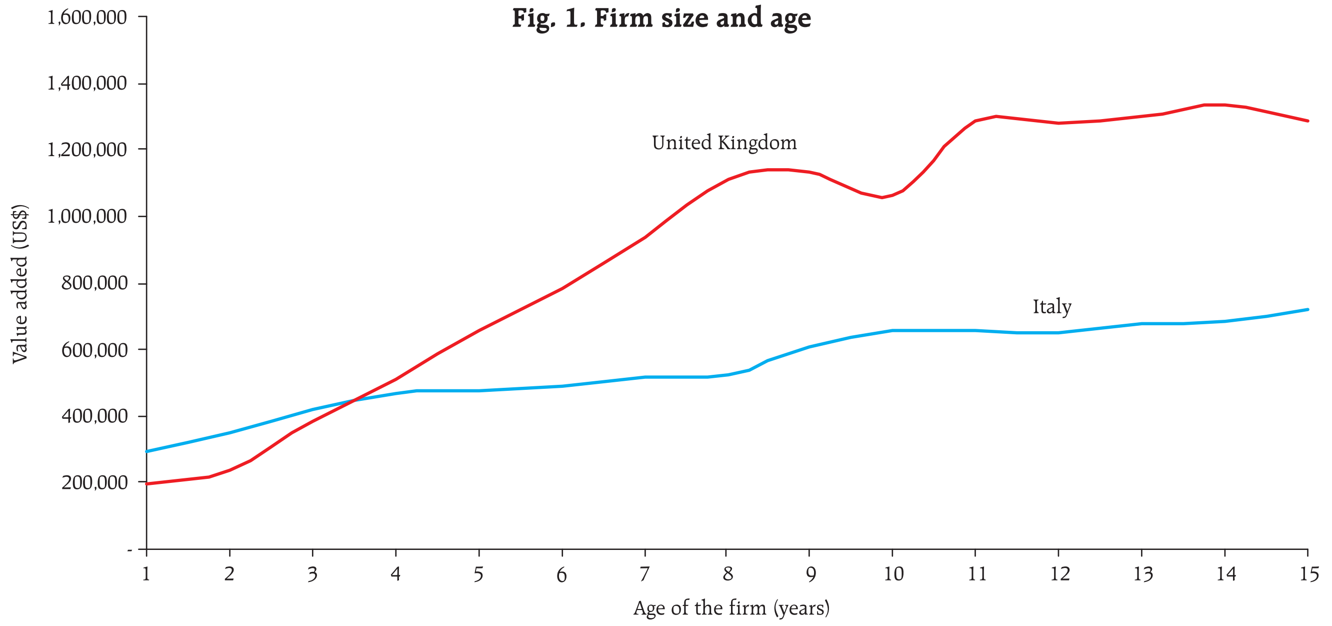
3. Broadening access to capabilities, and
4. A basic safety net.

a) Level playing field with easy entry and exit.

- Competition leads to efficient outcomes when anyone can enter, set up a firm, and compete. The best entity wins leading to economy wide efficiency.
- Free enterprise and competition combats prejudice and social biases.
  - Dalit entrepreneurs
  - Direct benefit transfers
- Government and regulators are needed to set the rules of the game and enforce behavior. Biased government/regulation distorts the playing field. Not that there

* Notes for the 13th Nani A. Palkhivala Memorial Lecture by Dr. Raghuram G. Rajan, Governor, Reserve Bank of India on February 4, 2016 at Mumbai.

Fig. 1. Firm size and age



should be no handicaps but not unequal handicaps.

- ○ Work I did on entry regulation: Italian firms small. But low entry. Why? Work I did Rajan, Laeven and Klapper (2006). Italian firms need greater size to overcome fixed costs of entry but grow more slowly. Slower economic growth.

- In India
  - ○ License-Permit Raj: Remedy: Liberalisation of the 1990s.
    - ▪ Entry of 23 new banks
  - ○ Resources Raj: Privileged access to mines, spectrum, *etc.* Remedy: Auctions and transparency.
  - ○ Inspector Raj: Remedy: Start up India, reducing red tape, entry barriers.
    - ▪ Continuing clean-up of laws gives hope, especially as states compete for simplifying regulations.
    - ▪ RBI master directions.
- Some continuing infirmities that especially hurt new firms:
  - ○ Infrastructure plus logistics: Weighted against the small.
    - ▪ Roads, ports, airports, power, internet marketplaces
  - ○ Land: Weighted against the new.
    - ▪ Competition between states
  - ○ Finance: Weighted against new and untried. Changing with technology and new institutions.
    - ▪ Small firms and small banks -- evidence: Small finance banks
    - ▪ Unique ID: Government
    - ▪ TReDS
    - ▪ Start-ups – liberalising
- Still uneven playing field on distress.
  - ○ Resolving large firms very difficult: Workers as pawns.
    - ▪ Courts focus on revival rather than resolution

        - Promoter benefited
        - Hard for debt to recover money
        - Laws become more draconian to give creditors powers
    - Laws applied more quickly to small firms, sometimes with a bias to creditors.
    - Operational and speedy bankruptcy code will level the playing field.
        - Negotiating in the shadow of bankruptcy
- Issues of excessive market power and predation.
    - Competition Commission showing its mettle
    - Need to ensure awards survive appeals
- Why greater concern now on issues of competition and entry?
    - The jobs agenda: Job is the best form of inclusion.
    - Growing small firms as job creation

b) Protection of property rights

- Private property protection needed to incentivise activity: I eat what I kill.
    - Broadly protected in India
    - Is it too well protected – land for infrastructure
- Moderate and predictable taxes and estate duties – Government has delivered.
    - Administrative steps to rein in unnecessary tax demands
    - Automation of significant parts of the tax process
- Retrospective taxation: Clear government statement. However, base erosion and profit shifting – worldwide issue that large corporations need to answer – equal requirement of transparency on corporate side: Need for global agreements.

c) Broadening access to capabilities

- Aam aadmi attaches no value to free enterprise if he cannot participate.
- Increasingly, enterprises of the future require employees to have decent education and health.
- Malnutrition curses an individual for life, as does poor early education.
- Effective delivery of social programs so that everyone has the ability to compete is absolutely necessary.
- Capitalism starts at age 21!

d) A Basic Safety Net

- Competition can be ruinous despite one's best efforts.
- Need a basic safety net, not focused on firms but on individuals:
    - Unemployment insurance, basic healthcare, old age pensions
- Should not be prohibitively costly for government.
    - Cost entitlements and incorporate into budget liability projections
    - Charge reasonable premiums for the insurance
    - Recognise that if insurance is not explicit, it will be implicit in a democratic society.
- Safety net can also encourage people to take risks they would shy away from otherwise.

In conclusion

- India has come a long way in encouraging free enterprise.
- From tiny shops to large internet start-ups, the spirit of entrepreneurship is alive.
- Graduates increasingly want to start businesses or work for start-ups rather than go to an established consultancy or bank.
- Doing business is more reputable, as is getting rich.
- But a lot more work is needed to improve the environment so that everyone has a chance. Rather than looking for special dispensations, business has to push for improving the business environment for everyone. Glad business associations are increasingly doing this.
- As Palkhivala said, India always seems to find the way, perhaps not quickly and not linearly, but in due course.

*Issues in Banking Today**

Raghuram G. Rajan

Thank you for inviting me here today. In a country that is growing at above 7 per cent, is brimming with entrepreneurial zeal, has a young population which has grown up with mobile technology, one would think that the banking sector would be buoyant. Yet the recent decline in bank share prices has investors on the edge. Of course, part of the reason is that markets are in turmoil. Some of the greater decline of bank share prices can therefore be explained by the fact that they are seen as a leveraged play on the economy. On bad days, they move down more, on good days they move up more. With markets generally in decline, the decline in bank share prices has been more accentuated.

However, part of the reason is that some bank results, mainly public sector banks, have not been, to put it mildly, pretty. Clearly, an important factor has been the Asset Quality Review (AQR) conducted by the Reserve Bank and its aftermath. So it may be useful to understand the rationale for the AQR, the process, and what I believe will be the outcome.

Dealing with Stressed Loans

Over time, as you know, a number of large projects in the economy have run into difficulty. Reasons, as Mr. Mundra articulated this morning, include poor project evaluation, extensive project delays, poor monitoring and cost overruns, and the effects of global overcapacity on prices and imports. Loans to these projects have become stressed.

There are two polar approaches to loan stress. One is to apply band aids to keep the loan current, and hope that time and growth will set the project back on track. Sometimes this works. But most of the time, the low growth that precipitated the stress persists. The fresh lending intended to keep the original loan current grows. Facing large and potentially unpayable debt, the promoter loses interest, does little to fix existing problems, and the project goes into further losses.

An alternative approach is to try to put the stressed project back on track rather than simply applying band aids. This may require deep surgery. Existing loans may have to be written down somewhat because of the changed circumstances since they were sanctioned. If loans are written down, the promoter brings in more equity, and other stakeholders like the tariff authorities or the local government chip in, the project may have a strong chance of revival, and the promoter will be incentivised to try his utmost to put it back on track.

But to do deep surgery such as restructuring or writing down loans, the bank has to recognise it has a problem – classify the asset as a Non Performing Asset (NPA). Think therefore of the NPA classification as an anesthetic that allows the bank to perform extensive necessary surgery to set the project back on its feet. If the bank wants to pretend that everything is all right with the loan, it can only apply band aids – for any more drastic action would require NPA classification.

Loan classification is merely good accounting – it reflects what the true value of the loan might be. It is accompanied by provisioning, which ensures the bank sets aside a buffer to absorb likely losses. If the losses do not materialise, the bank can write back provisioning to profits. If the losses do materialise, the bank does not have to suddenly declare a big loss, it can set the losses against the prudential provisions it has made. Thus the bank balance sheet then represents a true and fair picture of the bank's health, as a bank balance

* Speech at CII's first Banking Summit by Dr. Raghuram G. Rajan, Governor, Reserve Bank of India at Mumbai on February 11, 2016.

sheet is meant to. Of course, we can postpone the day of reckoning with regulatory forbearance. But unless conditions in the industry improve suddenly and dramatically, the bank balance sheets present a distorted picture of health, and the eventual hole becomes bigger.

In 2008-9, after the global financial crisis, the Reserve Bank agreed to forbear on certain kinds of stressed loan restructuring, hoping that this was a temporary need pending stronger growth. Unfortunately, for a variety of reasons, the stress has not been temporary, and growth in these sectors has proved elusive. Therefore, early in the process, the Reserve Bank set about giving banks the tools to deal with stressed loans, including information about the degree of the borrower's collective indebtedness from the system and more effective ways to reduce the project's financial stress such as the Joint Lender's Forum, the Strategic Debt Restructuring mechanism, and the 5/25 mechanism. In a way, the RBI has been trying to create a functioning resolution process in a situation where the existing bankruptcy system functions poorly.

Asset Quality Review

Of course, every new tool can be used to deal with a problem, but also perversely, to avoid it. So after giving banks the tools, the RBI ended forbearance in April 2015, and then started the Asset Quality Review (AQR) to ensure that banks were taking proactive steps to clean up their balance sheets. Working with the banks, our supervisors, led superbly by our head of banking supervision, Ms. Parvathy Vairasundaram, our Executive Director for supervision, Ms. Meena Hemchandra, and, of course, our Deputy Governor, Shri S. S. Mundra, identified loans that were of concern, as well as loans that had potential weaknesses. For the loans that are of concern, the banks are attempting to regularise the loans that can be put back on track, and are classifying those that cannot for deeper surgery – and taking provisions in accordance with the degree of extant stress in the loan. They will also make provisions for loans that have weaknesses. Our intent is to have clean and fully provisioned bank balance sheets by March 2017.

Why not do everything in one go rather than over a period of six quarters? Precisely because a number of these loans can be regularised, or stabilised when weak but regular, through the right collective actions. Sometimes, an NPA classification, even while permitting deeper surgery, prompts risk aversion on the part of bank boards and they stop lending even when the project is viable. We need to overcome this view – we have issued circulars stating that a loan to a project whose other loans are NPA does not automatically become an NPA – but it will take time. Pending the change in attitude, which I think will come as banks turn to unlocking the value in NPAs, we are working with them to sequence the most obvious actions up front. However, the end game is clear to everyone and bounded. We do not envisage a sequence of AQRs.

Having pointed out the contours of the task to be accomplished, our teams are working with the banks to ensure that they are all broadly on the same page in terms of recognition and provisioning, even though each one has flexibility on individual cases. This means that December 2015 quarter results can be compared across banks to get a rough sense of the task each bank has to accomplish. Some banks have expressed an intent to moves faster, so as to put the problem behind them, and we have not held them back. We have not put out any of our final estimates because we believe it is a moving target, with more bank action, promoter response, and growth diminishing the eventual cost. It is important to recall that underlying many of these stressed loans is an economically viable productive asset, not ghost townships.

A lot of work has gone into this review, including many meetings with the Government at every level including the highest. The Government has been fully involved and supportive. We have mapped out a variety of scenarios on possible outcomes. The Finance Minister has indicated he will support the public sector banks with capital infusions as needed. Our estimate is that the Government support that has been indicated will suffice. Our various scenarios also show private sector banks will not want for regulatory capital as a result of this exercise. Finally, the RBI is also working on identifying currently non-recognisable capital that is already on bank balance sheets, such as undervalued assets. The RBI could allow some of these to count as capital as per Basel norms, provided a bank meets minimum common equity standards.

There are some wild claims being made by some financial analysts about the size of the stressed asset problem. This verges on scare-mongering. Our projections are that any breach of minimum core capital requirements by a small minority of public sector banks, in the absence of any recapitalisation, will be small. They will need government equity or preference share infusion since they are typically banks that will find it difficult to raise equity in the markets. A few others will need a top up of their capital to ensure they have a reasonable buffer over and above minimum capital. What the Government has already explicitly committed is, in our view, enough to take care of all reasonable scenarios, and the Government has committed to stand behind its banks to whatever extent needed. The RBI will provide whatever liquidity is needed by any bank that needs it, though we do not foresee liquidity stress.

In sum, while the profitability of some banks may be impaired in the short run, the system, once cleaned, will be able to support economic growth in a sustainable and profitable way. The economic assets of our public sector banks, such as the trust they are held in by the population, their knowledgeable employees, their location and reach, and the low-cost funding they have access to, can then be fully realised.

Why Now?

Why now? Why did we have to pick this period of global market turmoil for banks to start cleaning up? Why not let growth take care of the problem? As I have already said, the process started in April 2015. We knew at that time that the global economy would continue to be weak but not that markets would be in turmoil today. Nevertheless, this simply reinforces our belief that we needed to act when we did.

While growth will help the system, it would likely be significantly impaired if we did not nudge the process of clean up. Non-food credit growth from public sector banks, the more stressed part of the system, grew at only 6.6 per cent over the calendar year 2015. Industrial credit growth for PSBs was only 3.3 per cent while growth in lending to agriculture and allied lending was only 10.4 per cent. The only area of strength was personal loans, where growth was 16.9 per cent. In contrast, non-food credit growth in private sector banks was 20.2 per cent, in agriculture 25.4 per cent, in industry 14.6 per cent, and 23.5 per cent in personal loans. Put differently, in each of these areas except personal loans, loan growth in private sector banks was at least 10 percentage points higher than public sector banks, while loan growth in personal loans was 6.6 percentage points higher.

The most plausible explanation I have is that the stressed balance sheet of public sector banks is occupying management attention and holding them back, and the only way for them to supply the economy's need for credit, which is essential for higher economic growth, is to clean up. The silver lining message in the slower credit growth is that banks have not been lending indiscriminately in an attempt to reduce the size of stressed assets in an expanded overall balance sheet, and this bodes well for future slippages. In sum, to the question of what comes first, clean up or growth, I think the answer is unambiguously 'Clean up!' Indeed, this is the lesson from every other country that has faced financial stress.

Some citizens are outraged by the size of the losses that will have to eventually be absorbed and want the perpetrators to be brought to justice. Let me emphasise that all NPAs are not because of malfeasance. Indeed, most are not. Loans can go bad even if the promoter has the best intent and banks do the fullest due diligence before sanctioning. Nevertheless, where there is evidence of malfeasance by the promoter, it is extremely important that the full force of the law is brought against him, even while banks make every effort to put the project, and the workers who depend on it, back on track. This is why we have strengthened the fraud detection and monitoring mechanism, and look forward to bank support to make it effective.

The Government is taking direct action to clear bottlenecks and revive stalled stressed projects, and intends to support them with equity infusion through the National Investment and Infrastructure Fund. Private well-funded players are looking to buy assets, and in recent weeks we have seen some promoters sell assets to raise money to pay banks or infuse in projects. All this activity bodes well for the success of the clean up.

Improving Bank Management and Governance

We must also ensure that we are not faced with this situation again. The Government, through the Indradhanush initiative, has sent a clear signal that it wants to make sure that public sector banks, once healthy, stay healthy. Strengthening Board and management appointments, decentralising more decisions to the professional board, finding ways to incentivise management, all these will help improve loan evaluation, monitoring and repayment. Banks must review their procedures to ensure they can make good credit decisions. The new bankruptcy code, when enacted, will finally give creditors a way of collecting repayment through the judicial process in reasonable time. So my hope and belief is that the next time will be different for public sector banks – they will emerge from this clean up stronger and more capable.

Liquidity

Let me turn to a final issue, unrelated to the AQR, that is, system wide liquidity. The RBI has been infusing plenty of liquidity in the system to offset any seasonal build up in Government balances. Indeed, money market rates have dipped dramatically on some days because of the liquidity infusion. Nevertheless, market participants have complained about shortage.

We invited a number of market participants to the Reserve Bank to discuss their concerns. While we are still trying to understand which of their concerns have merit and can be addressed, we are acting today on one issue that we were cognizant of, the use of SLR bonds to meet Liquidity Coverage Ratio needs. While the circular was in the works, we have expedited its issue because of what we heard from the participants. As of today, we will allow banks to count 3 percentage points more of their SLR holdings towards LCR requirements. A more detailed announcement will be released this evening.

In Conclusion

The market turmoil will pass. The clean-up will get done, and Indian banks will be restored to health. While we should not underplay the dimensions of the task, we should be confident that it is manageable and that the Government and the RBI will do what it takes to make sure that banks are able to support the tremendous growth that lies ahead. Thank you.

*Financial Stability – Issues and Concerns : Are We Barking up All Right Trees?**

R. Gandhi

It's indeed a pleasure to inaugurate this Conference on 'Financial Stability, Credit Distress and Economic Growth: The way forward' organised under the aegis of the Union Bank – Great Lakes Center for Excellence in Banking and Finance. I am happy to note that this is a collaborative effort by banking and academic and research institutions. As I will explain, the selected topic of the conference is not just on an apt and very contemporary issue, it also needs theoretical explanation, well researched solutions for practical use by banks. Hence, coming together of the three types of entities is very welcome.

2. Financial stability objective is, as widely recognised and by very nature, fraught with complexity and challenges in terms of precision in definition, measurement, tools and achievement. Though an often quoted and widely used phrase, financial stability has, in contrast to price stability, been difficult to define or measure. From a macroprudential perspective, financial stability could be defined as a situation in which the financial sector provides critical services to the real economy without any discontinuity. However, this cannot be quantified for measurement purposes.

3. As regulators we are expected to indicate and also address the important systemic risk areas, preferably before they materialise, and in a world environment defined by an ever increasing degree of uncertainty, this task continues to get more arduous. While it is important to 'bark up' (or shout from the rooftops) about the systemic risks which, in the opinion of the regulators, are the most significant and more probable, at a given point in time, the regulators cannot afford to miss the woods for the trees. Effective regulation thus aims at understanding and guarding against the big risks, going beyond mere compliance with increasingly detailed and complex rules.

4. With this short introduction to the topic, let me set the tone for a post lecture brainstorming amongst you with a few broad themes that I think, underlie the ultimate purpose of my speech.

Financial Stability: A Dynamic Stability

5. The first one is to revisit the very purpose of the financial system amidst an existential angst (anxiety). The global financial crisis had brought in paradigm shifts in many areas *viz.*, regulation, governance and mind-set, amongst others…all in pursuance of a sustainable financial system and a system that should be sub-serving the real sector rather than self-serving. I am not sure whether we are done with the post crisis learning curve or are still somewhere on it.

6. The second issue that comes to my mind is the need to bring a perspective to the concept of stability – stability which is dynamic and not static. One may wonder if 'dynamic stability' is an oxymoron, but a peep into the heavens would tell us that it is not, as our own solar system and the planets are in a state of dynamic stability. On the other hand, the reason why I bring the concept of dynamic stability into the discussion is that we should not tend to view financial stability as an issue of importance only in post crisis

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* Inaugural Speech delivered by Shri R. Gandhi, Deputy Governor, Reserve Bank of India at the 6th Annual Great Lakes – Union Bank Financial Conference on Feb 5, 2016 at Great Lakes Institute of Management, Chennai. Assistance provided by Shri R. Gurumurthy is gratefully acknowledged.

periods; instead it should be imbibed as a discipline by itself. Besides, we can't ignore Minsky's famous words of wisdom – 'stability creates its own instability'. The best evidence for this comes from the days of great moderation, during which period, growth and inflation in the developed world became less volatile, interest rates were low resulting in search for yield and development of structured financial products starting with securitisation - without concern for financial stability; at least it appears so in hindsight.

Regulation vs innovation

7. The global financial crisis also brought into the fore the conflicts between regulation and innovation. The reason why we, the regulators, faced the flak for the crisis was that we were perceived to be too inadequate to understand and address the excesses committed by an industry in the name of innovation. While it is necessary to align the policy environment and innovation strategies with the available regulatory capacity, the latter needs to be upgraded to match the natural course of economic development. Sometimes necessary innovations won't even take off due to the policy making process getting influenced by paradoxes of innovative endeavours such as 'success failure paradox' and/or 'feedback rigidity paradox'. Financial market innovations commensurate with the economic development and the needs of the real sector, if ignored, can push crucial markets outside the system and hence away from the reach of domestic regulations. Innovation also will not take off in the absence of a supportive culture, understanding and adequate resources to carry it forward. While regulation can provide an enabling environment, it is for the market participants to exploit the opportunities provided, but they have to play the game as per the rules.

Bank Capital Regulations – The efficiency-redundancy paradigm

8. Let me now turn to some specifics. Being a banking regulator and also given the fact that our financial system is a bank dominated one, my focus will be largely on the banking sector, barring some generalisations panning the entire financial system. The evolving bank capital regulations have been more guided by the fact that financial institutions in the developed world ventured into risky innovations with the help of excessive leverage and an ex-ante insufficient capital. The process of re-regulation went through the global standards setting mechanisms, primarily under the Basel Committee and Financial Stability Board. The result is that we got into an 'efficiency-redundancy trade-off' debate which is all the more relevant to jurisdictions that are much less complex and are wanting financial inclusion and deepening. While it is important for the Emerging Markets and Developing Economies (EMDEs) to learn from the mistakes of others, we probably need much simpler regulatory approaches given our not so complex financial systems and also in view of the need to expand and extend the coverage and reach of financial services, given our much underpenetrated financial services industry.

9. Moving ahead to other pertinent issues in this regard, if we are dealing with a capital intensive industry that is overburdened with compliance, there is a danger of unwittingly setting strong entry barriers, encouraging misallocation of resources and distorting incentive structures as well as pricing of financial products.

10. Closer on the heels of efficiency-redundancy trade-off, we have the safety-efficiency trade-off, the manifestation of which can be seen in the public-

private sector bank paradigm in India. In terms of public perception, the public sector banks (PSBs) with the implicit government support, are considered to be relatively immune to destabilising impacts. However, the same sense of safety evades PSBs when it comes to their valuations. This has an efficiency imperative - when judged by their returns on asset or capital employed.

11. With the Indian government thinking of new performance based norms for capital infusion, this disconnect is sought to be addressed. There may be a notion, albeit incorrect and incomplete, that, with the government deciding on performance based parameters for deciding upon which bank deserves fiscal support. The move to link budgetary capital allocation with performance needs to be seen as a serious attempt to convey the right signals to all banks to introspect and, if necessary, redefine their business strategies. In other words, in the long run, the new norms will be value enhancing for the public sector banks. One caveat though that the frictions that hinder the performance PSBs need to be completely eliminated and they should be allowed to work on commercial principles even as the costs of social banking have to be provided for separately. If that is through budgetary support the government may be more than compensated through increased revenues from and valuations of PSBs.

Semantics of shadow banking

12. The role of the 'shadow banking system', defined as 'credit intermediation involving entities and activities outside the regular banking system', as a source of systemic risk was an important learning outcome of the global financial crisis. Its importance stemmed not only from its direct role in supplying credit or liquidity to the economy but also due to its interconnectedness with the more closely regulated banking system.

13. The motivation for regulatory reforms in the shadow banking space in developed economies, especially in the US, emanated from certain dilemmas that, on the one hand, there was a need to de-risk the overgrown complex banking industry which inevitably needs the presence of shadow banking entities to absorb those risks and the concerns over the role of shadow banking entities in consummating the financial crisis, on the other. For developing markets like India these concerns may not be fully valid, given the low penetration of banking services, much less complex financial markets and level of regulatory oversight exercised over non-banking financial companies (NBFCs). The Indian shadow banking system is relatively small and less complex. Besides, the question is how intense the regulatory stance can get, so as to keep the costs of regulation commensurate with the systemic impact that these entities can cause and to ensure that certain financial market activities do not move out of the regulatory perimeter.

14. However, according to the FSB methodology and classification, the size of the shadow banking sector in India is estimated to be around USD 190 billion, which is the 15th largest in the world. Among the BRICS, India has the third largest shadow banking sector. This may at once be discomforting but it must be understood that the shades of shadow banking in India's relatively underdeveloped financial markets are different, and unlike other major jurisdictions, the concerns in this regard mainly relate to a large pool of unregulated small entities with varying activity profiles. Thus for us, it is more of a consumer protection issue rather than a systemic stability issue and we have been tackling the same.

Asset quality in banks

15. Is the current emphasis on asset quality of banks a little overstretched undermining other concerns? Asset quality is one of the parameters, that define the strength and resilience of the sector; other factors are soundness (capital adequacy), liquidity (liquid assets to total assets), profitability and efficiency (cost to income).

16. While administering the regulatory medicine, we must be discerning in dealing with asset quality deterioration that is caused by economic/business cycles and for reasons beyond the control of borrowers/ entrepreneurs to service their loans from those arising out of wilful delinquencies or over-leveraging. When we are not able to recognise this distinction, the sanctity of official/regulatory 'forbearance' is undermined by analysts and investors.

17. In our own case, such forbearance in the form of restructured standard advances was granted to ameliorate the impact of worsening economic conditions. What must be appreciated is the fact that restructured advances were disclosed transparently, though we later understood that there is an uncertainty in the markets in reading through these numbers and arriving at what exactly is the quantum of 'bad apples' in the banking sector basket. It is to put an end to such speculation about the asset quality issues, good governance required us to take the 'asset quality review' on a priority basis so that all stakeholders can clearly see the strength of the banks' balance sheets.

18. Resolving asset quality issues in PSBs also has become little urgent ahead of plans for capital augmentation under the new dispensation, if we take into account the behavioural dimension, as both lenders and borrowers tend to be drawn towards taking extreme positions between 'total risk aversion' and 'the temptation to take bigger gambles' in the face of potentially weaker balance sheets.

Issues beyond Asset Quality

19. We need also to look at issues other than the quality of assets in banks, that include autonomy to take commercial decisions to governance structures, especially where the board level responsibilities should go beyond 'box-ticking' and that the so called 'grey' or 'independent' directors are truly 'independent'.

20. How to improve the liquidity of banks' assets – both loans and investments? For the securitisation markets to develop we need to improve the quality of loan origination, which solely depends upon 'ownership of decisions' relating to loan origination. Directed lending in whatever form and outsourcing the loan appraisal function dilutes the concept of owning up this crucial decision and hence impacts effective monitoring and asset quality while those who have outsourced the loan appraisal have no commitment to the quality of the loan. Coming to investments, how do we convert a 'directed investment' portfolio of government securities into a liquid and desirable part of the asset portfolio aligning the same with the new Liquidity Coverage Ratio (LCR) norms while making way for an effective yield curve off which corporate bonds and loans can be priced out and also aiding better monetary policy transmission.

Debt Overhang

21. Let me turn to the issue of debt and financial leverage in general and in particular the corporate leverage in the post crisis context. Businesses all over the world were impacted in general due to demand slump. Indian companies too have been hit given the

fact that they went ahead with their expansion plans before the crisis, unaware of what was unfolding. In the developed economies, the ultra-easy monetary policy measures, which also had a quasi-fiscal side to them, provided an outlet for the liquidity of the corporate bonds – either directly through purchase of corporate paper or through the massive purchases of government and agency bonds in turn providing liquidity to the corporate bonds thanks to 'search for yield' strategies. This was besides the corporate bailouts, like the auto industry in the US. Leverage in its extension can be debt overhang. Interesting though is the larger issue that jurisdictions where interest rates are negative or close to zero, the concept of 'debt overhang' becomes meaningless, rendering high debt-to-GDP economies and their highly leveraged corporate solvent, which otherwise are not. We do however recognise the risks that reckless corporate leverage poses to the financial system and the systemic stability, but the issue needs to be tackled with solutions and timelines that are non-disruptive.

Looking for the triggers

22. That brings us to the point that the triggers of financial instability can lie outside the financial system and our illustrative list of 'macro prudential factors and tools' can still be insufficient. Working for financial stability is all about capturing 'uncertainty'. While financial models and stress testing methodologies are some of the tools that help us in dealing with the issue, they are based on observable market parameters. Oftentimes, the problem arises through the so called 'illusion of knowledge' (Barber and Odean/2001) – tendency to make stronger inference than warranted by the data. The difficulty comes when we have to overlay qualitative factors that have a bearing on financial stability. For instance we cannot always insist on empirical evidence to act upon an early warning. Even when early warning indicators are based on data, such indicators may be contradicting other financial indicators. If we can go back to the domino theory – We are dealing with a similar situation in financial markets. Triggers for the domino effect, latent in normal times become potentially destructive during crisis. The challenge is to search for the possible triggers which can initiate a damaging chain reaction.

Communication challenges and financial stability

23. The role of communication becomes even more challenging in the context of financial stability. There could be occasions, once in a while, when we may have to deal with certain non-events – non-events for the financial stability or otherwise. In our own case, even as we plan to move over to the IFRS, there could be changes in the capital requirements to provisions, though nothing might have changed apparently on the ground. Announcing the results of stress tests of financial institutions, while desirable for the sake of greater degree of transparency, is fraught with the risks of wrong interpretation and inference. For example, a revision in methodology or shift to a revised series of GDP numbers or a shift in the policy stance to look at CPI instead of WPI, can throw up differences in the stress test results. The individual impacts of 'announcement effects' may have separate ways of dealing with. Sometimes, it would become difficult to convince the public in general, having decided to place the stress test results in the public domain that they talk about extreme events and not something that is going to happen tomorrow or to comfort the public that stress test results are not meant to be predictive.

Concluding Remarks

24. Having spoken my own mind on certain issues and concern in the pursuit of financial stability, let me conclude on a cautious note. The best of the macro prudential policies may fall short when it comes to addressing a serious crisis. Future crisis may still evade all our efforts to foresee it. Future crises also may not replicate any of the past ones, hence history might not always be of help. Complacency may slowly set in even as our memories of the bad times are gradually fading away. But, the challenge is how do we establish an implementable framework to deal with the emerging systemic risks at their incipient stages? I hope at the end of this Conference you may come out with refined solutions to some of the challenges that lie ahead of us.

25. Thank you all for your patient attention.

*Rural Cooperatives: Repositioning**

R. Gandhi

I am glad to be addressing you all at this National Conference on Cooperative Banks – Regaining Leadership in this historic city of Lucknow. It is a very contemporary issue. Actually, it is an ever-green issue for the past over a century or so. You only need to recall the famous saying by the All India Rural Credit Survey of 1951 'Cooperation has failed. But, cooperation must succeed'. That showed that cooperation had a chequered history in India, with several ebbs and flows. That is why we are talking about 'Regaining Leadership' as the organisers of this Conference have chosen to put it and 'repositioning' as I have preferred to reflect upon.

Part I – Rural Cooperatives: Current Status

2. Rural credit cooperatives came into existence essentially as an institutional mechanism to provide credit to farmers at affordable cost and address the twin issues of rural indebtedness and poverty. With its phenomenal growth in outreach and volume of business, rural credit cooperatives have a unique position in the rural credit delivery system. Through the short and long-term structures, they continue to play a crucial role in dispensation of credit for increasing productivity, providing food security, generating employment opportunities in rural areas and ensuring social and economic justice to the poor and vulnerable. Several committees, from the All India Rural Credit Survey Committee to the Vaidyanathan Committee have stressed the relevance and importance of cooperative credit societies to the development of agriculture and rural economy.

3. Today, short term cooperative credit structure has 32 state cooperative banks and 371 district central cooperative banks operating through 14,907 branches. There were 92,996 Primary Agricultural Credit Societies (PACS) as on March 31, 2014 at the grass root level catering to the credit requirements of the members but also providing several non-financial services like input supply, storage and marketing of produce, supply of consumer goods, *etc.*

4. The journey has not been smooth for the cooperative banking structure. There were legal, structural and organisational rigidities which created conflicts and challenges in the functioning of cooperatives.

5. The Reserve Bank of India as regulator of banks is mandated to maintain a sound and stable banking system. Since banks are highly leveraged entities and accept unrestricted amount of uncollateralised public deposits, it is important to ensure that banks operate on sound lines, are well regulated and supervised and public faith in these institutions are sustained.

6. Economic and financial reforms initiated in early 1990's were focussed mainly on commercial banks which have pan-India and international operations. Cooperative banks were kept outside the reforms since these banks had limited area of operations, simple banking products, low volume of business and insignificant share in the total assets and liabilities of the Indian banking system. The regulatory regime continued to be less rigorous for the cooperative banks. Capital adequacy and other prudential norms were not applied to cooperative banks. However, as

* Keynote address delivered by Shri R. Gandhi, Deputy Governor, Reserve Bank of India at the 'National Conference of Cooperative Banks – Regaining Leadership in Agricultural Finance' held at Bankers Institute of Rural Development (BIRD), Lucknow on 9 February 2016. Assistance provided by Shri Ajaya Gopal Ray is gratefully acknowledged.

commercial banks continued to make significant strides in expansion of business, product diversification and technology adoption, weaknesses in the cooperative system became more and more conspicuous and posed a threat to their survival. Particularly, the relevance and existence of cooperative banks came into question since a large number of state and central cooperative banks were operating without banking license even after 40 years from the date of bringing them in the ambit of Banking Regulation Act.

7. A major initiative for reforming the short-term cooperative credit system (STCCS) came from the Government of India when it constituted a Task Force in August 2004 to suggest an action plan for reviving rural cooperative credit institutions and legal measures necessary for facilitating this process. The Task Force, Chaired by Prof. A. Vaidyanathan has recommended that any financial restructuring without addressing the root causes of the weaknesses of the system would not result in its sustained revival. The Task Force made several suggestions including a financial package for cleaning up the balance sheets of STCCS, legal and institutional reforms necessary for cooperatives to function as democratic institutions. One of the major recommendations was on capital adequacy norms for the three tiers of STCCS.

Regulatory Initiatives

8. The Committee on Financial Sector Assessment recommended that all banks should obtain a license before March 31, 2012 and those who failed to obtain a license should be phased out of a cooperative space in a non-disruptive manner. 25 State Governments signed the MoU for the financial assistance under the Government of India Revival Package for STCCS announced as per the recommendations of the Task Force. The Reserve Bank, as a major policy measure, relaxed the licensing norms for state and central cooperative banks. The twin initiatives resulted in licensing of a large number of banks starting from 2008.

Progress in licensing of state and central cooperative banks

Position as on	State Coop. Banks			Central Coop. Banks		
	Licensed	Un-licensed	Total	Licensed	Un-licensed	Total
31.3.2006	13	18	31	73	298	371
31.3.2009	14	17	31	75	296	371
31.3.2010	22	9	31	176	195	371
31.3.2011	24	7	31	221	150	371
31.3.2012	30	1	31	329	42	371
31.6.2013	31	1 ^	32	348	23	371
As on date	32	1*	33	349	22	371

^ Jharkhand StCB licensed on 26.8.2013
* Telangana State Cooperative Bank commenced operations on 1.4.2015

9. The position of CRAR in respect of state and central cooperative banks as on March 31, 2013 revealed that 23 out of 31 state cooperative banks (StCBs) and 278 out of 371 central cooperative banks (CCBs) had CRAR above 7 per cent. Six StCBs and 48 CCBs had CRAR between 4 per cent and 7 per cent. We felt that the time was appropriate to introduce Basel-I capital adequacy framework to these banks. Hence, the banks were placed under phased implementation of Basel-I norms with a target of 7 per cent CRAR by March 31, 2015 and 9 per cent CRAR by March 31, 2017. The banks were allowed to raise the additional capital resources through Long Term (Subordinated) Deposits and Innovative Perpetual Debt Instruments. As on March 31, 2015, 30 StCBs and 301 CCBs had CRAR of 7 per cent or above.

10. Pursuant to the Banking Laws (Amendment) Act 2012, CRR to be maintained by non-scheduled StCBs and CCBs and SLR to be maintained by all StCBs and DCCBs were brought on par with commercial banks from the fortnight beginning July 12, 2014. Eligible assets for SLR were also brought on par. With a view

to enabling the banks to meet the revised requirements, a roadmap was provided to phase out the existing SLR term deposits by March 31, 2017.

11. Regulatory functions related to urban and rural cooperative banks have been brought under a single department within the RBI with effect from October 1, 2014. Erstwhile Urban Banks Department was bifurcated and rechristened as Department of Cooperative Bank Regulation (DCBR) and Department of Cooperative Bank Supervision (DCBS). While supervision of UCBs is vested with DCBS, supervisory functions in respect of StCBs and CCBs remain with NABARD. The new arrangement is aimed at achieving synergy and harmonisation in regulation of cooperative banks without losing sight of the structural differences in rural and urban cooperative credit systems.

12. Some of the recent policies aimed at harmonisation of regulation of cooperative banks are related to increase in gold loan bullet repayment limit from ₹One lakh to ₹Two lakh, guidelines on opening of branches/extension counters by state cooperative banks, issue of ATM/Debit cards, guidelines on setting up mobile/off-site ATMs and internet banking and permission to StCBs/DCCBs for investment in Market Infrastructure Companies like NPCI, CCIL, *etc.* With a view to speeding up approvals, we have delegated powers to our Regional Offices in most of these areas.

Financial Performance of State and Central Cooperative Banks

13. Today the StCBs and DCCBs display a reasonable financial strength. Their combined capital and reserves stood at ₹20.1 thousand crores for the StCBs and ₹51.04 thousand crores for the DCCBs as on March 31, 2015. The combined balance sheet, as on March 31, 2015, of all state cooperative banks stood at ₹1.98 lakh crore and that of the district central cooperative banks at ₹4.06 lakh crore. Their Gross NPA stood at 4.8 per cent and 9.1 per cent respectively as on March 31, 2015. Their combined Net Profits were ₹1,005 crore and ₹793 crore respectively.

State Cooperative Banks
Composition of Liabilities and Assets of as on 31 March 2012, 2013, 2014 and 2015

(₹ in Crore)

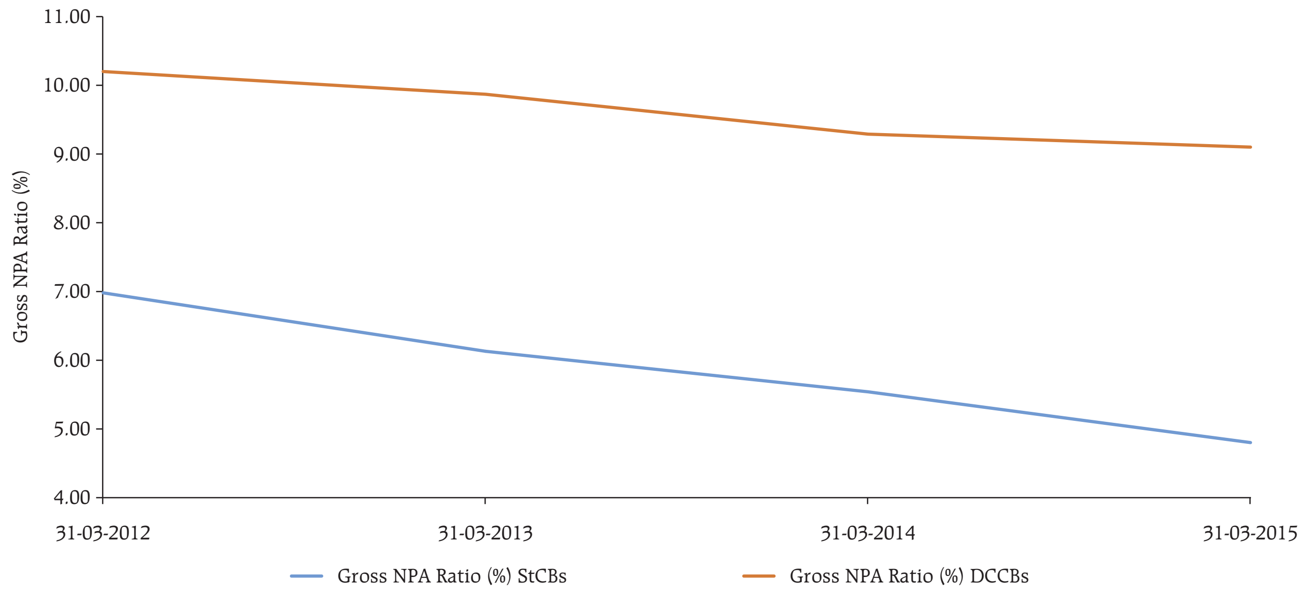
Sr. No.	Item	As on March 31				Growth Rate		
		2011-12	2012-13	2013-14	2014-15	2012-13	2013-14	2014-15
1	2	3	4	5	6	7	8	9
Liabilities								
1	Capital	3,508.47	3,053.59	4,537.67	5,164.53	-12.97	48.60	13.81
2	Reserves	11,823.68	12,331.13	11,147.76	14,845.63	4.29	-9.60	33.17
3	Deposits	86,428.84	94,516.14	1,04,207.43	1,02,591.87	9.36	10.25	-1.55
4	Borrowings	43,424.04	50,947.50	6,0938.92	68,413.44	17.33	19.61	12.27
5	Other Liabilities	7,564.23	7,445.42	6,752.64	6,838.11	-1.57	-9.30	1.27
Total Liabilities		1,52,749.26	1,68,293.78	1,87,584.42	1,97,853.58	10.18	11.46	5.47
Assets								
1	Cash & Bank balances	7,835.78	8,729.02	18,286.26	6,469.95	11.40	109.49	-64.62
2	Investments	58,427.32	5,9389.3	61,880.15	69,592.96	1.65	4.19	12.46
3	Loans and Advances	77,675.09	93,257.94	1,03,116.68	1,14,221.84	20.06	10.57	10.77
4	Other Assets	8,811.07	6,917.51	4,301.33	7,569.13	-21.49	-37.82	75.97
Total Assets		1,52,749.26	1,68,293.78	1,87,584.42	1,97,853.58	10.18	11.46	5.47

District Central Cooperative Banks
Composition of Liabilities and Assets of as on 31 March 2012, 2013, 2014 and 2015

(₹ in Crore)

Sr. No.	Item	As on March 31				Growth Rate		
		2011-12	2012-13	2013-14	2014-15	2012-13	2013-14	2014-15
1	2	3	4	5	6	7	8	9
Liabilities								
1	Capital	8,913.85	9,700.84	11,147.76	12,942.53	8.83	14.9	16.10
2	Reserves	24,785.29	30,299.71	29,044.59	38,102.41	22.25	-4.14	31.19
3	Deposits	1,87,770.03	2,08,218.15	2,35,920.76	2,57,563.83	10.89	13.3	9.17
4	Borrowings	53,924.39	64,968.09	72,776.30	80,199.64	20.48	12.0	10.20
5	Other Liabilities	19,817.32	21,281.93	15,139.04	16,917.15	7.39	-28.86	11.75
Total Liabilities		2,95,210.90	3,34,468.72	3,64,028.45	4,05,725.56	13.3	8.84	11.45
Assets								
1	Cash & Bank balances	21,028.96	19,214.98	22,974.75	21,842.77	-8.63	19.57	-4.93
2	Investments	93,869.59	1,04,090.60	1,21,593.49	1,37,741.44	10.89	16.82	13.28
3	Loans and Advances	15,7184.4	1,83,969.57	2,02,672.62	2,19,197.92	17.04	10.17	8.15
4	Other Assets	23,127.98	27,193.57	16,787.59	26,943.43	17.58	-38.27	60.50
Total Assets		295210.90	334468.72	364028.45	405725.56	13.3	8.84	11.45

Chart 1: Gross NPA Ratio of StCBs and DCCBs



14. Asset quality of StCBs/DCCBs have improved over the last three years as may be seen from the fall in the percentage of NPAs between 2013 and 2015. However, the percentage of recovery to demand is a concern since it is showing a declining trend. There are wide variations region-wise too. In 2014, NPAs of StCBs varied between 1.93 per cent in northern region and 17.12 per cent in north-eastern region. In respect of CCBs, it was 5.27 per cent in northern region and 10.98 per cent in eastern region. During the same year,

percentage of recovery to demand was 97.9 in northern region and 49.10 in north-eastern region for StCBs. Recovery to demand was 83.16 per cent in northern region and 67.23 per cent in eastern region in respect of CCBs.

State Cooperative Banks					
Year	**CRAR %**				
	< 4	**4 to <7**	**7 to <9**	**9 & above**	**Total**
2012-13	2	6	7	17	32
2013-14	0	6	7	19	32
2014-15	2	0	11	19	32

Central Cooperative Banks CRAR- 2012-13, 2013-14 and 2014-15					
Year	**CRAR %**				
	< 4	**4 to <7**	**7 to <9**	**9 & above**	**Total**
2012-13	45	47	70	208	370
2013-14	24	45	77	222	368
2014-15	43	27	93	208	371

Issues and Challenges

15. Some of the major issues to be addressed by the cooperative banking sector relate to governance, management, sound capital base, technology, risk management and frauds. We have prescribed fit and proper criteria for Chief Executive Officers of StCBs and CCBs. The Constitution (97th Amendment) Act mandates appointment of at least two professional directors in the Boards of cooperative banks. The Act has also covered other issues aimed at improving governance and autonomous functioning of cooperative societies such as engagement of professionally qualified auditors, tenure of Board, conditions for supersession of Board, active participation of members in annual general meetings, *etc.* Implementation of these directions in their true spirit is critical for ensuring good governance and management practices.

16. The Constitution (97th Amendment) Act requires that audit of a cooperative society to be conducted by qualified auditors or auditing firm to be appointed from the panel prepared by the State Government. NABARD has requested RCS of all states to provide chartered accountants for conducting statutory audit of StCBs/DCCBs. We come across large divergence between audited financial parameters and that assessed by NABARD, particularly in respect of reporting of NPAs and provisioning. Since audited financial statements are relied upon for granting various regulatory approvals and assessing compliance standards, quality of statutory audit needs to be improved. For achieving this, we have planned to conduct workshops/seminars for statutory auditors to familiarise them with our instructions. We will be taking the help of Institute of Chartered Accountants for preparing a standard audit report format for cooperative banks.

17. Cooperative banks should improve their bottom line through internal accruals without relying on frequent bouts of capital infusion by the government. They should review their pricing policies on deposits and loans, appraisal systems, recovery procedures, major expenditure items and devise suitable action plan to plug leakages and augment income. Implementation of effective loan appraisal policies at the approval stage will ease the pressure on recoveries at a later date and help to curtail expenditure on litigations. Continuous monitoring of loan accounts with give signals on creeping sickness and delinquencies and effective steps aimed at recovery at an early stage will prevent deterioration of asset quality. Further, higher provisioning towards NPAs severely erodes profitability. Banks should look for more fee-based activities to supplement their earnings.

18. Another area of persistent and serious concern to us and NABARD is that cooperative banks are unable to prevent frauds. Most of the times, the frauds have been perpetrated by or in collusion with the banks' own staff. As on March 31, 2015, state and central cooperative banks have 2,589 cases of frauds with outstanding amount of ₹877.7 crore. If the banks are unsuccessful in recovering the amount, the losses have to be absorbed by them. Cooperative banks need to think whether frauds are really non-preventable.

19. Technology adoption is an imperative in today's banking. Implementation of CBS in StCBs and DCCBs which was started in 2012 has been completed in all 32 StCBs and 347 licensed DCCBs. These banks can now offer RTGS and NEFT facilities to their customers through direct or sub-membership route and also participate in Direct Benefit Transfer Scheme. The RBI has already circulated the criteria for offering mobile and internet banking facilities by these banks. Since the technology brings its own risks, cooperative banks should have proper risk assessment and risk mitigation policies in place. Sound internal control system is critical to prevent frauds, data integrity and leakage of customer information. Banks should develop wherewithal to handle the liabilities that would devolve on them due to failures in internal controls. Any lapses on this count will not only impose cost in terms of money but also loss of customers' faith.

20. Rural cooperatives have enormous potential to deliver financial inclusion to remote locations leveraging technology. NABARD extends support to cooperative banks in implementing the technology assisted banking platform and setting up Financial Literacy Centres and Common Service Centres with ICT-enabled kiosks to create awareness and demand for products and services. Financial assistance is provided from Financial Inclusion Fund for implementation of CBS in cooperative banks, data migration from PACS to DCCBs, issue of RuPay and KCC cards and meeting expenditure towards micro-ATMs and POS terminals. Cooperative banks should join hands with NABARD to reach financial products and services to the unserved.

21. Implementation of mobile and internet banking will facilitate anywhere banking without any necessity for the customers to visit banks' premises. Since physical interactions with customers will be limited or nil, banks should pay attention to adequate KYC checks. Proper care should be taken at the time of engaging the services of third party service providers for managing the IT systems and outsourcing database management activities.

22. With the adoption of technology and liberalisation of regulatory policies, cooperative banks are foraying into new business activities where they have no familiarity. Training and capacity building assumes importance in the present context. Adequate training should be imparted to people at all levels including employees, Board of Directors and auditors to improve productivity, efficiency and professionalism. Cooperative banks should make use of financial assistance for capacity building provided by NABARD from Cooperative Development Fund and under Scheme of Financial Assistance for Training of Cooperative Banks Personnel (SOFTCOB). Cooperative banks may avail of training facilities available in the training establishments of the RBI, NABARD and various cooperative training institutions.

23. Today's customers have more awareness about their rights and demand transparency in our banking system. Leveraging the technology, every cooperative

bank should provide on its website where customer can access information about products, procedures, forms, fees/charges, annual reports, *etc.* Customers should have the facility to communicate to the bank through e-mails. Transparency will improve confidence of customers, bank's image and reduce complaints.

24. Cooperative banks are now functioning in a highly competitive environment. Entry of more players in the banking arena and technology have increased options to customers and banks have both opportunities to grow and challenges for survival. Cooperative banks with their intimate knowledge of customers and familiarity with the area of operation can attract new customers and retain the existing clientele with their unique selling proposition. However, this can be achieved only with suitable changes in outlook, processes, business model and strategy.

Part II Rural Cooperatives: Re-Positioning

Exalted Status

25. Co-operatives are an exalted position in India. How and why do I say so? There are very many types of economic entities like a proprietary firm, partnership firm, society, trust, company, body corporate, beside the cooperative. Of these, which one has got mentioned in the Constitution of India? It is cooperatives. That too, not just a passing mention; but, a full section on how cooperatives have to be formed, governed and operated has been incorporated as a part of our Constitution, thanks to 93rd Amendment.

26. Not only that, you look at the very many Five Year Plan documents - they are replete with strong references to the contribution of cooperatives, the role and expectations from cooperatives. To quote a few of them - The Second Five-Year Plan (1956-1961), emphasised '**building up a cooperative sector** as part of a scheme of planned development' as **being one of the central aims of National Policy**. The Third Five Year Plan (1961-1969) stressed that '**Cooperation should become, progressively, the principal basis of organisation in branches of economic life**, notably agriculture, minor irrigation, small industries and processing, marketing, distribution, rural electrification, housing and construction and provision of essential amenities for local communities. Even the medium and large industries and in transport an increasing range of activities can be undertaken on cooperative lines'. The Eighth Five Year Plan (1992-1997) laid emphasis on building up the cooperative movement as **a self-managed, self-regulated and self-reliant institutional set-up**, by giving it more autonomy and democratising the movement.

27. Pandit Jawaharlal Nehru, who had a strong faith in the cooperative movement, while opening an international seminar on cooperative leadership in South-East Asia, had said 'But my outlook at present is not the outlook of spreading the cooperative movement gradually, progressively, as it has done. My outlook is to convulse India with the Cooperative Movement or rather **with cooperation to make it, broadly speaking, the basic activity of India, in every village** as well as elsewhere; and finally, indeed, **to make the cooperative approach the common thinking of India.**...Therefore, **the whole future of India really depends on the success of this approach of ours** to these vast numbers, hundreds of millions of people'.

28. Why this kind of attention, belief and expectations on cooperation? Is it because, it is more than 100 years old? Or is it because of the innate features that go to

define a cooperative? Or is it because of the socio-economic Utopia of tranquility, mutual understanding, bonding and support and thereby growth that it promises for its members? Let us explore more.

Some Historical Perspectives

29. Cooperatives came on the scene in India, in a big way, around the turn of 19th century into 20th century. In the first 50 years of its history, it is reported to have reached as high a number of more than two lakh cooperatives registered by mid 20th century. They had permeated across all spectrums of economic activity chain. Be it credit, mortgage, production, marketing, storage, sales, distribution, consumption, wholesale, retail, services, advisory, research, *etc. etc.* - you name it, the cooperatives were everywhere. Be it agriculture, allied services, rural industries, manufacturing - small, medium and large, services, you name any segment of economic activity, they were there. Such a wide swathe of the presence of cooperatives could not have happened without the magnitude and depth of the contribution of cooperatives. Or was it so? Or was it because of its status as socio-political unit and its grand belief of rendering marvelous Utopia? Let us probe a bit further.

30. We are from the financial sector and hence most of my comments will be with reference to the financial sector, more specifically to the banking sector. Credit cooperatives were the first to come within regulation. The proposal for agricultural banks was first mooted as long back as in 1858. Several Committees had been recommending constitution of Agricultural banks. In 1901 the Famine Commission recommended the establishment of Rural Agricultural Banks through the establishment of Mutual Credit Associations, and such steps as were taken by the Government of North Western provinces and Oudh. The underlying idea of a number of persons combining together was the voluntary creation of a new and valuable security. A strong association competent to offer guarantees and advantages of lending to groups instead of individuals were major advantages. The Commission also suggested the principles underlying agricultural banks and land banks. Based on the recommendations of the Edward Law Committee, the Cooperative Credit Societies Act was passed in 1904. As its name suggests, the Cooperative Credit Societies Act was restricted to credit cooperatives. It was only subsequently, a more comprehensive legislation called the Cooperative Societies Act was enacted. This Act, inter alia, provided for the creation of the post of registrar of cooperative societies and registration of cooperative societies for various purposes and their audit.

31. 'The underlying idea of all Mutual Credit Associations, such as we recommend, is that a number of persons, by combining together, create a new and valuable security, which none of them previously possessed as individuals. Co-operation substitutes for isolated and helpless agricultural units a strong association competent to offer guarantees and capable of inspiring confidence. The advantages of lending to groups instead of to individuals need no demonstration. It is simpler for a creditor to deal with a group of fifty or a hundred associated cultivators than with the same number singly; it is simpler for him to obtain repayment from the group than from each of the members composing it; it is simpler for the group to make its own arrangements with each member than for the lender to try to do so'.

32. What I just now read is from the Report of the Famine Commission 1901. Doesn't ring several bells? Our modern day Self Help Groups (SHG), Joint Liability Groups (JLG), Micro Finance Institutions (MFI) were

all in the thought process some full hundred years before. Perhaps, they were the ideas well ahead of their times.

Cooperatives in the First Half of 20th Century

33. The first half of the 20th century saw phenomenal growth of cooperatives in general and the number of credit cooperatives in particular had reached more than two lakh. But what was their contribution? The All India Rural Credit Survey, in their Report in 1954, brought forth the stark reality that cooperatives, despite all the widespread presence in villages, and the attention and encouragement received, did achieve pretty little. They just contributed to 3.1 per cent of the credit needs of the villagers, as can be seen from Table 1 below:

34. This led them to conclude, with the famous saying, 'Cooperation has failed; but it must succeed'.

Cooperatives in Second Half of 20th Century

35. The next half century received quite a lot of rhetoric. I had quoted them before *viz.*, about making the cooperative approach the common thinking of India, dependence of the whole future of India on the success of cooperative movement, building cooperative movement being the central aim of National Policy as a part of planned development, cooperatives to be the principal basis of organising economic activity, *etc.*

36. What has been the effect? Of course, there was impact. Cooperatives did deliver. As can be seen from Table 1, their contribution to rural credit increased gradually from the 3.1 per cent in 1951 to an impressive 27.3 per cent in 2002. And, as I mentioned in Part I, today, the short term cooperative credit structure has 32 state cooperative banks and 371 district central cooperative banks operating through 14,907 branches and there were 92,996 Primary

Table 1: Break-up of Institutional and Non-Institutional Rural Credit

(Per cent)

	1951	1961	1971	1981	1991	2002
Institutional Agencies	7.2	14.8	29.2	61.2	64.0	57.1
Government	3.3	5.3	6.7	4.0	5.7	2.3
Co-op. Society/bank	3.1	9.1	20.1	28.6	18.6	27.3
Commercial bank incl. RRBs	0.8	0.4	2.2	28.0	29.0	24.5
Insurance	--	--	0.1	0.3	0.5	0.3
Provident Fund	--	--	0.1	0.3	0.9	0.3
Others institutional agencies*	--	--	--	--	9.3	2.4
Non-Institutional Agencies	92.8	85.2	70.8	38.8	36.0	42.9
Landlord	1.5	0.9	8.6	4.0	4.0	1.0
Agricultural Moneylender	24.9	45.9	23.1	8.6	6.3	10.0
Professional Moneylender	44.8	14.9	13.8	8.3	9.4	19.6
Traders and Commission Agents	5.5	7.7	8.7	3.4	7.1	2.6
Relatives and Friends	14.2	6.8	13.8	9.0	6.7	7.1
Others	1.9	8.9	2.8	4.9	2.5	2.6
Total	100	100	100	100	100	100

*: includes financial corporation/institution, financial company and other institutional agencies.
--: denotes not available.
Note: Percentage share of different credit agencies to the outstanding cash dues of the households as on 30th June.
Source: All India Rural Credit Survey (1954); All India Debt and Investment Survey, Various Issues.

Agricultural Credit Societies (PACS) as on March 31, 2014 at the grass root level. The combined balance sheet, as on March 31, 2015, of all state cooperative banks stood at ₹1.98 lakh crore and that of the district central cooperative banks at ₹4.06 lakh crore. Their Gross NPA stood at 4.8 per cent and 9.1 per cent respectively as on March 31, 2015. Their combined Net Profits were ₹1,005 crore and ₹793 crore respectively.

37. Are we satisfied with this? Of course not. Why? First of all, these numbers hide wide variation among the 32 StCBs and the 371 DCCBs, whether in terms of financial strength, profitability, efficiency or asset quality. Secondly, there are variations among regions as well, be it in terms of the number, growth, strength, performance and asset quality. Thirdly, as on March 31, 2015, there were as many as 13 StCBs and 163 DCCBs with Capital to Risk Assets Ratio (CRAR) below the prescribed 9 per cent. Their governance position has added to the worry. Cooperatives, which are to be fundamentally socio-economic entities, are being operated as socio-political entities.

Opportunities Lost

38. These weaknesses of the cooperatives have caused certain serious opportunities slip by the cooperative system. What do I mean by this? Please recall the recommendations of the Famine Commission 1901 which I quoted earlier. They had recommended that micro finance, self-help groups, joint liability groups, *etc.* as a part and parcel of cooperative banks. Where are they today? Not with the cooperatives. They are with the Micro Finance Institutions (MFI). We are trying to bring them within the commercial banking segment.

39. Rightfully, the MF, SHG, JLG *etc.* concepts should have been gainfully employed by the cooperatives. Just visualise – if only we had leveraged the 95,000 physical infrastructure of the primary agricultural cooperative societies, with the financial backing of the DCCBs and StCBs! Will we be still talking about how to reduce financial exclusion? Could we have not shown the world how to achieve financial inclusion?

40. We have to introspect about why are we discussing about organising SHGs, Village level SHG federations, district level SHG federation and state level SHG federations, when a time tested PACS-DCCB-StCB model, not just model, a functioning infrastructure is available.

Questions for Introspection

41. In my opinion, the reasons are the perceptions about the cooperatives as being financially weak, being a socio-political structure and being reluctant to change. Added to these perceptions are the inabilities and indifference to capture the imagination and acceptance of the minds of the Gen-Next.

42. I would urge, you all, the veterans of the cooperative movement and the other stakeholders on the subject, to seriously reflect on the following questions, in order to re-position rural cooperatives to sub-serve, shall I say, the original function for which it was thought of *viz.*, the micro finance:

a. How to re-position Cooperatives as Socio-Economic entities?

b. How to adopt SHG movement within cooperative movement?

c. How to leverage the physical infrastructure available in PACS?

d. How to sub-serve financial inclusion by becoming a Business Correspondent (BC) for banks?

e. How to capture the minds of Gen-Next?

43. It is in your hands whether we should say 'Cooperation has failed'.

*Indian Banking Sector: Gazing Into The Crystal Ball**

S. S. Mundra

Dr. K. C. Chakrabarty, Former Deputy Governor, Reserve Bank of India; Smt. Chanda Kochhar, MD and CEO, ICICI Bank Limited; Shri Aditya Puri, MD, HDFC Bank Limited; Shri B. Sriram, Managing Director, State Bank of India; Shri P. S. Jayakumar, MD and CEO, Bank of Baroda; Shri Uday Kotak, Ex- VC and MD, Kotak Mahindra Bank; other senior colleagues from the banking and financial sector; members of the print and electronic media; ladies and gentlemen!

2. At the outset, I thank the Mint Management for inviting me to deliver the keynote address at this Annual Banking Conclave. The galaxy of speakers that headline this event provides a testimony to the importance of this event. A lot in the Indian banking sector has changed since I first spoke at this conclave three years ago. Disruptive events have taken place; innovative practices introduced and competition as it stands today, is stiffer than ever before and is likely to intensify further in the coming months.

3. Some of you who attended this event last year might recall that I had briefly raised certain issues at the end of my address stating that they could emerge as potential challenges for the banking sector in the days to come. Many such challenges which were looking abstract or distant then are appearing imminent now. I have, therefore, chosen to elaborate on few such issues in my address today. These issues essentially revolve around 'Disruption, Innovation and Competition' in the banking sector, which is the theme of the Conclave. You may also recollect that in my address last year, I had referred to Brett King's book 'Bank 3.0' in the context of a single channel solution to multiple product offerings. I would once again invoke him. In the concluding chapter of the book, King has raised 15 questions as a checklist to assess whether a bank is prepared to withstand the disruptive process that is currently underway. According to King, answer to these questions would determine whether you are in trouble or you are not making the shift. While some of these questions may not be relevant in the context of Indian banking today, they will become so, soon. Many, however, are already relevant for us. Let me mention a few:

- Do you still require a signature card for account opening?
- Do you have a distinct Head of social media in an executive role?
- Do you have a Head of Mobile, and do you have apps already deployed for your customers?
- Can you approve a personal loan application for an existing customer with a salaried account in real time, instantly?

4. I acknowledge that some of the banks present here can surely claim that they are making the necessary shift. They can move to other eleven questions while remaining ones can make a beginning to address these four questions. The predominant message from the foregoing is that digital innovation and disruption are progressing at a fast pace and are already a subject of huge debate. Hence, I would not dwell any further on them but move to few other areas which can have equal or even greater impact on the way banking is conducted going forward.

* Keynote address by Shri. S. S. Mundra, Deputy Governor, Reserve Bank of India at the Mint Annual Banking Conclave on the theme 'Disruption, Innovation and Competition' on February 4, 2016 in Mumbai. Assistance provided by Smt. Usha Janakiraman and Shri Sanjeev Prakash is gratefully acknowledged.

5. So, let me now come to those issues that I want to highlight today.

(i) **Account Number Portability:** Just consider the possibility of a dissatisfied or less than satisfied customer asking for shifting his banking relationship; lock, stock and barrel to another bank. He/she would ask 'If I can switch my mobile service provider without changing my mobile number, why not banking service provider without changing my account number.' This possibility can no longer be dismissed as a wishful thinking. This would need a 'shared' payment system, regulated independently, where all account number and payment instructions are warehoused (such as standing instructions/ direct debit *etc.*),an unique customer ID and a central payment system. Credits/debits would be linked to the unique ID. Interesting bit is that some international banks are already supporting the idea. With Aadhaar as unique ID and NPCI as a central payment system, we are quite well placed to translate this into a reality. Our past record as a country of having swiftly embraced anonymous 'screen based' bond trading or switching from 'open cry' system on the bourses, should portend a much shorter timeline for this transition than a period of few years many in international arena are presently presuming for this to happen. Why can't we be a global first in this? Imagine how this can empower a customer and give an entirely new dimension to the competition, ensuring best of the breed customer service and fair pricing. Let me give a call today to all the banker friends here to commence a serious discussion on making 'account number portability' a reality.

(ii) **Competition from non-bank players in payment system:** All along we have believed that banks would retain the privilege to serve as the sole payment service providers even while their other traditional functions like dispensing credit might have competition. Ground realities have changed. Payment system is no longer the sole preserve of banks. There is competition and how? Large data companies like Google, Vodafone, Apple have been taking over transactional roles. A set of payment banks have been granted licenses and then, there are non-bank payment system providers. A massive disruption is possible based on the technology using Block Chain which would make distributed ledger possible. For the uninitiated, 'distributed ledger' allows a payment system to operate in an entirely decentralised way, without intermediaries such as banks. The banks would need to either develop own capability or seek proper alliances. I say this, however, with a caveat that we or rather the global regulatory community elsewhere have not taken a final stance on the use of distributed ledger technology. It is important to highlight here that Financial Stability Board has already started consultations on developing better understanding of the intricacies involved. Some of the large institutions like Goldman Sachs or J P Morgan Chase have set up internal groups to work in this area. Is it not the time for the Indian banking system to wake up to this possibility?

(iii) **Impact on Lending Business:** A key concern that I had briefly hinted at last year also is whether the large corporates would continue to borrow from the banks or whether the banks themselves would be keen to fawn over them after their on-going experience with such lendings? Many large corporate houses have lately been able to access funds on their own at cheaper rates without needing to reach out to banks. In mature markets, it is usual for the large corporates to access financial markets directly for their funding requirements rather than through banks. As the Indian economy and our financial markets mature further, more and more large corporates are likely to bypass banks for their funding requirements. Even medium enterprises may find alternate avenues of finance. Under the circumstances, banks would need to look at substitutes for deployment of funds. This void could most likely be filled by lending to small and micro enterprises and retail clients. As you are aware, the assessment of credit needs of small & micro enterprises and retail, is a different ball game altogether. A non-disruptive shift would require the bank staff to acquire new capabilities for credit appraisal of self-employed individuals and people with little or no credit history. The competition in the shape of small finance banks, with a mandate to focus exclusively on small business units, small and marginal farmers, micro and small industries and other unorganised sector entities, which would operate through technology-focused, low cost structure, is already on the anvil.

As part of this strategic shift, banks would also need to improve their analytical abilities for big data. As I spoke earlier about lending to customers with little or no credit history, banks would need to employ some non-conventional tools for assessing credit worthiness of such customers, which can, among others, include credit card usage, travel patterns, bill payment history and so on. Lack of attention to these segments by the banks might allow P2P lenders to sneak in and compete for the piece of the pie. Here again, I would like to use the caveat that we are yet to finalise our regulatory stance on P2P lending.

(iv) IFRS Implementation: With the MCA announcing the much awaited Ind AS implementation road map for the financial sector, scheduled commercial banks (other than RRBs) are required to comply with the standards for accounting periods beginning from April 1, 2018. In this endeavour, the banks would need to deal with challenges resulting from implementation of Expected Credit Loss (ECL) based provisioning framework, classification and measurement of financial assets and impact of alignment of the regulatory guidelines with Ind AS on regulatory capital computations under the Basel III framework, leverage and liquidity ratios, *etc.* As a supervisor, our off-site reporting formats would need to be revisited. In essence, huge capacity building initiatives at the level of both the regulator and the regulated are required.

While it may not be possible to precisely quantify the impact of Ind AS implementation at this stage, rough estimates globally indicate a transitional impact of 25-50 per cent increase in provisioning levels on account of implementation of ECL based provisioning framework. A 2014 international survey[1] of select banks indicated that over half of them expected an impairment provision increase of up to 50 per cent across all asset classes. Though our policy stance on ECL impairment provisions including possible prudential floors remains to be finalised, it is important that our banks start work on strengthening their data capture and risk management systems to enable impairment assessment.

In this context, I wish to raise an issue today for larger debate. The regulatory experience with the internal models employed by the global banks to assess the risks under the Basel framework has not been very pleasant. The assessments carried out since the Global Financial Crisis have pointed out the complex models used by the banks for risk computation under advanced approaches had significantly underestimated risks that the banks had on their books. Since, the ECL framework would involve principle based assessment of credit risk (using models), the concern would be around underestimation of risks by the institutions. Hence, I wonder that as we prepare towards IFRS, could we conceive of an independent, umbrella entity to prescribe or validate models, within the framework of the accounting standards or to at least examine the approach adopted by the banks in computing expected losses so as to ensure consistency in assessment across the sector, besides having supervisory comfort on the adequacy of accounting provisions.

Finally, one last question is whether we could draw some lessons from how banks globally have transitioned to IFRS from local GAAP? While we could get some perspectives about the challenges involved in the transition, the fact is that the challenges would be much greater here in India as we do not have an IAS 39 equivalent framework unlike other jurisdictions which migrated to IFRS from local GAAP largely aligned with IAS 39 or US GAAP. In that sense, IFRS transition is a paradigm shift in the Indian context.

(v) **Consumer Protection:** The profile of the customer that the banks deal with is undergoing a major transformation. This also calls for a transformation in the way banks position their products and services for their customers. Customers as a group are no longer satisfied with off- the- shelf products and would rather have products customised to their individual needs. Towards this end, the banks have to leverage Big Data and proactively offer products and services that suit the needs of individual customers.

A regulatory red flag I would raise here is around rampant mis-selling in sale of third party products, especially insurance. Another recurring consumer grievance is

[1] The Fourth Global IFRS Banking Survey by Deloitte: The survey includes the views of 54 banks from Europe, the Middle East & Africa, Asia Pacific and the Americas. Responses were received from 14 of the 29 global systemically important financial institutions (G-SIFIs) and 25 of the top 50 global banking groups measured by total assets listed in the Banker Top 1000 World Banks 2013.

around compensation for failed transactions/frauds. Of course, as institutions, banks have more muscle as compared to 'resource poor' individuals, but as guardian of customer rights in our role as regulators, we would quite closely monitor misuse of such might against the customers. If violations are observed, the banks would need to not only compensate the customers, but also be forced to pay penalties.

(vi) **Financial Inclusion:** I don't want to touch this topic in any detail but would just like to caution banks on some aspects in dealing with newly acquired accounts. A large number of new accounts have been added under the RBI's Financial Inclusion focus and under the PMJDY push. Periodic updation of the KYC records in these accounts and continuous monitoring is vital. Just to give one example- a news item had appeared the other day mentioning that ₹1 crore was parked and withdrawn in a labourer's bank account which he was unaware of till he received an IT demand of a tax of 40 lakh rupees. Many similar instances are being reported. This means that the recently opened accounts are susceptible to misuse by money mules and hence, banks must remain vigilant.

(vii) **Other issues:** Lot of debate has surrounded the future of brick and mortar branches and their obituaries been written several times. However, they have survived and are doing well. Of course, the functions they undertook earlier, extent of client interface they had, has undergone a sea change, but my sense is that the brick and mortar braches would continue to remain relevant in India in the foreseeable future. Management would, however, have to think through the future of these branches in terms of the role and functions they envisage for the branches going forward.

Another issue is around the future of ATMs and the plastic money. If Mobile Banking continues to grow at the pace that we see today, would cards still be needed and what use would be there for the ATMs? There is a justifiable call for reducing 'cash transactions' in the system and hence, if more and more people moved to mobile/internet based payments, the plastic cards and the investments made thus far in ATM networks would be rendered useless, unless put to more imaginative uses.

Last but not the least, I would also like to sound another note of caution for the bankers present here. With all talks surrounding changing profiles, social habits and requirements of the gen-next customer (Gen Y or the millennials), the banks must not lose sight of aging population. The next 15 years would see approximately 70 mn more people crossing the age of 60 years. These old age people would have different banking needs and would need to be serviced through appropriate delivery channels. Similarly, the pace of urbanisation in the country is only going to get heightened in the coming years and hence, banks would need to be geared up to cater to the requirements of this migrant population also.

Conclusion

6. I think I have scared you enough by highlighting the impending challenges that the banking sector is likely to face going forward. As Clay Christensen, Harvard Professor puts it 'Disruptive Innovation can hurt, if you are not the one doing the disruption.' Most of the scenarios that are going to play out are external to our system and hence, you need to be prepared, lest you get hurt.

I believe the elite panel gathered here today would deliberate and reflect on some of the issues I have raised today. I once again thank Mint and Tamal for inviting me and wish you all a fruitful deliberation.

Thank you!

REPORT

Report of the Advisory Committee on Ways and Means Advances to State Governments

REPORT OF THE ADVISORY COMMITTEE ON WAYS AND MEANS ADVANCES TO STATE GOVERNMENTS

RESERVE BANK OF INDIA

NOVEMBER 2015

November 20, 20 I 5

The Deputy Governor
Reserve Bank of lndia
Mumbai

Submission of the Report of the Advisory Committee on Ways and Means Advances to State Governments

In terms of the letter No. 1125/10.18.13/2014-15 dated November 24, 2014 constituting an Advisory Committee on Ways and Means Advances to State Governments, the report of the Committee is enclosed.

We would like to place on record the outstanding contribution and assistance made by Shri L. Lakshmanan, Assistant Adviser, Internal Debt Management Department of the Reserve Bank of India in the preparation of the Report as also for the analytical inputs towards deliberations of the Committee.

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Chairman

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Govt. of Maharashtra

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Govt. of Nagaland

(N. K. Choudhary)
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Director, IDMD, RBI
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The Committee wishes to place on record the contributions by the three resources persons, *viz.*, Shri N.R.V.V.M.K. Rajendra Kumar, General Manager, Internal Debt Management Department (IDMD) for his deliberations and inputs, Shri A.K. Mitra, Director, Monetary Policy Department towards his analytical inputs on fiscal monetary coordination and Shri Brijesh Pazhayathodi, Assistant Adviser, Department of Economic and Policy Research (DEPR) for analytical material on State finances.

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The Committee acknowledges Smt. Rekha Warriar, Chief General Manager, IDMD for her guidance. The Committee immensely benefited from the discussions with Shri H.R. Khan, Deputy Governor and Shri P. Vijaya Bhaskar, Executive Director of the Reserve Bank of India.

CONTENTS

EXECUTIVE SUMMARY

i. The State Finance Secretaries (SFS) conference held in August 2014 decided to set up a Committee to revisit the Ways and Means Advances (WMA) scheme for the State Governments. Accordingly, the Advisory Committee on WMA to State Governments was constituted in November 2014. For the first time, the composition of the Committee was extended to six SFSs and Joint Secretary, PF-I, GoI as Members in addition to two external fiscal experts including one as Chairman.

Evolution of WMA Scheme

ii. The Reserve Bank of India (RBI) provides financial accommodation to the States banking with it through agreement to tide over temporary mismatches in the cash flow of their receipts and payments as WMA. They are intended to provide a cushion to the States to carry on their essential activities and normal financial operations.

iii. In addition to Normal WMA, Special Drawing Facility (SDF) (nomenclature changed from Special WMA) has also been in operation since April 1953. When the advances to the State Governments exceed their SDF and WMA limits, Overdraft (OD) facility is being provided.

iv. Three Advisory Committees were constituted in the past under the chairmanship of (i) Shri B.P.R. Vithal (1998), (ii) Shri C. Ramachandran (2003), and (iii) Shri M.P. Bezbaruah (2005), in addition to the Informal Group of State Finance Secretaries (2000) to review the WMA scheme for the State Governments.

State Finances and 14th Finance Commission (FC) Implications

v. A brief review of State finances indicates that the ratio of revenue deficit to fiscal deficit improved significantly, declining from 36.8 per cent in 2004-05 to (-) 10.4 per cent in 2012-13. The surplus in the revenue account was, however, nearly wiped out in 2013-14.

vi. Outstanding debt-GDP ratio of States declined steadily from 31.1 per cent in 2004-05 to 21.6 per cent in 2012-13. Freeing up resources for higher capital outlays, improving the quality of fiscal consolidation and setting the consolidated debt-GDP ratio of the States on a declining trajectory is crucial to the health of State finances.

vii. The fiscal size of the States increased significantly after 2005-06 as the compound annual growth rate (CAGR) of revenue expenditure increased to 15.4 per cent during 2006-07 to 2013-14 as compared with 9.3 per cent during 2000-01 to 2005-06.

viii. Reviewing the fiscal situation of States, the 14th FC noted that, at an aggregate level, fiscal indicators of States improved during 2004-05 to 2013-14. The 14th FC recommendations indicate compositional shift in transfers from grants to tax devolution with a view to meet the twin objectives of increasing the flow of unconditional transfers to the States and yet leave appropriate fiscal space for the GoI to carry out specific purpose transfers to the States.

ix. As per the 14th FC, the aggregate corpus of State Disaster Response Fund (SDRF) works out to ₹61,219 crore during the award period of 2015-16 to 2019-20. As mentioned in the SDRF investment guidelines, if the State Executive Committee (SEC) earmarks specific amount for investment in Government securities, the Reserve Bank could manage the same on the lines of Consolidated Sinking Fund (CSF)/Guarantee Redemption Fund (GRF)/ Special Drawing Facility (SDF) investments.

Liquidity Position of the State Governments and Availment of WMA

x. Annual review of availment of WMA to ascertain the adequacy of the limit reveals that since 2008-09, only few States have been regularly availing SDF/ WMA, while some availed occasionally. States availing OD increased from 3 in 2008-09 to 6 in 2011-12 and further to 10 in 2014-15. Average peak utilisation of OD increased to ₹449 crore in 2014-15 from ₹199 crore in 2013-14.

xi. The Committee studied the pattern of transfers from GoI to States during the recent period and observed that the cash flow mismatch on account of transfers from the Centre seems limited, except in Q4.

xii. Notwithstanding the manyfold increase in the net RBI credit to State Governments, the contribution of WMA to reserve money growth remained relatively modest.

xiii. Since the financial year 2012-13, it is observed that the peak availment of WMA and OD by the States together was much lower than the tolerable limit for monetary policy implications.

xiv. Empirical evidence suggests that if increase in revenue expenditure is more than covered by higher revenue receipts, then the revenue deficit reduces over a period of time, and thereby preempts a lower access to WMA from the Reserve Bank. However, the growth of revenue receipts was not in tandem with the growth in revenue expenditure for all the States, which forced some States to resort to WMA/ OD.

Conclusions and Recommendations

xv. Taking into account the significant increase in fiscal size of the States, as also to provide some cushion to keep pace with the fiscal developments, the Committee felt that there is a need to revise the WMA limits at this stage.

xvi. The Committee considered various scenarios/ basis for the revision of WMA, *viz.*, GFD, GSDP, total expenditure, revenue receipts, total expenditure minus revenue deficit, *etc.*, for devising the formula. Finally, the Committee decided to take total expenditure net of lotteries for the latest three years' average as the base for deciding WMA limit (2011-12 to 2013-14 Accounts).

xvii. Quantum increase in WMA limit of around 15 per cent was considered appropriate keeping in view the similar growth in expenditure between 2005-06 and 2013-14 and also bifurcation of quantum among Himalayan States & North Eastern States (HS&NES) and other States in the ratio of 12.81:87.19. Accordingly, the multiplying ratio has been arrived at 2.78 per cent and 2.03 per cent, respectively for HS&NES and other States.

xviii. The revised WMA quantum works out to ₹32,225 crore for all the States. The increase in State-wise WMA limits is in the range of 70.6 per cent to 132 per cent.

CSF Investment and SDF Eligibility

xix. The CSF withdrawal and its impact on SDF eligibility was referred later to the Committee for its deliberation and recommendation. The Committee recommended that the present system of incremental investments in CSF/GRF will continue for deciding the eligibility of the SDF. As an incentive to invest in CSF and GRF liberally, all incremental investments (at present restricted to WMA limit) may be allowed for availing SDF without any limit in line with the eligibility available for investments in G-Secs and Auction Treasury Bills (ATBs).

xx. If States avail of SDF against the collateral of GoI dated securities and ATBs, they will not be allowed to invest in any of these securities for the next 90 days.

xxi. In case of second and subsequent investment in 91 day TBs and availing of SDF against such collateral, during the financial year, such availment would be treated as WMA after the first occasion.

Future Guidance

xxii. The 14th FC recommendations on devolution and the post devolution revenue deficit grants to 11 States are expected to eliminate structural revenue deficits. The Committee felt that since 14th FC recommendations were being implemented from FY 2015-16, States would require some transition time to adjust their finances in line with the new vertical and horizontal devolution. The limits proposed by the Committee will be implemented in the current financial year. These limits would continue for two years. However, the Committee recommends that a review be undertaken by the RBI in 2017-18 when final expenditure numbers for FY 2015-16 will be available.

xxiii. From 2017-18, the WMA limits will be revised based on the total expenditure net of lotteries, revenue deficit and power bond expenses, if any.

xxiv. Committee based next revision of WMA may be effected in 2020-21 taking into account the then fiscal positions of the States and the road map likely to be deliberated in the 15th FC report.

I. INTRODUCTION

The Reserve Bank of India (RBI) is the debt manager for 29 State Governments and the Union Territory of Puducherry as also the banker to the State Governments except Government of Sikkim[1], in terms of their agreement with RBI under Section 21 A of the Reserve Bank of India Act 1934. Under this Section, the Reserve Bank shall undertake all money, remittance, exchange and banking transactions in India, including in particular, the deposit, free of interest, of all its cash balances with the Bank; and the management of the public debt of, and the issue of any new loans by, that State. Towards this endeavour, the Reserve Bank makes advances to State Governments to tide over mismatches in the cash flows of their receipts and payments. Such advances are termed as Ways and Means Advances (WMA), which are repayable in each case not later than three months from the date of the making of the advance in terms of Section 17 (5) of the RBI Act. The Reserve Bank has been extending such advances to State Governments since 1937 under this provision. The maximum amount of WMA by the Reserve Bank and the interest charged thereon are regulated by agreements with the State Governments as also based on the recommendations of various Committees/ Groups constituted, which are discussed in detail in Chapter II.

1.2 The WMA scheme was revised in April 2006 based on the recommendations of the Advisory Committee on Ways and Means Advances to State Governments (Chairman: Bezbaruah). In response to the requests made by some of the State Governments as also in accordance with the discussions held in the State Finance Secretaries' (SFS) conference of 2013, the WMA limit was increased by 50 per cent for all States over their then existing limit since November 11, 2013. As discussed in the SFS conference held in August 2014 based on an agenda item to revisit the WMA scheme, an Advisory Committee was constituted in November 2014, with two external fiscal expert including one as Chairman, Joint Secretary, PF-I, GoI and six SFSs representing each zone of Indian States as members in addition to a Member Secretary from Internal Debt Management Department (IDMD) of the RBI. Accordingly, the initial composition[2] of the Advisory Committee was as under:

i. Shri Sumit Bose – Chairman (Member, Expenditure Management Commission, GoI and former Finance Secretary, GoI)

ii. Dr. Rathin Roy, Director, National Institute of Public Finance and Policy (NIPFP) – Member

iii. Shri Sudhir Shrivastava, Additional Chief Secretary of Govt of Maharashtra – Member

iv. Shri K. Shanmugam, Principal Finance Secretary of Govt of Tamil Nadu - Member

v. Smt Vini Mahajan, Principal Finance Secretary of Govt of Punjab - Member

vi. Shri Temjen Toy, Principal Secretary & Finance Commissioner of Govt of Nagaland - Member

vii. Shri B.B. Vyas, Principal Finance Secretary of Govt of Jammu & Kashmir - Member

viii. Ms. L.N. Tochhawng, Finance Commissioner of Govt of Mizoram - Member

ix. Shri Rajiv Kumar, Joint Secretary, PF-I, MoF, GoI - Member

x. Smt R. Kausaliya, Director, IDMD, RBI – Convenor & Member Secretary

TERMS OF REFERENCE OF THE COMMITTEE

1.3 The terms of reference (ToR) of the Committee broadly covers the following:

i. To review the existing WMA scheme for the State Governments, particularly the formula for fixation

[1] Government of Sikkim has agreement with the RBI only for the limited purpose of managing its public debt.

[2] Due to office exigencies and transfers, some of the members were replaced.

of limits, and recommend modifications, if necessary, in the light of the recommendations of the 14th Finance Commission;

ii. To examine the existing Overdraft regulations for the State Governments;

iii. To examine the scheme of Special Drawing Facility (SDF) of the State Governments; and

iv. Any other issues germane to the subject. As a fallout of the discussion in the SFS conference 2015, the CSF withdrawal and its impact on SDF eligibility was referred later to the Committee for its deliberation and recommendation.

APPROACH OF THE COMMITTEE

1.4 The composition of the Committee was extended for the first time to include Finance Secretaries of select six State Governments as Members in addition to PF-I, GoI representation. The Secretarial and research support to the Committee was provided by the Internal Debt Management Department of the RBI. The Committee adopted a consultative approach and accordingly formalised its recommendations based on the discussion among Members as also non-member State representatives and fiscal experts. The Committee held three meetings. In the first meeting in Mumbai (Annex 9), it was decided to examine, among others: (i) the reasons for sudden and regular availment of WMA/ OD by some States; (ii) empirically study the relationship between Revenue Deficit (RD), cash surplus and availment of WMA for the recent period; (iii) analyse the 14th Finance Commission report and its implication on State finances; and also (iv) analyse the increase in WMA limit and its overall impact on money supply and other monetary policy related implications.

1.5 The second meeting was held in Kolkata, where Finance Secretaries of five State Governments of the region, were also invited to offer their views. In the meeting, it was decided to: (i) ascertain the status of implementation of e-receipts and e-payments model in the State Government transactions and its implications on cash management; (ii) study the tax forecast of the Union Budget *vis-à-vis* actual collection and its devolution to State Governments for the recent period; (iii) estimate the tolerable limit of WMA target as per Bezbaruah Committee formula adjusted for inflation and fiscal targets; (iv) study the cross country experience on sub-national cash management of few countries such as Brazil, Indonesia, South Africa and Germany; and (iv) study the feasibility of more number of auctions of SDLs to reduce the cash flow mismatches as also to avoid availing more WMA/ OD from the Reserve Bank.

1.6 In addition, Shri Sumit Bose, Chairman of the Committee was invited to the SFS conference held on May 25, 2015 to address the State Officials. Based on the discussion, Chairman requested all the State Governments to forward their views for the benefit of the Committee. Views received from State Governments were discussed and are summarised in Annex 8 of the Report. Further, in the SFS conference, an agenda item on withdrawal from CSF by States was discussed. As the incremental investment in CSF is eligible as collateral to avail SDF from the RBI, some of the State Governments suggested that their eligibility to avail SDF should not be curtailed after such withdrawal from the CSF. It was decided in the SFS conference that this issue may be referred to the Advisory Committee for further deliberation to arrive at an appropriate recommendation as part (iv) of ToR.

1.7 The Chairman, along with Dr. Rathin Roy, had discussions with select officials of the IDMD on August 31, 2015. The final meeting of the Committee was held at RBI, New Delhi on November 20, 2015, which finalised the recommendations, after due deliberations, and the letter of transmittal was signed by the Members. The follow-up actions on the issues raised in the Committee meetings as well as other issues discussed are appropriately included across the Report.

STRUCTURE OF THE REPORT

1.8 Against this backdrop, the rest of the Report is organised into four Chapters. Though the evolution of the WMA scheme for the State Governments was given in the earlier Committees' reports, a summary of the same is covered in Chapter II for ready reference and the detailed historical review of the minimum balance and the background of WMA scheme are elaborated in Annex 2. The 14th Finance Commission (FC) recommendations and its implications on State finances along with the recent fiscal position of the States are discussed in Chapter III. Chapter IV empirically evaluates the liquidity position of the States and analyses in detail the availment of WMA/ OD by the States. Further, the increase in WMA limit and its overall impact on the money supply in the context of monetary policy are also examined in this Chapter. Conclusions and recommendations of the Committee are set out in Chapter V. An update of the consolidated measures recommended by the earlier Committees is listed in Annex 1. Historical trend in interest rates on WMA and OD are codified in Annex 3. Annex 4 details the utilisation of WMA and consolidates the investment in Intermediate Treasury Bills (ITBs) and Auction Treasury Bills (ATBs) by the State Governments. Fiscal indicators, *viz.*, revenue expenditure, lottery expenditure and capital expenditure used as base for WMA calculation of the States is given in Annex 5. Annex 6 briefly sets out the operating procedures and liquidity management framework of the Reserve Bank. Annex 7 lists the various combinations of WMA formulas attempted for this Report. Annex 8 briefly summaries the views expressed by the State Governments on WMA/ OD. Annex 9 lists the officials who attended the Advisory Committee meetings

II. EVOLUTION OF WAYS AND MEANS ADVANCES SCHEME

2.1 The Reserve Bank provides financial accommodation to the States banking with it through agreement to help the States to tide over temporary mismatches in the cash flow of their receipts and payments as WMA. They are intended to provide a cushion to the States to carry on their essential activities and normal financial operations. As mentioned earlier, the WMA provided by the RBI to the States are governed by Section 17(5) of the Reserve Bank of India Act, 1934. There are two types of Ways and Means Advances, *viz.*, (i) Normal WMA or clean advance, which was introduced in 1937; and (ii) Special WMA instituted in 1953, which is secured advance provided against the collateral of GoI securities. As requested by the State Governments in the SFS conference held in May 2013, the nomenclature of Special WMA was changed to SDF since June 23, 2014 by amending the respective agreement with State Governments. In addition, an overdraft (OD) facility is also provided to the State Governments whenever RBI credit to the State Government exceeds the SDF and WMA limits. The maximum amount of such advances by the Reserve Bank and the interest charged thereon are, however, not specified in the RBI Act but are regulated by voluntary agreements with the State Governments as also based on the recommendations of various Committees.

2.2 As a banker to the State Governments, the Reserve Bank is not entitled to any remuneration for the conduct of ordinary banking business other than the advantages, which may accrue to it from the holding of States' cash balances free of obligation to pay interest thereon. The WMA limit was equal to the minimum balance in 1937, when these limits were instituted for the first time. A major change in the principles adopted for working out the WMA limits occurred in 1999 consequent to the recommendations made by an Informal Advisory Committee (IAC).

WMA/ OD SCHEME: PERIODIC REVISIONS

2.3 The WMA scheme was periodically reviewed, keeping in view the States' requirements, the evolving financial and institutional developments, as well as the objectives of monetary and fiscal management[3]. Ten revisions were made in the WMA limits till August 1996. In 1953, the WMA limits were fixed at twice the revised minimum balance. The WMA limits were increased to 12 times of the minimum balances in 1967 and further to 168 times in 1996. During the period October 1986 to March 1988, two intra-year WMA limits were specified - 52 times the minimum balance during the first half of the year and 48 times the minimum balance in the second half. Since 1999, the limits are being fixed based on the recommendations of the Advisory Committees set up periodically by the Reserve Bank.

ADVISORY COMMITTEES CONSTITUTED BY THE RBI

2.4 In the past, three Advisory Committees were set up by the RBI, in addition to an informal Group of State Finance Secretaries (GSFS). Each Advisory Committee was headed by an expert with experience in State finances (Table 1). Each Committee had one fiscal expert as member along with the Chairman. The consolidated recommendations by these Committees on the WMA formula are tabulated briefly in Annex 1 and historical background is set out in Annex 2.

VITHAL COMMITTEE (1998)

2.5 A major change in fixing the Normal WMA and Special WMA limits of States was effected by the

Table 1: Advisory Committees Constituted by the RBI

Sl. No.	Year	Chairman	Member	Member Secretary
1	1998	B.P.R. Vithal	Ashok Lahiri	CGM, IDMD
2	2003	C. Ramachandran	Suman Bery	CGM, IDMD
3	2005	M.P. Bezbaruah	D.K. Srivastava	CGM, IDMD

[3] Historical review of minimum balance and the WMA limits are consolidated in Annex 2.

Informal Advisory Committee (Chairman: Shri B.P.R. Vithal, Member, 10th Finance Commission). The Vithal Committee observed that fixing the WMA limits as multiples of an unchanged minimum balance did not capture the differing needs of the States as observed from the States budgetary transactions. This had resulted in wide inter-State variations in the WMA limits in relation to the size of the budget and it was felt that this needs to be corrected.

2.6 Therefore, the Vithal Committee recommended delinking of the size of the WMA limit with the minimum balance and recommended that the WMA limits of the States be fixed as a multiple of their budgetary turnover to capture the differing needs of the States in line with the growth in their budgetary transactions. Separate multiplying ratios were specified for Special and Non-Special Category States. Accordingly, the WMA limits were fixed by applying the ratio of 2.25 per cent and 2.75 per cent, respectively for non-special and special category States to the three year average of revenue receipts plus capital expenditure (accounts) for the years 1994-95, 1995-96 and 1996-97, as published in the State Budgets.

INFORMAL GROUP OF STATE FINANCE SECRETARIES (2000)

2.7 The Vithal Committee had recommended substantial enhancement of limits of WMA but had stated that these limits should remain unchanged for the period covered by the recommendations of the 11th Finance Commission (FC). However, based on the representations from the State Governments, Group of State Finance Secretaries (GSFS) was constituted by the Reserve Bank in November 2000. Certain modifications in the then existing scheme and further enhancements of WMA limits were recommended by that Group. Two years after adopting the recommendations of the GSFS, the Reserve Bank decided to review the entire formula of WMA in the light of the emerging fiscal conditions in State finances. Accordingly, an Advisory Committee was constituted to review the WMA scheme under the Chairmanship of Shri C. Ramachandran, former Secretary (Expenditure), GoI.

RAMACHANDRAN COMMITTEE (2003)

2.8 The Ramachandran Committee recognized that, from the point of view of the States, it is the adequacy of the limit to accommodate likely mismatches that is relevant and important. Therefore, exclusion of capital expenditure from the base could be compensated by adopting a higher ratio to the revenue receipts than the ratio used to determine the WMA limits. Therefore, the Committee recommended multiplying ratios of 3.19 per cent and 3.84 per cent, respectively for non-special and special category States on the base of average of the latest three years revenue receipts - two years' actuals and one year's revised estimates approved by the Comptroller and Auditor General (C&AG).

2.9 In the 1990s, the WMA, in addition to meeting the temporary mismatches in cash flows, also emerged as one of the sources of financing the structural mismatches of the States. The Ramachandran Committee observed that the review of WMA limits can be linked with the Finance Commission's award on resource transfer to the States. Further, the WMA formula remained generally valid during the award period of the Finance Commission and thus, recommended a review of the WMA formula after the receipt of the recommendations of the 12th FC.

BEZBARUAH COMMITTEE (2005)

2.10 The last formula based WMA revision was made on the basis of the Bezbaruah Committee. The Bezbaruah Committee perceived that the formulation of WMA limits by the Reserve Bank over the medium term needs to take into consideration: (i) the adequacy of existing WMA limits to cover temporary mismatches in the cash flows of the State Governments; (ii) the size of expected temporary cash flow mismatches over the medium term particularly in the context of the recommendations of the 12th FC; and (iii) consistency with the objectives of monetary management. The Committee recommended that the base should be taken as the average of the latest three years' total expenditure (actuals) excluding repayments and adjusted for one-time ad-hoc expenditures and lottery expenditures.

While in the case of States having a revenue deficit, the base should exclude the revenue deficit. After approximation, the multiplying ratios were taken as 3.1 per cent for Non-Special Category States and 4.1 per cent for Special Category States. Accordingly, the WMA limit was revised since April 1, 2006.

2.11 The Committee observed that the WMA limits may be reviewed every year. The Committee expects that with the reduction in the revenue deficit over time, the limits as computed for 2006-07 may prove to be quite adequate, in which case annual revision of the limits may not be necessary. The Committee further recommended that the next review of the WMA/ OD scheme may be undertaken after the receipt of the recommendations of the 13th FC.

2.12 The Reserve Bank has been undertaking annual reviews of WMA availment by the States since the revision held in 2006-07. It was observed that since 2009-10, about 11 States have been regularly availing WMA/ OD, while few States availed WMA occasionally. Many States have not availed WMA despite substantial increase in their expenditure since 2006-07. Annual reviews of utilisation of WMA revealed that only few States were availing this facility frequently and also the total utilisation of WMA was not much.

2.13 As there were continuous requests from some of the State Governments to revise the WMA limits, as also requests made in the SFS conference held in May 2013, the cash flow analysis of many of the States was undertaken. It was decided to increase the WMA limits for the State Governments by 50 per cent of then existing limit of ₹10,240 crore to ₹15,360 crore with effect from November 11, 2013. Thereafter, this Advisory Committee was constituted to review the WMA/ OD scheme. State-wise current WMA limit is set out in Table 2. As banker, the RBI has to provide reasonable amount of temporary advances to States to tide over liquidity mismatches. However, the quantum of advances the Reserve Bank could provide without affecting the monetary policy operations and fiscal discipline are issues that need to be addressed. The reconciliation of these conflicting needs of providing adequate temporary financing and continuing a regime where fiscal discipline is maintained, as well as the difficulties of distinguishing between a temporary liquidity problem and a structural deficit problem, are the challenges, which the RBI has to face while dealing with the WMA, which are discussed in detail in Chapter IV.

Table 2: WMA Limit for State Governments

(₹ Crore)

Sl. No	States/UTs	Limit as per Bezbaruah Formula	Limit since Nov 11, 2013
1	Andhra Pradesh[4]	880	770
2	Arunachal Pradesh	65	98
3	Assam	300	450
4	Bihar	425	638
5	Chhattisgarh	190	285
6	Goa	65	98
7	Gujarat	630	945
8	Haryana	295	443
9	Himachal Pradesh	190	285
10	Jammu and Kashmir	315	473
11	Jharkhand	280	420
12	Karnataka	625	938
13	Kerala	350	525
14	Madhya Pradesh	460	690
15	Maharashtra	1160	1740
16	Manipur	60	90
17	Meghalaya	60	90
18	Mizoram	55	83
19	Nagaland	80	120
20	Odisha	300	450
21	Punjab	360	540
22	Rajasthan	505	758
23	Tamil Nadu	730	1095
24	Telangana *	-	550
25	Tripura	100	150
26	Uttar Pradesh	1020	1530
27	Uttarakhand	145	218
28	West Bengal	545	818
29	Puducherry	50	75
	Total	**10,240**	**15,360**

* Reorganised from Andhra Pradesh since June 2, 2014.

4 WMA limits bifurcated between Andhra Pradesh and Telangana in the ratio prescribed by the AP Reorganization Act, 2014.

SPECIAL DRAWING FACILITY (SDF)

2.14 In addition to the WMA, SDF[5] has also been in operation, which is a secured advance and linked to the investments made by State Governments in the GoI securities. At the time of the initiation of the scheme in April 1, 1953, a uniform limit of ₹2 crore was allocated to each State. The sanctioned limits of Special WMA were linked to (six times) the minimum balance in 1967 and were periodically revised upwards to 64 times the minimum balance in 1996. Since March 1999, Special WMA limits of the State Governments have been linked exclusively to their holdings of GoI dated securities and Treasury Bills, adjusted for margin. The Reserve Bank also maintains two Funds - CSF and GRF - on behalf of the States and the incremental investments in these Funds also qualifies for SDF upto a ceiling equivalent to their WMA limit as recommended by the Bezbaruah Committee. A uniform hair cut margin of five per cent is being applied on the market value of the securities for determining the operating limit of the SDF. Accordingly, the SDF limit for the State Governments will undergo changes according to the valuation of outstanding securities. As at end-March, 2015, the SDF eligibility of the State Governments stood at ₹42,755 crore.

OVERDRAFT FACILITY (OD)

2.15 When the advances to the State Governments exceed their SDF and WMA limits, OD facility is being provided. The limit on number of days was fixed at 7 consecutive working days in the initial period. Subsequently, based on the representations from certain State Governments, the Reserve Bank introduced some flexibility in the scheme by enhancing the period for which a State Government could run on OD from 7 to 10 consecutive working days with effect from November 1, 1993. As per IAC recommendation, in 1998 the Reserve Bank imposed a ceiling on the OD amount at 100 per cent of the WMA limit with the provision that any OD over 100 per cent of the WMA limit had to be cleared within three working days. Subsequently in 2001, based on the recommendations of the GSFS, the limit of 10 consecutive working days was extended to 12 consecutive working days and the restriction for bringing down the OD level within the level of 100 per cent of the WMA limit was relaxed to five consecutive working days. *The Committee observed that even with enhancement in the WMA, resort to OD has not declined. It appears that when a State remains in OD for more than 200 days in a year, WMA becomes a resource and the OD becomes WMA. As a result, OD is used to manage the resource crunch between two spells of WMA, hence constraint is no longer financial limit but a time limit. Thus frequent resort to OD is a manifestation of structural imbalance or bad cash management.*

2.16 The Ramachandran Committee observed that greater resort to OD is a clear indication of fiscal imbalance and unless regulated in time, it would lead to a situation where the corrections would become costly and difficult. However, the total number of days that a State can remain in OD has been extended to 14 consecutive working days by the Ramachandran Committee. The existing norm of restricting OD to 100 per cent of the WMA limit being continued, i.e., if the OD exceeds this limit continuously for 5 consecutive working days for the first time in a financial year, the State will be advised by the RBI to bring down the OD level and if such irregularity persists on a second or subsequent occasion in the financial year, the RBI will stop payments notwithstanding the provision of permitting OD upto 14 days. In a quarter, the OD availed should not exceed 36 days irrespective of 14 days & 5 days rules. The Bezbaruah Committee decided not to modify the existing time limits for OD at that stage.

[5] Nomenclature changed from Special WMA.

INTEREST RATE ON SDF, WMA & OD

2.17 Advances availed by the State Governments attract interest on the outstanding[6]. The interest rates on WMA and OD witnessed periodic revisions. Prior to May 1976, the interest rate on WMA did not exceed the Bank Rate. Thereafter the rate of interest on these advances was revised. From May 1976 to August 1996 a graduated scale of charges based on the duration of the advance was introduced to discourage the States from using the facility as a normal budgetary resource. Since then a single rate of interest is being applied on WMA. In general, while WMA were charged not above the Bank Rate, the interest rate on OD usually exceeded the Bank Rate. The details of historical interest rates charged on SDF, WMA and OD are listed in Annex 3. Based on the recommendations of the Bezbaruah Committee, the interest rate on WMA scheme has been revised as in Table 3.

Table 3: Interest Rate on SDF, WMA & OD

Scheme	Days/Limit	Rate of Interest
1. SDF	–	Repo rate minus 1%
2. WMA	Up to 90 days	Repo rate
3. WMA	Above 90 days	Repo rate plus 1%
4. OD	Availment equal to WMA Limit	Repo rate plus 2%
5. OD	Availment is more than WMA Limit	Repo rate plus 5%

Note: As on November 13, 2015, the Repo Rate was at 6.75%.

6 Historical trends in interest rate on WMA/ OD are listed in Annex 3.

III. STATE FINANCES AND 14th FINANCE COMMISSION IMPLICATIONS

Recent Trends in State Government Finances[7]

3.1 Before discussing the trends in availment of WMA/ OD by the States, as also the tolerance level of WMA by the Reserve Bank in view of monetary policy operations, it would be more appropriate to examine the recent developments in fiscal position of the States and the recommendations of the 14th FC on the State finances. At the consolidated level, key deficit indicators of the States for 2014-15 were budgeted to improve from the revised estimates (RE) of the previous year (Table 4). Budget estimates (BE) for 2014-15 was based on a marked acceleration in revenue receipts to bring about an expansion in the surplus on the revenue account after erosion to near-balance in the preceding year. It may be observed that States taken together, moved into a revenue surplus position in 2006-07 and have maintained this since then, except for 2009-10 when the implementation of Pay Commission awards and reduced revenue buoyancy on account of the economic slowdown resulted in revenue deficit. The surplus in the revenue account was, however, nearly wiped out in 2013-14. Underlying this erosion was a reflection of slowdown in both own tax and non-tax revenues. Notwithstanding an improvement in the State VAT revenue growth, other major own tax revenues were affected by the sluggishness in the economy. At the same time, growth in revenue expenditure increased significantly over the previous year on account of increase in social sector expenditure. In addition, the capital outlay on food and warehousing had to be enhanced in preparation for the implementation of the National Food Security Act, 2012. While the overall GFD-GDP ratio in 2013-14 at 2.5 per cent was in line with the 13th FC target, State-wise position shows that 12 out of the 28 States could not meet the same. Most States reaffirmed their commitment to fiscal consolidation in 2014-15.

3.2 Decomposition of the consolidated GFD of the States indicates that the capital outlay exceeded the GFD in 2014-15, with the revenue surplus augmenting the required resources for financing the same (Table 5). In absolute terms, the GFD constituted on an average 52 per cent of the capital outlay during 2009-10 to 2014-15.

3.3 The notable features of financing the GFD during the recent period is that the market borrowing emerged as the major financing source as the compound annual growth rate (CAGR) increased to 31.7 per cent during 2006-07 to 2013-14 as compared with 8 per cent of CAGR during 2000-01 to 2005-06. Contribution of national small savings fund (NSSF) investments in State Governments' special securities in financing GFD continued to remain negative due to redemptions exceeding fresh investments (Table 6). State provident fund is another source of financing of the GFD of the States.

Table 4: Major Deficit Indicators of State Governments

(As per cent of GDP)

Item	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14 (RE)	2014-15 (BE)
GFD	2.4	1.8	1.5	2.4	2.9	2.1	1.9	2.0	2.5	2.3
RD	0.2	-0.6	-0.9	-0.2	0.5	0.0	-0.3	-0.2	0.0	-0.4
PD	0.2	-0.4	-0.5	0.6	1.2	0.5	0.4	0.5	1.0	0.8

[7] Please refer to the study "State Finances: A Study of Budgets of 2014-15" published by the Reserve Bank of India for a detailed analysis of State Government Finances.

Table 5: Decomposition of Gross Fiscal Deficit

(per cent)

Item	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14 RE	2014-15 BE
GFD=(1+2+3-4)	100	100	100	100	100	100	100	100	100	100
1. Revenue Deficit	8	-32	-57	-9	16	-2	-14	-10	-1	-18
2. Capital Outlay	86	127	158	106	79	94	102	99	94	114
3. Net Lending	6	8	9	4	5	9	13	12	8	5
4. Non-Debt Capital Receipts	0	2	9	0	0	1	0	0	0	0

3.4 The outstanding liabilities of the State Governments recorded double-digit growth during the period 2012-13 to 2014-15 (BE). The proposed transition from the present origin-based indirect tax regime to a destination-based tax regime under the goods and services tax (GST) from April 1, 2016 should create a buoyant source of revenue in the medium term. Freeing up resources for higher capital outlays, improving the quality of fiscal consolidation and setting the consolidated debt-GDP ratio of the States on a declining trajectory is crucial to the health of State finances.

3.5 A brief review of State finances shows that the ratio of revenue deficit to fiscal deficit, an indication of the extent to which borrowing is used for meeting revenue expenditures, showed a marked improvement, declining from 36.8 per cent in 2004-05 to (-) 10.4 per cent in 2012-13. The outstanding debt-GDP ratio declined steadily from 31.1 per cent in 2004-05 to 21.6 per cent in 2012-13. Most aggregate indicators of revenue receipts on the whole showed improvement till 2007-08 and deteriorated thereafter for 2008-09 and 2009-10. The trend seems to have reversed again from 2010-11, with revenue receipts showing significant increases. The States' aggregate own revenues (the sum total of own tax revenues and own non-tax revenues) as a percentage of GDP showed an upward trend, increasing from 7.0 per cent in 2004-05 to 7.6 per cent in 2012-13. Aggregate own tax revenues increased more or less steadily from 5.6 per cent in 2004-05 to nearly 6.5 per cent in 2012-13 (with marginal decrease in 2008-09 and 2009-10). However, aggregate own non-tax revenues decreased from 1.4 per cent in 2004-05 to about 1.2 per cent in 2012-13, thus partly offsetting the buoyancy of own tax receipts. The VAT constituted around 61 per cent of aggregate own tax revenues of the States and remained almost unchanged throughout the period 2004-05 to 2012-13. Overall improvement in State finances was driven by States' own initiatives to increase revenues and rationalise expenditure, higher tax devolution because of buoyancy in Central taxes, and increased collections from VAT. By 2012-13, most States became revenue surplus, with their combined GFD being well below the target of 3 per cent of GSDP.

Table 6: Financing of Gross Fiscal Deficit

(Per cent)

Year	Market Borrowings	Loans from Centre	Special Securities issued to NSSF	Provident Fund, *etc.*	Others
2005-06	17.0	0.0	81.9	11.6	-10.5
2006-07	16.9	-11.5	72.3	13.4	8.9
2007-08	71.5	-1.2	7.8	16.4	5.7
2008-09	77.3	-0.6	1.1	11.6	10.5
2009-10	59.7	-0.9	12.8	12.3	16.2
2010-11	55.0	0.4	23.9	17.2	3.4
2011-12	80.4	0.1	-4.8	15.8	8.4
2012-13	74.8	0.9	-0.1	13.2	11.2
2013-14 (RE)	70.8	2.6	-1.3	9.0	18.9
2014-15 (BE)	77.7	4.4	-0.6	9.1	9.4

3.6 The fiscal size of the States has increased significantly after the 2005-06 revision of WMA as the CAGR of revenue expenditure increased to 15.4 per cent during 2006-07 to 2013-14 as compared with 9.3 per cent of CAGR during 2000-01 to 2005-06 (Table 7). Similarly, revenue receipt increased by 15.6 per cent

Table 7: Annual Compound Growth of Fiscal Parameters (%)

Indicator	2000-01 to 2005-06	2006-07 to 2013-14
Revenue Receipts	13.4	15.6
Revenue Expenditure	9.3	15.4
Capital Receipts	8.3	8.6
Capital Expenditure	16.1	12.9
Total Receipts	11.8	13.9
Total Expenditure	10.5	14.9
Total Gap	3.7	12.6
Market Borrowings	8.0	31.7

during the period as compared with 13.4 per cent increase during the previous period. However, the capital expenditure recorded a slower growth of 12.9 per cent after 2005-06 as compared with 16.1 per cent earlier to cope up with the fiscal discipline prescribed by the FCs as also the FRBM restrictions. Also the capital receipts increased by 8.6 per cent during 2006-07 to 2013-14 compared with 8.3 per cent during the earlier period. Taking into account the significant increase in fiscal size of the States, compared with the position during the last revision as also to provide some cushion to keep pace with the fiscal developments, the Committee felt that there is a need to revise the WMA formula at this stage.

3.7 Some of the challenges for States on the fiscal front are: (i) efficient utilisation of the enhanced resources through tax devolution under the 14th FC award; (ii) efforts to mobilise non-tax revenue; (iii) impact of seventh pay commission awards; (iv) realistic capital outlays; and (v) an appropriate measurement of debt to include off-budget high risk liabilities.

3.8 While reviewing the fiscal position of States, RBI publication titled "State Finances: A Study of Budgets of 2014-15" highlighted the necessity to improve the predictive power of budget estimates with respect to actual outcomes. Improvement in fiscal marksmanship is important for delivering on fiscal consolidation intentions. In this regard, States need to improve the reliability of their forecasts of key fiscal parameters like tax, expenditure, macroeconomic aggregates, *etc.*

14TH FC RECOMMENDATIONS AND ITS IMPLICATIONS ON STATE FINANCES

3.9 The 14th FC (Chairman: Dr. Y.V. Reddy) submitted its Report in December 2014, which was placed before the Parliament on February 24, 2015. Reviewing the fiscal situation of States, the 14th FC noted that, at an aggregate level, fiscal indicators of States improved during the period from 2004-05 to 2013-14 (RE). Some of the major recommendations of the 14th FC relating to State Finances are in the following paras.

Vertical Distribution

3.10 With a view to minimising discretion, improving the design of transfers, avoiding duplication and promoting co-operative federalism, the 14th FC suggested a review of existing arrangements for transfers outside the recommendations of the FC. Accordingly, it suggested that a new institutional arrangement may be evolved which can, *inter alia*, make recommendations regarding sector-specific and area-specific grants. The FC recommended increase in tax devolution to 42 per cent from 32 per cent of the divisible pool and sector-specific FC grants to be dispensed with - reflecting compositional shift in transfers from grants to tax devolution with a view to meet the twin objectives of increasing the flow of unconditional transfers to the States and yet leave appropriate fiscal space for the Union to carry out specific purpose transfers to the States.

3.11 Sector-specific FC grants to be dispensed with include grants-in-aid to be given for local bodies (53.5 per cent share in total grants); disaster management (10.2 per cent share) and post devolution revenue deficit grant where devolution alone could not cover the assessed gap (36.3 per cent share). Accordingly, 11 States qualified to receive such grants. States such as Andhra Pradesh, Himachal Pradesh, Jammu and Kashmir, Manipur, Mizoram, Nagaland and Tripura will need a revenue deficit grant for each of the years of the award period. In addition, four States, *viz.*, Assam, Kerala, Meghalaya, and West Bengal will need a revenue deficit grant for at least one of the years of the award period. The post devolution revenue deficit as calculated by the 14th FC has been fully covered by the recommended revenue deficit grant.

Horizontal Distribution

3.12 Inter-state devolution attempts to mitigate the impact of the differences in fiscal capacity and cost disability among States. The 14th FC has not used the distinction between non-special and special category states.

Grants for Local Bodies

3.13 Grants distribution to States for local bodies are on the basis of the 2011 population data (weight of 90 per cent) and area (weight of 10 per cent). The grants are to be divided into two broad categories on the basis of rural and urban population - Gram Panchayats and Municipal Bodies. The share of Gram Panchayats is to be 69.6 per cent of the total grants during the award period 2015-2020; further, grants to be of two types – basic grant and performance grant, which depends on (i) making available reliable data on local bodies' receipt and expenditure through audited accounts; and (ii) improvement in own revenues. State Governments should strengthen State Finance Commissions (SFC), including timely constitution, and adequate resources for smooth functioning and timely placement of the SFC report before State legislature.

Goods and Services Tax

3.14 The compensation for revenue loss to the States for implementation of GST is to be 100 per cent for first 3 years, 75 per cent in the fourth year and 50 per cent in the fifth year. An autonomous and independent GST Compensation Fund is to be created.

Fiscal Discipline and FRBM

3.15 The 14th FC recommended that the States' annual GFD-GSDP ratio is to be anchored at 3 per cent of GSDP and will have the flexibility of upto 0.5 per cent provided the following conditions are met. Making a marked departure, the 14th FC has linked fiscal discipline to borrowing criteria rather than devolution criteria and the States are eligible for additional borrowings if: (i) the debt-GSDP ratio is less than or equal to 25 per cent; and/ or (ii) the interest payments are less than or equal to 10 per cent of the revenue receipts in the preceding year. Availing additional borrowing is conditional on the State having no revenue deficit in the year in which borrowing limit is to be fixed as also in the preceding year. Further, States to be given the option to carry forward unutilised borrowing limit in the following year during the award period. Thus, a State can have a maximum GFD-GSDP limit of 3.5 per cent in any given year during the award period. This may enable fiscally well managed States to borrow more for undertaking developmental capital expenditure.

3.16 The 14th FC has recommended that the Union Government should consider making an amendment to the FRBM Act to omit the definition of effective revenue deficit from April 1, 2015. Moreover, it recommended an amendment to the FRBM Act mandating the establishment of an independent fiscal council to undertake ex-ante assessment of the fiscal policy implications of budget proposals and their consistency with fiscal policy and rules.

3.17 In continuation with the disintermediation principle advocated by the 13th FC, the 14th FC has recommended that States may be excluded from the operations of the NSSF with effect from April 1, 2015, and their involvement be limited to discharging the liabilities already incurred. However, Union Budget 2015-16 has made a provision of ₹103.4 billion for NSSF's investment in State Government securities, indicating that NSSF would continue to finance State Governments' fiscal deficit. The 14th FC recommended that all the States should target improving the quality of fiscal management encompassing receipts and expenditures. Further, State Governments are to provide statutory ceiling on the sanction of new capital works to an appropriate multiple of the annual budget provision. However, some of the above recommendations are yet to be considered by the Union Government.

Implications for State Government Finances

3.18 On the issue of tax devolution, the 14th FC's recommendation of 42 per cent tax devolution may not significantly alter the aggregate resource transfers from the Centre, although it may give more untied transfers to the States, thus providing greater fiscal autonomy. To address horizontal imbalance, 14th FC has accorded greater importance to fiscal capacity, with the indicators of cost and revenue disabilities being assigned a combined weight of 72.5 per cent as against 57.5 per cent assigned by the 13th FC.

3.19 It may be noted that as per the recommendations of the 14th FC, the Centre-State funding pattern of some of the Centrally Sponsored Schemes (CSS)/ Programmes is already being modified in the Union Budget 2015-16 in view of the larger devolution of tax resources to States. The Union Budget proposed that eight CSS be delinked from support from the Centre. In respect of various other CSS, the sharing pattern will undergo a change with States sharing a higher fiscal responsibility in terms of scheme implementation.

3.20 In terms of 14th FC recommendations, all States are required to contribute 10 per cent to the SDRF during the award period of 2015-16 to 2019-20, and the remaining 90 per cent will be contributed by the Union Government. Accordingly, the aggregate corpus of SDRF works out to ₹61,219 crore during the award period. In view of huge proposed corpus in the SDRF, if the State/ State Executive Committee (SEC) earmarks specific amount to be invested in Government securities, the Reserve Bank could manage the same on behalf of the State Governments, provided the investment operation procedures would be similar as followed in case of CSF/ GRF/ SDF managed by the Reserve Bank.

IV. LIQUIDITY POSITION OF THE STATE GOVERNMENTS AND AVAILMENT OF WMA: AN EMPIRICAL ANALYSIS

Trends in availment of WMA/ OD

4.1 The Reserve Bank has undertaken annual review of availment of WMA/ OD by the States after the revision in 2006-07 to ascertain the adequacy of the limit. It is observed that since 2008-09, few States have been regularly availing SDF/ WMA, while some availed occasionally. Many States have not availed WMA despite substantial increase in their expenditure since 2006-07. The number of States that availed WMA increased from 6 in 2010-11 to13 in 2013-14, which declined to 12 in 2014-15 (Table 8). States availing OD also increased from 3 in 2008-09 to 6 in 2011-12 and further to 10 in 2014-15.

Table 8: Availment of SDF, WMA & OD by States

(No. of States)

Year	SDF	WMA	OD
2008-09	8	6	3
2009-10	10	10	4
2010-11	8	6	4
2011-12	8	9	6
2012-13	10	9	8
2013-14	13	13	8
2014-15	13	12	10
2015-16 *	8	11	7

* Upto September 2015

4.2 In view of the requests from some of the State Governments to revise the WMA limits, as also requests made in the SFS conference, the Reserve Bank reviewed the utilisation in alignment with State's cash flow projections during 2013. Based on the above, it was observed that due to substantial increase in budget size of the States, it was considered to raise the WMA limit. Accordingly, the WMA limit was raised for all States by 50 per cent of the then existing limit with effect from November 11, 2013 and was decided that an Agenda on this would be placed in the SFS conference 2014 to look into the WMA scheme. Accordingly, the total limit was increased to ₹15,360 crore from ₹10,240 crore. In response to the increase in limits, utilization of WMA and OD increased substantially by select States (Annex 4.1). Thus, the dependence of select States on WMA continued in the post revision period also.

4.3 The average utilisation of WMA by the States put together against the total limits fixed stood at 2.1 per cent of the total limits in 2010-11, which increased to 3.2 per cent in 2012-13 and declined thereafter to 2 per cent in 2013-14 (Table 9). During 2014-15, however, the

Table 9: Utilisation of SDF, WMA and OD by States

(₹ Crore)

Year	SDF		WMA			OD	
	Peak Utilisation	Daily Average Utilisation	Peak Utilisation	Daily Average Utilisation	Average Utilisation as % to Total Limits	Peak Utilisation	Daily Average Utilisation
2007-08	1791.14	281.59	968.90	258.63	2.61	1292.99	108.72
2008-09	1578.56	282.76	1111.42	54.11	0.55	700.56	12.41
2009-10	1034.63	203.17	814.12	109.07	1.10	425.80	25.22
2010-11	1323.34	414.71	985.00	212.46	2.14	1283.16	83.57
2011-12	1149.46	294.36	1298.80	243.44	2.38	3073.19	82.03
2012-13	1234.64	237.01	1220.00	326.76	3.19	999.19	121.70
2013-14	1159.89	277.10	1265.90	313.93	2.04	1141.33	103.44
2014-15	4594.75	487.89	3005.88	736.01	4.79	4204.95	246.69

Source: RBI records

average utilisation of WMA by the States together stood at 4.79 per cent of the total limits for all States. Average utilisation of WMA and OD put together doubled during 2014-15 as compared to the previous year. Since March 2015, the monthly average utilisation of WMA/ OD by the States has been high upto October 2015 (Annex 4.1). Though States were encouraged to maintain positive cash balance at the end of the financial year, the utilisation of OD during March 2015 is a cause of concern despite increase in WMA limits in November 2013. Thus, linking enhanced WMA limit with increase in volume of transaction would not serve the purpose, as upto certain limits, the cash flow mismatches should be managed within the exiting WMA limit. Increase in volume does not automatically lead to an increase in the mismatch.

Relationship between RD, Availment of WMA/ OD and Cash Surplus – An Empirical Analysis

4.4 Since 2011, the annual average availment of SDF/ WMA/ OD by the State Governments has increased year after year due to structural issues faced by some of the fiscally stressed States. Number of States availing WMA/ OD as at end-March increased from 3 in 2011 to 6 in 2015, which reveal that some part of these States' GFD has been financed by borrowings from the RBI through WMA. Annual average overall liquidity mismatches (as measured by the utilization of NWMA, SDF and OD (NSO) has increased to ₹133.16 crore, ₹74.21 crore and ₹134.5 crore, respectively during 2014-15 from ₹72.94 crore, ₹60.19 crore and ₹62.82 crore during 2013-14.

4.5 A panel regression exercise was conducted in order to ascertain the linkages between structural/fiscal imbalances and economic growth on the one hand and liquidity imbalances of the State Governments on the other, over the period from 2007-08 to 2014-15. The dependent variable was overall liquidity mismatch, as given by the sum of the annual averages of NWMA, SDF and OD, which was also normalized by the aggregate (revenue plus capital) expenditure (NSO_TEXP). The independent variables were revenue deficit (RD), RD as a ratio of GSDP (RD_GSDP), RD as a ratio of GFD (RD_GFD), States investment in ITBs and the rate of growth of GSDP (GGSDP). Consolidated data on States' availment of SDF/ WMA/ OD during 2007-08 to 2014-15 have been taken together for this exercise. In the panel data framework, both fixed effect and random effect models were attempted.

4.6 In the fixed effect model, the variables such as RD_GFD, the growth of GSDP and ITBs were found to be statistically significant (Table 10). The overall fit of the above equations are fairly good. In the fixed effect model, the RD_GFD is statistically significant at 1 per cent level. The positive sign in RD_GFD indicates that overall liquidity mismatches, as a ratio to aggregate expenditure (NSO_TEXP) would increase with an increase in RD. Alternatively, with a reduction in RD_GFD, reflecting an improvement in the quality of fiscal adjustment, overall liquidity mismatches would decline. This seems likely, since a large part of revenue expenditure is committed and directed towards non-developmental purposes such as salary, pension, *etc.* If increase in revenue expenditure is more than covered by an enhancement of revenue receipts, then the revenue deficit would get reduced over a period of time, and would, thus, preempt a lower proportion of borrowings from the RBI. This, in turn, is likely to reduce the day-to-day mismatches in the cash flows of receipts and expenditures.

Table 10: States Availment of NSO- Fixed effect model

DEP. VAR	R^2	F	IND. VARs	COEFF	T-STAT	SIGNIFICANCE
NSO_TEXP	0.45	5.15	RD_GFD	1.15	3.37	0.001
			GGSDP	-1.11	-2.084	0.039
			ITBs	-2.48	-1.86	0.0649

4.7 The coefficient of the rate of growth of GSDP (GGSDP) is negative and statistically significant at 5 per cent level in both the models. This indicates that an increase in the rate of growth of GSDP is associated with a reduction in overall liquidity mismatches. This is again on expected lines, since the size and regularity of cash inflows are likely to enhance during a phase of buoyant economic growth. The coefficient of investment in ITBs is negative and statistically significant at 10 per cent level in fixed effect model and at 5 per cent level in random effect model. This indicates that increase in availment of WMA/ OD from RBI will reduce States' investment in ITBs.

4.8 In the random effect model also, variables such as ITBs, RD, growth rate of GSDP and RD_GFD were significant (Table 11). An attempt has also been made to segregate the data of special category and non-special category States. The fit of the non-special category States was statistically insignificant as many of them availed WMA/ OD occasionally while few States have availed WMA/ OD regularly. However, majority of the special category States have been availing WMA/ OD regularly and the result of the panel data regression under random effect model showed statistical significance at 1 per cent level for RD-GFD and 10 per cent level for other variables.

STATES' CASH FLOWS AND GOI TRANSFERS

4.9 Transfers from the GoI in the form of grants-in-aid and share in central taxes constituted about 40 per cent of the revenue receipts of all the States during 2009-10 to 2013-14 and in the case of special category States, it constituted about 75 per cent during 2013-14. Therefore, transfers from the Centre are also an important factor that determines the cash flows of the State Governments. To understand the impact on cash flows of States, tax transfers to States from GoI are analysed, both quarter-wise and month-wise.

4.10 Under quarter-wise analysis, usual trend in GoI transfers is observed where the last quarter of the year always receives the maximum tax receipts compared to the first three quarters. It is assumed that the gross tax revenue (GTR) collection of the GoI would be 40 per cent in the last quarter and 20 per cent each for the first three quarters. Accordingly, the budgeted GTR is bifurcated across four quarters as per the above ratio. On similar logic, it is also assumed that transfer from GoI to States is also as per the above ratio, *i.e.*, 20 per cent each for Q1 to Q3 and 40 per cent for Q4. Against the budget estimates, the actual receipt of GTR by the GoI as reported in the monthly Government Accounts has been juxtaposed to ascertain the shortfall in collection at the GoI level.

4.11 The major observations at the GoI level reveal that GTR was ₹11,40,064 crore on an average during 2012-13 to 2014-15 and the same was distributed according to the ratio of 20 per cent for Q1 through Q3 and 40 per cent for Q4 (Table 12). The actual receipt of GTR as percentage to BE for GoI, on an average, worked out to 93.2 per cent during 2012-13 to 2014-15 and on a quarterly basis, it was at 72.5 per cent, 114.9 per cent, 115.4 per cent and 81.5 per cent for Q1 through Q4. It is observed that, GoI collection of GTR fell short of the estimate in Q1 and Q4 while around 15 per cent more than the assumed estimate was seen in Q2 and Q3.

4.12 At the States level, it is observed that States received (transfer of tax revenues) marginally more than the estimates in the first three quarters, *i.e.*, 111.9 per cent, 111.2 per cent, 110.3 per cent against 68.6 per

Table 11: States Availment of NSO- Random effect model

DEP. VAR	R^2	F	IND. VARs	COEFF	T-STAT	SIGNIFICANCE
NSO_TEXP	0.14	6.14	RD_GFD	1.16	1.78	0.0773
			GGSDP	-3.99	-2.113	0.0362
			RD	-7.62	-2.78	0.0061
			ITBs	-1.16	-2.505	0.0133

Table 12: Gross Tax Revenue - Average of 2012-13 to 2014-15

Amt in ₹ Crore

Item	Average of 2012-13 to 2014-15	Average of 2012-13 to 2014-15			
		Q1	Q2	Q3	Q4 P
GoI		20%	20%	20%	40%
1 BE of Gross Tax Revenue by GoI	1,226,002	245,200	245,200	245,200	490,401
2 Actual Gross Tax Revenue	1,140,064	176,696	281,200	282,351	399,817
3 Tax Revenue receipt by GoI as a Percentage to BE (%)	93.2	72.5	114.9	115.4	81.5
Assignments to States		20%	20%	20%	40%
4 Budget Estimate of GTR by States	343,710	68,742	68,742	68,742	137,484
5 Actual Tax Revenue transfer from GoI to States	315,862	76,956	76,452	75,796	93,184
6 Tax Revenue receipt by States as a Percentage to BE (%)	92.2	111.9	111.2	110.3	68.6

P: provisional for Q4 of 2014-15

Source: http://cga.nic.in/ monthly account & Union Budget 2015-16.

cent in Q4, respectively. This shows that during Q1 through Q3, States received more than the estimates. In other words, keeping in view the assumptions, Central transfers to States was as per estimates and no uncertainties were observed except in the last quarter when overall collection of GoI itself was much lower than the estimates. Rather the shortfall in transfers in the last quarter was compensated with higher transfers in the first three quarters in spite of GoI collection being less than the estimates. On the whole, the GoI transfer to States was as per the estimates and no uncertainties were observed except in the last quarters. Accordingly, cash flow mismatch on account of transfers from the Centre seems limited, except in Q4. Assignments to States in excess of 100 per cent in the initial quarters would imply an automatic lower eligibility in the fourth quarter and that per se may not be a sign of uncertainty.

INCREASE IN WMA LIMIT – OVERALL IMPACT ON MONEY SUPPLY AND MONETARY POLICY

4.13 The Reserve Bank, a unique central bank, has agreements with the sub-national Governments to act as banker. As a banker, the Reserve Bank is providing temporary advances to State Governments to facilitate normal financial operations. Loans and advances to State Governments in the form of SDF/ WMA/ OD is a unique scheme to tide over their cash flow mismatches. As once WMA limits are prescribed, States have the full freedom to access it and it becomes an autonomous component of liquidity over which the central bank has least control. Liquidity forecasting exercise becomes simpler for the central bank if the Governments maintain a targeted balance in their single treasury account (STA) with the central bank and pursue active cash management to ensure that they hit the targeted balance at the end of the day. While such a high degree of sophistication is not envisaged for the State Governments in the near future, they should ensure that the current WMA discipline is not weakened.

4.14 In the ultimate analysis, WMA to State Governments entails injection of liquidity to the financial system. Liquidity deficit of the Centre and the States adds to the liquidity in the financial system. This can, in principle, conflict with the primary monetary policy objective of achieving price stability. On an incremental basis, the increase in the net RBI credit to State Governments accounted for 1.9 per cent of accretion to reserve money during 2014-15, up from 0.4 per cent in 2013-14. Notwithstanding the many-fold increase, the contribution of WMA of State Governments to reserve money growth remained relatively modest.

4.15 In the absence of any means to forecast the WMA of State Governments, the day-to-day volatility can complicate making assessment of the system level expected liquidity mismatch on a daily/ intra-day basis.

The resort to WMA by State Governments from the Reserve Bank represents an autonomous injection of liquidity to the banking system to meet temporary cash flow mismatches (and not to fund structural deficit) of State Governments that, ceteris paribus, needs to be offset by withdrawing liquidity through its liquidity management tools. However, in practice, WMA of State Governments, has been a small element in the overall liquidity exercise. If, however, all States are in WMA, and the amount varies significantly on a daily basis, it can have significant implications for liquidity management of the Reserve Bank. It is, therefore, imperative that State Governments continue to limit their recourse to WMA to minimise the spillover effects to the RBI's monetary policy operations for the purpose of ensuring monetary stability. The increased utilisation of WMA at the year-end by the State Governments during the recent period (comparing end-March position of 2013, 2014 and 2015) is a cause of some concern.

TOLERANCE LEVEL

4.16 The broad objectives of the Reserve Bank's liquidity management operations are to ensure that liquidity conditions do not hamper the smooth functioning of financial markets and disrupt flow of funds to the real economy (Annex 6). The WMA to the State Governments results in an increase in liquidity in the financial system. The WMA, however, has historically remained a minor component in the reserve money expansion. Different States have different temporal patterns of liquidity gaps. It is the net position at the aggregate level that matters for liquidity management of the Reserve Bank. The increase in net Reserve Bank credit (WMA) to State Governments accounted for less than 2 per cent of the accretion to reserve money in 2014-15. This has been mainly because the WMA scheme provides for a strict discipline in cash management, involving in the extreme, suspension of payments to State Governments. Further, even when different States access the WMA facility across the year, they do not access WMA window at the same points of time.

4.17 While the WMA limits need to be arrived at as per the past practice adopted by the various Advisory Committees to provide for discipline in cash management and ensure fiscal prudence, the implications for monetary and liquidity management also have to be borne in mind. In view of the above, keeping in view the need for State Governments to continue with their progress in achieving fiscal consolidation, and taking note of the devolution that has been recommended by the 14th FC, as an outer limit in a year, the maximum share of incremental WMA in incremental reserve money should not exceed 2 per cent (*i.e.*, ₹4,000 crore per annum) till the current WMA limit is exhausted, and contained within 1 per cent (₹2,000 crore per annum) thereafter. Since the financial year 2012-13, it is observed that the peak availment of WMA and OD by the States together was at ₹2,463 crore for 2012-13, ₹1,822 crore in 2013-14 and ₹5,455 crore during 2014-15. Thus, the incremental WMA in the incremental reserve money has been well within the tolerable limit. Keeping States' past usage of WMA record, it is envisaged that States as a whole will not take recourse to the WMA facility at any given point of time, which would otherwise have severe monetary implications.

IMPLICATIONS OF SURPLUS CASH BALANCES OF STATE GOVERNMENTS

4.18 Over the past decade, State Governments have accumulated sizeable surplus cash balances. The surplus cash balances of State Governments are invested automatically in ITBs of the GoI and form part of its liabilities. Though States are encouraged to maintain positive cash balance at the end of the financial year, about 4-6 States have availed WMA during the past four years (Annex 4.2). However, on an average, State Governments have been maintaining about ₹76,300 crore in the ITBs for the past five years (Annex 4.3). In addition, some States have invested in ATBs to the tune of about ₹53,800 crore, on an average, for the past three years (Annex 4.4).

4.19 At present, States cash balances are automatically invested in the ITBs of the GoI where the rate of interest is 5 per cent per annum, which is lower than other forms of borrowings, which are market determined rate. The revenue loss to the States is evident from the difference in the ITB rate and the market rate for their borrowings. Many States have expressed concern on this negative carry (Annex 8). States have suggested that the Bezbaruah Committee had changed the bench mark interest rate on WMA/OD from the Bank rate to Repo rate, thus the return on States' investment in ITBs should also have been linked ideally to the Repo rate.

4.20 The 14th FC observed that State Governments, in aggregate, have reported sizeable cash balances during the recent period. While it is necessary for the States to keep adequate cash balances to cover risks, excessive balances entail costs, both in terms of interest payments and lower capital expenditures. There is merit in analysing the reasons that led to holding of such costly large cash balances during the period and addressing the relevant issues such as negative carry in the cash balance of the States. Overall, State Governments should undertake prudent measures to improve their cash management practices and attempt to minimize the access to WMA facility, if not fully eliminated

V. CONCLUSIONS AND RECOMMENDATIONS

5.1 As observed from the discussions in the preceding chapters, the fiscal position of the States during the very recent period is different from the situation that prevailed before 2006-07, when the report of the last Advisory Committee (Chairman: Bezbaruah) was disseminated. First, States have been adhering to fiscal discipline envisaged by the 13th FC, which has been reiterated by the 14th FC. Second, overall availment of WMA/ OD by the States has decreased significantly as compared with the position before 2006-07. Only few States availed WMA/ OD from the Reserve Bank frequently while some States resorted to WMA occasionally to meet their temporary cash flow mismatches. Third, States' investments in ITBs and ATBs have increased significantly during the recent period due to prudent cash management by the States. Fourth, financing of GFD of the States are mainly from market borrowings than small savings and other sources of financing as seen earlier. The 14th FC has recommended for exclusion of State Governments from the operations of the NSSF, which may further increase the share of market borrowings in financing the fiscal deficit. Fifth, financing of GFD through borrowings from the Reserve Bank has declined significantly as only six States availed WMA at the end of the financial year 2014-15 compared to 20 States at the end of March 2005. Finally, the fiscal size of the State budgets has increased significantly since the last Committee based WMA revision as the revenue receipts, revenue expenditure, capital outlay and loans and advances increased by over 15 per cent on a CAGR basis. Against this backdrop, this Committee has attempted to formulate WMA and OD schemes best suited to the requirements of the States while keeping in view the need for appropriate fiscal discipline.

RECOMMENDATIONS OF THE COMMITTEE

NORMAL WMA LIMITS

5.2 The WMA Scheme has been periodically reviewed, keeping in view the States' requirements; the evolving fiscal, financial and institutional developments as well as the objectives of monetary and fiscal management. As stated earlier in the report, the formula for Normal WMA limits were last revised in 2006-07 on the basis of Bezbaruah Committee recommendations, which proposed that the base should be taken as the average of the latest three years total expenditure excluding repayments and adjusted for one-time ad-hoc expenditures and lottery expenditures (Accounts). It is observed that previous three Advisory Committees/ Group recommended increase in WMA limits ranging between 34.1 per cent and 76.4 per cent during 1998-2005 (Table 13). While the Vithal Committee adopted revenue receipt and capital expenditure as the base, the Ramachandran Committee fixed the WMA limits based on revenue receipts, and the Bezbaruah Committee took the total expenditure with some adjustments for revenue deficit and one-time

Table 13: Increase in WMA Limits over the Period

Limits recommended by	Non-Spl. Category States (₹ Cr)	Spl. Category States (₹ Cr)	Total (₹ Cr)	Increase (%)
Limits prior to Advisory Committee based Revision	2,033	202	2,234	
Vithal Committee (1998)	3,589	352	3,941	76.4
Group of SFSs (2000)	4,794	489	5,283	34.1
Ramachandran Committee (2003)	6,445	725	7,170	35.7
Bezbaruah Committee (2005)	8,820	1,055	9,875	37.7
Current Limits (Since Nov 11, 2013)	13,305	2,055	15,360	55.5

Note: WMA limits for UT of Puducherry and J&K were included in 2007-08 and 2011-12, respectively.

expenditure as the base to fix the WMA limits. This Committee deliberated on the current WMA limits, adequacy of the limits, utilization of the WMA by the States, size of temporary mismatches as also macroeconomic issues such as States' fiscal position, fiscal-monetary coordination, *etc.*, while formulating the formula.

Observations of the Committee

5.3 ***Current Status:*** As stated earlier, the current scheme of WMA limits for the State Governments was launched in 2006-07 based on the Bezbaruah Committee formula[8], with a limit of ₹9,875 crore[9]. Since then, annual reviews on WMA limits were undertaken; however, the limits were kept unchanged as utilisation was low and generally availed by the same 8 to 10 States on a regular basis (Table 8). Thereafter, based on the discussion in the SFS conference held in May 2013, as also on the basis of cash flow analysis of some States undertaken by the Reserve Bank, revision was effected from November 11, 2013 whereby the WMA limits were increased by 50 per cent of the then existing limits and the full-fledged revision of WMA formula was to be decided through this Committee.

5.4 ***Adequacy of WMA/ OD Limits:*** Though many States managed their cash flows without recourse to advances from the Reserve Bank, few States availed WMA/ OD from the RBI to tide over their temporary cash flow mismatches. The purpose of increase in the WMA limit in November 2013 was to limit few States going in for OD frequently, however, the position did not improve much thereafter. Thus, there is a difficulty to distinguish between the liquidity needs and sign of underlying structural imbalance in the finances of some of the States. Thus, if WMA is seen as additional finance, it may not be appropriate in the FRBM regime. At the same time, there could be genuine requirement on the part of the States to tide over their temporary liquidity problems. Thus, taking into account the significant increase in fiscal size of the States, as also to provide some cushion to keep pace with the fiscal developments, the Committee felt that there is a need to revise the WMA limits at this stage.

5.5 ***Relationship between Deficit Indicators and WMA Limits:*** Empirical evidence suggests that if increase in revenue expenditure is more than covered by higher revenue receipts, then the revenue deficit reduces over a period of time, and thereby leads to a lower access to WMA from the Reserve Bank. However, the growth of revenue receipts was not in tandem with the growth of revenue expenditure for all the States, which forced some States to resort to higher WMA/ OD from the RBI.

5.6 ***Fiscal-Monetary Coordination:*** As a banker to the State Governments, the Reserve Bank has to provide a space within which legitimate mismatches can reasonably be expected to be handled and not to fine-tune flows of revenues and expenditures of the States within such space. At the same time, the flows from the Reserve Bank should not hinder its monetary policy operations, in particular, liquidity management. Therefore, in view of fiscal-monetary coordination of keeping the liquidity at a tolerable level, internal assessment of optimum WMA limit advocates that, in case of revision, the maximum share of incremental WMA in incremental reserve money should ideally be limited to 2 per cent till the extant WMA limit of ₹15,360 crore is exhausted, and contained within 1 per cent, once the extant WMA limit is crossed. It is imperative to minimise the spillover effect of enhanced WMA to the Reserve Bank's monetary policy operations for the purpose of ensuring monetary stability operations in an environment of inflation targeting regime. Since the financial year 2012-13, it is observed that the peak availment of WMA and OD by the States together was at ₹2,463 crore for 2012-13, ₹1,822 crore

[8] As per the methodology, the average base is defined as the total expenditure for the past three years (accounts) excluding repayments and adjusted for one-time ad-hoc expenditures. The average base is multiplied by 3.1 per cent for Non-Special Category States and 4.1 per cent for Special Category States to arrive at the WMA limit by rounding off to nearest multiples of ₹5 cr.

[9] WMA limits for UT of Puducherry and J&K were included in 2007-08 and 2011-12, respectively and accordingly the limit increased to ₹10,240 crore.

in 2013-14 and ₹5,455 crore during 2014-15. Thus, the incremental WMA in incremental reserve money was well within the tolerable limit. During 2015-16 (upto September 2015), the peak availment of WMA/ OD by the States, at any one point of time, stood at ₹4,864 crore. In view of the above, the spillover effect of enhanced WMA limit is likely to be limited from the point of view of monetary stability.

WMA Formula

5.7 The Committee deliberated exhaustively taking into account all the factors as discussed above and decided to chalk out an accommodative path in working out a formula for WMA limit. In accordance with this approach, the Committee considered various scenarios/ basis for the revision of WMA in detail, *viz.*, GFD, GSDP, total expenditure, revenue receipts, total expenditure minus revenue deficit, *etc.*, as basis for WMA formula.

5.8 As the WMA is to finance the temporary mismatch in cash flows, the limits should normally be fixed taking into account the variation in the flow of revenue and expenditure and consequent mismatches and the capacity of a State to raise resources on its own to cover such mismatches. Therefore, the WMA limits for States have to be evolved on the basis of some principles that capture cash flow mismatches. Accordingly, the Committee also decided for a simplified formula that would represent the cash flows. In view of the above, various exercises based on different combination of expenditure/ receipts were undertaken, which are listed in Annex 7. After due deliberation on various combinations of WMA formula, the Committee decided to adopt total expenditure as the basis for calculation of WMA limit, which is a logical surrogate for cash flows in the absence of cash flow forecasting framework at the State level. It may be mentioned that the minimum balance was also revised in March 1999 based on the average base of total expenditure excluding revenue deficit.

WMA Calculation Based on Total Expenditure

5.9 Keeping in view the fairly significant structural changes in Central and State finances over the past ten years, it was felt that there is a case for allowing States reasonable medium-term room with respect to WMA access. The 13th FC had, after taking into account the fiscal situation of the fiscally stressed States, recommended that all the States to eliminate their revenue deficits by 2014-15. However, about 12 States registered revenue deficit during that year. Therefore, while analyzing the suitability of the base for the WMA formula, revenue receipt was not considered. In case of GSDP, it was observed that, for some States, GSDP was not in alignment with their fiscal size, thus adopting a formula on this basis did not provide a clear picture. Similarly, as the growth of capital expenditure was very low for many States compared to revenue expenditure and revenue receipt, WMA formula on these lines was not attempted. On the contrary, WMA formula based on total expenditure reflected somewhat equal distribution of limit to all States according to their fiscal size. Keeping the above in view, the **Committee recommends that WMA limit will be set on the basis of total expenditure adjusted for lottery expenditure until commencement of fiscal year 2017-18.**

Quantum of WMA Limit

5.10 As the total expenditure excluding lottery expenditure has recorded a CAGR of 15.4 per cent since the last formula based WMA revision, it was considered that the increase in the quantum of WMA should also be in tandem with the growth in total expenditure. Accordingly, the WMA quantum works out to ₹32,225 crore for all the States.

State-wise Limit

5.11 As the special category States are getting about 75 per cent of their revenue receipts through GoI transfers including Central plan assistance, the committee felt that the categorization of States as special and non-special should be retained for fixing the WMA limits even though the 14th FC has discontinued the distinction between special category and non-special category States. However, the NITI Aayog, in its report of the Sub Group of Chief Ministers on Centrally

Sponsored Schemes (October 2015), has classified the special category states as Himalayan States (3 states) and North Eastern States (8 states). Therefore, to be in conformity with the above classification, wherever possible, the nomenclature of Himalayan States and North Eastern States (HS&NES) has been used in place of special category States in this report.In accordance with the total expenditure as the base for distribution, the quantum of WMA limit was distributed among the States in terms of a consensus formula, keeping in view various other issues as detailed below.

5.12 The quantum of WMA was bifurcated between the HS&NES and other States in the ratio of 12.81:87.19, which was the average of the distribution ratio observed since 2005-06. Thereafter, the State-wise WMA limits for HS&NES and other States were obtained by applying the ratio[10] of 2.78 per cent and 2.03 per cent, respectively, to the base, which was the average of total expenditure (revenue expenditure plus capital expenditure) excluding lottery expenditure of the States derived from the financial accounts during the previous three years (2011-12 to 2013-14) (Annex 5). The calculated limits were rounded off to the next ₹5 crore. It was observed from the calculated limits of the States that the rate of growth in WMA limits ranged between 33.3 per cent and 149.3 per cent among the States. Therefore, to maintain inter-state overall increase and to moderate the outliers, it was considered to provide a lower bound growth and also fix a ceiling. Towards this approach, standard deviation was used to distribute the WMA limits normally around the mean rate of growth. Accordingly, the maximum growth in the revised WMA limits was capped at 132 per cent and the minimum growth was scaled up to 70.6 per cent to maintain the inter-state equity. As the revised WMA limit was very low for Puducherry, the multiplying ratio for HS&NES has been used for this Union Territory. Accordingly, the State-wise proposed WMA limits are set out in Table 14. **The Committee recommends that the revised limits be implemented in the current financial year, from January 2016. These limits would continue for two years upto December 2017.** Thereafter, a review may be undertaken as explained

Table 14: Proposed WMA Limits

(₹ Crore)

Sl. No	State	Existing Limit	Average Base (2011-12 to 2013-14)	Recom-mended Limit	% Increase
I. Other States (Non-HS&NES) (Ratio: 2.03 per cent)					
1	Andhra Pradesh	770.0	127,317	1,510	96.1
2	Bihar	637.5	69,931	1,420	122.7
3	Chhattisgarh	285.0	34,327	660	131.6
4	Goa	97.5	7,483	170	74.4
5	Gujarat	945.0	94,139	1,915	102.6
6	Haryana	442.5	45,064	915	106.8
7	Jharkhand	420.0	28,824	720	71.4
8	Karnataka	937.5	97,669	1,985	111.7
9	Kerala	525.0	59,668	1,215	131.4
10	Madhya Pradesh	690.0	84,640	1,600	131.9
11	Maharashtra	1,740.0	166,541	3,385	94.5
12	Odisha	450.0	48,497	985	118.9
13	Punjab	540.0	42,934	925	71.3
14	Rajasthan	757.5	80,246	1,630	115.2
15	Tamil Nadu	1,095.0	121,685	2,475	126.0
16	Telangana	550.0		1,080	96.4
17	Uttar Pradesh	1,530.0	176,051	3,550	132.0
18	West Bengal	817.5	95,859	1,895	131.8
Sub-Total (I)[11]		**13,230.0**	**1,380,873**	**28,035**	**109.3**
II. HS&NES (Ratio: 2.78 per cent)					
19	Arunachal Pradesh	97.5	6,933	195	100.0
20	Assam	450.0	33,732	940	108.9
21	Himachal Pradesh	285.0	19,771	550	93.0
22	Jammu and Kashmir	472.5	31,539	880	86.2
23	Manipur	90.0	7,008	195	116.7
24	Meghalaya	90.0	6,292	175	94.4
25	Mizoram	82.5	5,698	160	93.9
26	Nagaland	120.0	6,955	205	70.8
27	Tripura	150.0	7,097	255	70.0
28	Uttarakhand	217.5	18,991	505	132.2
Sub-Total (II)		**2,055.0**	**144,017**	**4,060**	**96.6**
29	Puducherry	75.0	4,121	130	73.3
Total (All States)		**15,360.0**	**1,529,011**	**32,225**	**103.7**

10 Ratio was calculated by dividing the quantum of WMA of non-HS&NES with the total of their base and so on for HS&NES.

11 Limit for UT of Puducherry is at Serial No. 29.

in the following paras. The multiplying ratio of 2.78 per cent and 2.03 per cent of the total expenditure of the HS&NES and other States effectively works out to 36.08 per cent and 42.28 per cent, respectively of their average revenue receipts. A limit of this order should provide more than abundant cushion to cover the liquidity mismatches that could arise even from any unexpected shortfall in revenue flows to take care of the increasing expenditure.

Guidance for Future Revision

5.13 The Committee felt that linking WMA limits to total expenditure may provide an incentive to States to increase expenditure to avail higher WMA. While this is unlikely to happen in the case of States, which are in revenue surplus, it may be a cause for concern for States that have structural revenue deficits. At the same time, States are bound by the FRBM rule.

5.14 The 14th FC has addressed the structural issue impacting State finances in its recommendations. Based on their medium term assessment of individual States' fiscal position, it has recommended post devolution revenue deficit grants to 11 States. In its assessment, these grants should, along with the vertical and horizontal devolutions, eliminate structural revenue deficits. The Commission's recommendations were implemented commencing FY 2015-16 and States require some transition time to adjust their finances in line with the new vertical and horizontal devolution. The Committee, therefore, is of the view that it is necessary to allow such transition to take effect. Hence, the **Committee recommends that a review be undertaken by the Reserve Bank in 2017 when the final total expenditure numbers for FY 2015-16 will be available**. Commencing from that year, the WMA limits should be based on total expenditure minus any revenue deficit and lottery expenditures. Thus, the WMA limits for FY 2018-19 would be based on the expenditure for 2015-16 adjusted as above.

5.15 Some States have been issuing Discom Bonds since 2014-15, the proceeds of which are used to enhance the equity base of State Distribution Companies. This is a fiscal outlay that is not a part of Government's regular capital expenditure program. It should not, therefore, be considered in assessing the size of WMA expenditures.

SPECIAL DRAWING FACILITY

5.16 State Governments first resort to SDF to tide over their temporary mismatch in their cash flows against the collateral of investments in GoI dated securities, ATBs and incremental investments in CSF and GRF. The Committee is of the view that the facility of availing of SDF be continued to be linked against the collateral of investments made in the GoI securities without any upper ceiling and the usual haircut margin of 5 per cent would be applied.

CSF/ GRF Investments and Availment of SDF

5.17 Most of the States have constituted the CSF scheme and have been using the SDF facility against such investments. Currently, the net incremental annual investment of States (*i.e.*, outstanding balance over and above the level in the corresponding period of the previous year) is eligible for availing SDF upto a maximum of the WMA limit fixed for the State. The Ramachandran Committee recommended that SDF should continue as an exclusive scheme based on investments in Central Government securities which are unencumbered and should not include those securities which are covered under the CSF/GRF to avoid double mortgage issue. However, to provide incentive to build up CSF and GRF, Bezbaruah Committee recommended for SDF eligibility against the collaterals of incremental investment in these Funds upto a ceiling equivalent to WMA limit.

5.18 As per the CSF scheme, States are eligible to withdraw the accrued and accumulated interest income upto the close of the previous financial year to pay back their high cost liabilities and States have been doing so. With regard to the withdrawal of the principal from the CSF, the scheme mentions that a review thereof may be taken at an appropriate period after the lock in period of five years. With the expiry of the lock in period, some State Governments have requested for the withdrawal of CSF principal to repay their high cost borrowings as also for the economic use of the Fund.

5.19 An Agenda item on the above was discussed in the 28th conference of SFS held in May 2015 wherein, States additionally requested that, after withdrawal of principal from the CSF, the eligible limit of SDF should not be curtailed, as States would be forced to avail high cost borrowings of WMA / OD. Further, SDF facility acts as an incentive to maintain the Fund, and upon withdrawal, the SDF eligibility limit gets reduced as it is linked to incremental investment.

Additional ToR for the Committee

5.20 In view of the discussions held in the SFS conference, the issue of withdrawal from CSF and its consequent impact on SDF eligibility was referred to the Committee for further deliberation and recommendations thereon. The Committee observed that allowing principal and accrued and accumulated interest income withdrawal without curtailing the SDF eligibility would defeat the very purpose of maintaining the CSF as an amortization Fund. In view of the discussions held in the SFS conference as also intensive discussions by the Committee about the pros and cons of the impact of SDF eligibility on CSF/GRF withdrawal, it is proposed that **the present system of incremental investments in CSF and GRF should continue for deciding the eligibility of SDF.**

5.21 The Committee observed that incremental investments in CSF and GRF by some States were much more than the SDF limit available to them (Table 15). In other words, States' large investment in CSF is to build up the Fund to meet any payment obligations than the additional objective of SDF facility attached to it. The Committee further observed that, at present, other investments of States, such as in Government dated securities and ATBs, are unencumbered and qualify for SDF without any limit. As an incentive to build the CSF and GRF corpus liberally as also to align

Table 15: CSF/GRF Investment and SDF Eligibility – As at end-March 2015

(₹ Crore)

Sl. No	State	Incremental Investment in CSF/GRF	Normal WMA Limit	SDF Limit	Investment not Counted for SDF
1	Andhra Pradesh	1105.44	770.00	770.00	335.44
2	Arunachal Pradesh	50.55	97.50	50.55	0.00
3	Assam	604.90	450.00	450.00	154.90
4	Bihar	1141.14	637.50	637.50	503.64
5	Chhattisgarh	375.20	285.00	285.00	90.20
6	Goa	0.00	97.50	0.00	0.00
7	Gujarat	1085.20	945.00	945.00	140.20
8	Haryana	0.00	442.50	0.00	0.00
9	Karnataka	153.15	937.50	153.15	0.00
10	Kerala	113.85	525.00	113.85	0.00
11	Maharashtra	0.00	1740.00	0.00	0.00
12	Manipur	55.68	90.00	55.68	0.00
13	Meghalaya	58.95	90.00	58.95	0.00
14	Mizoram	55.20	82.50	55.20	0.00
15	Nagaland	71.33	120.00	71.33	0.00
16	Odisha	1590.60	450.00	450.00	1140.60
17	Puducherry	136.08	75.00	75.00	61.08
18	Tamil Nadu	711.82	1095.00	711.82	0.00
19	Telangana	528.32	550.00	528.32	0.00
20	Tripura	66.51	150.00	66.51	0.00
21	Uttarakhand	375.74	217.50	217.50	158.24
22	West Bengal	1071.90	817.50	817.50	254.40

with the eligibility applicable to Government dated securities and ATBs, the Committee **recommends that entire incremental investments in CSF and GRF be eligible for SDF without any limit in line with dated securities and ATBs investments.** The CSF and GRF have been created for specific purpose (first charge), withdrawals from these Funds should automatically limit the eligibility of SDF (second charge) as the withdrawn securities will not be available as collateral. **Therefore, the committee also recommends that the SDF eligibility is to be decided on a daily basis to avoid such double mortgage issues.** This would encourage States to contribute to the Fund. At the same time, with higher SDF limit, States interest payout would decline as SDF is availed before WMA and attracts one per cent less than WMA rate. Consequently, States' access to OD may also decline which would also result in lower interest expenditure.

5.22 The Committee observed that the CSF is an amortization fund, which creates a cushion to meet repayment obligations in times of fiscal/market stress, boosts investor confidence and thereby facilitates States' borrowing in the primary market at a reasonable cost. While there could be a trade-off between CSF investment and development expenditure in the very short-term, there is also a trade-off between roll-over risk, and debt sustainability and development. The CSF investment, even in the context of revenue/ fiscal deficit, is worthwhile as it is likely to edge out expenditure with low economic return while reducing the roll-over risk of debt. Therefore, the Committee urges the **few remaining States to join the CSF scheme, which would facilitate the States to avail SDF at times of temporary cash flow mismatches and also withdraw from the fund to repay any liabilities at times of need.**

Investment in ATBs and Availment of SDF

5.23 During the recent period, it has been observed that few State Governments transfer their ITB balances to ATBs on account of interest rate differential without making prudent cash management exercise. As a result, few States end up availing SDF from RBI after investing their cash balances in ATBs. However, this would tantamount to arbitrage activities as the SDF is provided with lower rate of interest than the WMA. Under such scenario, States avail concessional funds from the RBI through SDF window to meet their temporary cash flow mismatch while their cash surplus is invested in ATBs, say 91 day treasury bills at a higher yield.

5.24 The Bezbaruah Committee recommended that, "*States may be permitted to invest their cash surplus in dated GoI securities, provided that they have not availed WMA in the immediately preceding period of 90 consecutive days. The minimum specified period of 90 days would be consistent with the tenure of WMA, and should help to obviate any possible incentive to utilise short-term accommodation from the RBI for purposes of longer-term investment*". As ATBs are also government security, it would be advisable for States to invest in ATBs when they have not availed SDF for the previous 90 days. Further, States may adhere to prudent cash management to avoid borrowing from the Reserve Bank while their surplus is invested in ATBs. To encourage prudent cash management practices of the State Governments, if a State avails SDF against such investment in 91 day TBs, **Committee recommends that in the first occasion, this arbitrage activity may be allowed for a limited period. When States avail SDF against the investment in 91 day TBs, they will not be allowed to invest further in 91 day TBs for the next 90 days. However, if such practices of availing SDF and subsequent investment in 91 day treasury bills continue in the second and subsequent occasions during the financial year, such SDF availed would be treated as WMA after the first occasion.** This will help to curtail arbitrage activities. Further, availing of SDF against the collateral of GoI dated securities and other ATBs (i.e., 182 day and 364 day treasury bills) will continue as mentioned in the beginning of this para (as per Bezbaruah Committee recommendation).

OVERDRAFT REGULATION

5.25 In case of availment of OD, normally time restrictions are prescribed for the States and not the quantum restrictions. However, the previous Advisory Committees recommended for restricting the availment of OD generally to the extent of WMA limits. When States' availment of OD exceed their WMA limits for notice period of five consecutive working days in the second and subsequent occasions, the payment will be stopped, irrespective of the rule of OD availment for 14 consecutive working days. Therefore, on the first occasion, unlimited OD may be availed beyond five consecutive working days subject to a time limit of 14 consecutive working days. In such a scenario, States would be advised to bring down their OD availment within their WMA limits. In a quarter, the OD availment should not exceed 36 days as recommended by the previous Committees. Accordingly, t**he Committee recommends that the existing time restriction for availing of OD may continue.**

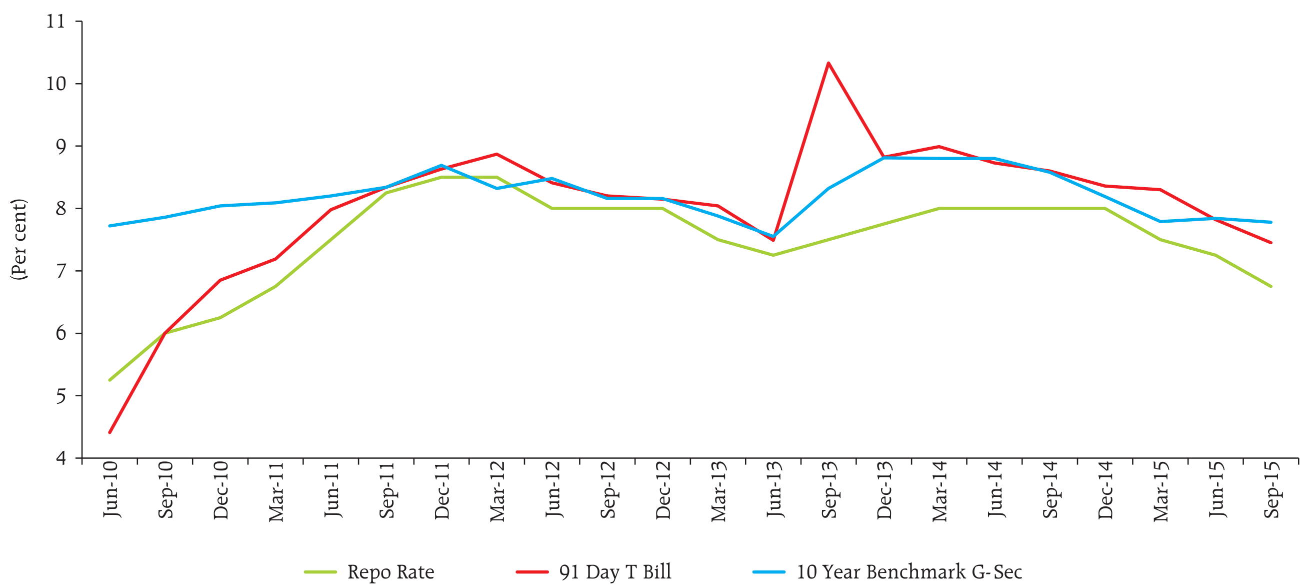
INTEREST RATES ON SDF, WMA AND OD

5.26 The interest rate on various parameters affecting the fiscal position of the States is in Appendix Table 1 and in Chart 1. During the recent period, the repo rate increased to a peak of 8.5 per cent on October 25, 2011, which continued upto March 9, 2012. Thereafter, the repo rate exhibited mixed trend and reduced to 6.75 per cent in October 2015. As the Repo rate is the policy rate and other money market rates are expected to converge with the Repo rate, the interest rate on WMA/OD will continue to be linked with the policy rate of the Reserve Bank, i.e., Repo rate. Accordingly, as the SDF is provided against the collateral of the State Governments' investments, it would continue to attract Repo rate minus 1 per cent for all the days it is outstanding.

5.27 As the WMA is provided as a running facility, currently, the interest rate on WMA outstanding upto 90 days is being charged at repo rate and beyond 90 days, it is being charged at Repo rate plus 1 per cent. In view of continuing trend in availing additional accommodation through SDF to the tune of about ₹54,000 crore, on an average, as also the Committee's recommendation to remove the restriction on SDF eligibility to a level of WMA limits against the incremental investments in CSF and GRF, the Committee felt that the WMA may generally be restricted to, in each case, not later than three months from the date of the making of the advance in terms of Section 17 (5) of the RBI Act 1934. Therefore, keeping the trends in availing of WMA during the recent period and enhanced accommodation through SDF and WMA limits**, the Committee recommends that the WMA should generally be restricted upto a maximum of three months from the date of making the advance.** Accordingly**, the Committee also recommends to continue the interest rate on WMA at Repo rate.** In view of that, **States may be encouraged to restrict such advances within three months from the date of availing the same.** In case a State's WMA outstanding continues for more than three months from the date of such advance, as a precautionary stance, a higher interest of Repo rate plus 1 per cent will be charged as in the past.

5.28 Some State Governments, in the SFS conference, expressed that reduction in the interest rate on OD may be considered. With enhanced accommodation through SDF and increase in WMA limits, it would be prudent for the States to restrict the availment of OD

Chart 1: Select Interest Rate Movements



and manage the cash flow mismatch within the WMA limit. Further, fiscal discipline envisaged by the FCs is to be adhered to by the States. Thus, it would be prudent that availment of unlimited OD may be discouraged. **Therefore, availing of OD upto the WMA limits would continue to attract Repo rate plus 2 per cent and the present structure of charging the penal rate of interest of Repo rate plus 5 per cent for OD availment beyond WMA limits would continue without any modification.**

INVESTMENT OF DURABLE CASH BALANCES IN ITBs

5.29 Effective cash management assumes significance as sub-optimal utilization of cash balances adds burden to the fisc. Intra-year budget execution is a challenge as both the timing and seasonality of cash flows can result in temporary mismatches. International best practices reveal that prudent cash management ensures that adequate cash is available to pay for expenditures when they are due, pooling the revenues in a Single Treasury Account, borrow only when needed to minimize borrowing costs and to maximize returns on idle cash. Towards this approach, the Committee felt that **Cash Flow Statement may be prepared on a weekly/ fortnightly basis and forecast be updated with latest information to improve the cash management of the States.**

5.30 Realizing the need to meet any prospective exigency, States have taken recourse to build-up cash surplus as a precautionary measure. Further, with the improvements in the fiscal position, there has been a build-up of cash balances with the States during the recent period. The surplus cash balances of States have persisted and stood at ₹1,23,611 crore as at end-March 2015, as compared with ₹1,32,476 crore as at end -March 2014 (including ATBs). Some part of these cash balances has arisen mainly to take care of the temporary liquidity mismatches and thus reflects a tendency on the part of the States to avoid recourse to WMA/ OD.

5.31 Since the surplus cash balances are automatically invested in 14 day ITBs, which is the liability of the GoI, they do impart volatility to the cash balances of GoI that in turn affect the liquidity management of the Reserve Bank. Therefore, it is imperative to predict the States cash flows accurately to the extent possible to capture in advance the expected daily changes in aggregate cash surplus. Towards this direction, **States are recommended to adhere to efficient cash flow management and forecast practices as also inform the Reserve Bank about the expected large scale variations in their cash flows.** This practice would result in better liquidity management by the Reserve Bank for its monetary policy operations.

FUTURE REVISION OF WMA SCHEME

5.32 As the proposed WMA limits and enhanced SDF limits are considered to be adequate to take care of any temporary cash flow mismatches arising out of increased expenditures of the States, while maintaining the fiscal discipline within the source of financing, it may not be necessary to revise the WMA limits every year. As recommended, the proposed limits may be continued upto December 2017 and thereafter, a review be undertaken to decide the quantum of WMA for 2018-20, which will co-terminus with the 14th FC award period. **Therefore, the Committee recommends that the next revision of WMA scheme may be effected in 2020-21 taking into account the then fiscal positions of the States and the road map likely to be deliberated in the 15th FC report.**

ANNEX 1: WMA REVISION - RECOMMENDATIONS BY PREVIOUS COMMITTEES *(Contd.)*

Item	Just Prior to Vithal Committee	Vithal Committee	Group of State Finance Secretaries	Ramachandran Committee	Bezbaruah Committee
Normal WMA					
Methodology for Computation of WMA Limit	Expressed 168 times the minimum balances of the States.	Average of revenue receipts and capital expenditure of the latest three years multiplied by a ratio of 2.25% for non-special category States and 2.75% for special category States	Average of revenue receipts and capital expenditure of the latest three years multiplied by a ratio of 2.4% for non-special category and 2.9% for special category States	Average of only revenue receipts of latest three years multiplied by a ratio of 3.19% for non-special category and 3.84% for special category States.	Average of revenue expenditure and capital expenditure of the latest three years adjusted for *ad hoc* expenditures and multiplied by a ratio of 3.1% for non-special category and 4.1% for special category States
Aggregate WMA Limits	₹2,234 crore	₹3,941 crore	₹5,283 crore	₹7,170 crore	₹9,875 crore
i) Non-Special Category States	₹2,033 crore	₹3,589 crore	₹4,794 crore	₹6,445 crore	₹8,820 crore
ii) Special Category States	₹202 crore	₹352 crore	₹489 crore	₹725 crore	₹1,055 crore
Special Drawing Facility					
Computation of limits (Margin)	Limits were placed at 64 times the minimum balances	Investment in G-Secs 15 %* 10 %**	Investment in G-Secs 15 %* 10 %**	Investment in G-Secs 5 per cent uniformly.	Investments in GoI securities plus incremental investment of CSF and GRF subject to a maximum of NWMA limit.
Use of SDF	Availed of after NWMA	Availed of after NWMA	Availed of after NWMA	To be availed of before utilising NWMA limit.	To be availed of before utilising NWMA limit.

ANNEX 1: WMA REVISION - RECOMMENDATIONS BY PREVIOUS COMMITTEES *(Concld.)*					
Item	**Just Prior to Vithal Committee**	**Vithal Committee**	**Group of State Finance Secretaries**	**Ramachandran Committee**	**Bezbaruah Committee**
Overdraft Scheme					
No. of consecutive working Days	10	10	12	14	14
No. of days in a quarter	–	–	–	36	36
No. of consecutive working days in excess of NWMA limit	–	3	5	5	5

* For securities with residual maturity of more than 10 years.

** For securities with residual maturity of less than 10 years.

ANNEX 2: MINIMUM BALANCE AND WMA TO THE STATE GOVERNMENTS: A HISTORICAL REVIEW

In terms of the agreement between the RBI and State Governments under Section 21A of the RBI Act 1934, the latter have to maintain with the Reserve Bank such minimum balances as may be agreed upon from time to time and the Reserve Bank grants WMA to the State Governments up to certain limits. The minimum balances and limits for WMA of State Governments were fixed for the first time on April 1, 1937 and this became effective only from April 1, 1938 when the then provincial Governments became responsible for managing their own Ways and Means position. The minimum balances were fixed in 1937 on the basis of the ratio of the total revenue and expenditure of the concerned provincial Government to the total revenue and expenditure of the pre-provincial autonomy Central Government. The Finance and Revenue Accounts of the three years 1931-32 to 1933-34 were considered for this purpose. With the coming into force in January 1950 of the Constitution of India, the Reserve Bank of India Act was amended in 1951 by insertion of Section 21A, which authorised the Bank to act, by agreement, as banker to the States. With the reorganisation of States, their classification into Part A, Part B and Part C States disappeared and except in regard to certain Union Territories, all States were placed on the same footing. The minimum balances so fixed also represented the limits up to which States could avail themselves of WMA from the RBI. This position continued up to 1953.

1953 REVISION

The minimum balances were found to be inadequate by the Bank in 1953 on the basis of the revenue and expenditure of State Governments. The State Governments had also availed of WMA considerably in excess of the prescribed limits to meet the gap between revenue and expenditure. A revision of the minimum balances and WMA limits was, therefore, undertaken in 1953. The basis which was adopted for arriving at the revised minimum balances was as under:

i. The minimum balances of Part A States, fixed in 1937, were increased by the ratio of the increase in the total amount of the average revenue and expenditure charged to revenue budget in the years 1948-49 to 1950-51 to the total amount of revenue and expenditure charged to revenue budget in the three years 1931-32 to 1933-34.

ii. The minimum balances of Part B States were similarly arrived at on the basis of the revenue and revenue expenditure in the two years 1949-50 and 1950-51.

iii. The total minimum balances on this basis amounted to ₹8.70 crore as against a sum of about ₹2 crore stipulated earlier. In order to avoid any strain on the resources of States, it was decided that the minimum balances instead of being increased approximately by four times to ₹8.70 crore should roughly be doubled so as to increase the total for all the States to about ₹4.00 crore. This was made effective from April 1, 1953.

The limits for WMA were also liberalised for the first time with effect from April 1, 1953 and were fixed at twice the minimum balance. An additional limit of ₹2.00 crore against the pledge of Central Government securities was also granted to each State as special or secured advances over and above the clean advances. This limit was not rigorously enforced and special advances in excess of ₹2 crore were on occasions granted. The minimum balances fixed in 1953 were modified at the time of reorganisation of the States but no major changes were made.

1967 REVISION

In the lights of the discussions at the conference of Chief Ministers in July 1966, on the question of preventing unauthorised OD by States in their accounts with the Reserve Bank, the issue of revision of minimum balances and WMA of States came up. It was considered neither necessary nor appropriate to relate the minimum balances of State Governments or the limits to them for WMA to their revenue or revenue and expenditure as was done till 1953 for the following reasons:

i. The revenue budgets were inflated because of the accounting changes introduced in two stages in April 1961 and 1962.

ii. The States were assured of a stable and certain income throughout the year in view of the arrangements for payment to them of their share of tax collections, statutory grants in convenient installments and grant of advances against Plan schemes in installments beginning from April of every year.

iii. With the formation of autonomous corporations for generation and distribution of electricity and road transport, the States were relieved of their responsibility for meeting the revenue deficits or capital expenditure of these undertakings and this was expected to reduce the need for borrowings by States.

iv. States were borrowing from commercial banks against stocks of food grains and other commodities and also from LIC and the support from these sources were considerable.

A new formula for the determination of minimum balances and the limits for WMA was, therefore, devised on the following basis:

The total of minimum balances required to be maintained with the RBI by all the States was increased in the ratio in which the total notional pre-decentralisation minimum balance of the Centre increased during the period 1937 to 1967. As the working balance of the Central Government with the RBI had increased from ₹10 crore in 1937 to ₹50 crore in 1967, the States' balances with the RBI as fixed originally in 1937 were also increased to five times the original figure. The total balances of all the States which worked out to ₹1.85 crore in 1937 were notionally fixed at ₹2.54 crore consequent on reorganisation of the States. The total minimum balances of State Governments based on the above formula were, therefore, increased to ₹12.70 crore in 1967 and then the amount was distributed to the States in the proportion of the revenue and expenditure charged to revenue budget of each State to the revenue and expenditure charged to revenue budget of all States together (according to actuals for the year 1964-65). It was not, however, considered realistic to increase the minimum balances of States from about ₹4 crore to ₹12.70 crore immediately. The minimum balances were therefore immediately raised to ₹6.25 crore (half of ₹12.70 crore after rounding off to the nearest five lakhs in the case of each State) with effect from March 1, 1967. It was also decided that the limit for clean and unsecured WMA should continue to be related to the level of minimum balance. The limit was revised from twice the minimum balance to three times the minimum balances. As regards the limit for secured WMA against the pledge of GoI securities, it was decided that this should be revised to twice the level of normal WMA. As a result of the above changes, the minimum balances of all States, total limits for clean and secured WMA to all States worked out as under:

(₹ Crore)

Effective	Minimum Balances	Clean WMA	Secured WMA
March 1, 1967	6.25	18.75	37.50

1972 REVISION

The total minimum balances of all States were increased with effect from May 1, 1972 due to fixation of minimum balances in respect of four new States *viz.*, Himachal Pradesh, Manipur, Meghalaya and Tripura. The expenditure of the States had increased considerably since the limits for clean WMA were revised in 1967. As a measure of assistance to the States against any temporary imbalance between receipts and expenditure on account of abnormal or unforeseen factors, the RBI agreed to increase authorised clean WMA to ₹78.00 crore from the existing level of ₹19.50 crore as per the recommendations of the Working Group constituted to suggest ways for elimination of overdrafts. The limits for clean WMA thus worked out to four times the existing limits, i.e., 12 times the minimum balance. The minimum balances and revised WMA limits were as under. There was no increase in the secured WMA limits.

(₹ Crore)

Effective	Minimum Balances	Clean WMA	Secured WMA
May 1, 1972	6.50	78.00	42.66*

* This represents the aggregate of actual limits some of which were more and some less than six times the minimum balance.

1976 REVISION

The GoI suggested to the Reserve Bank in May 1975 that in the context of enormous increase in the size of States' budgets, the question of revision of minimum balances of States and consequently, their WMA needed to be considered. A detailed examination was undertaken on the feasibility of undertaking a basic change in the method of determining WMA and minimum balances. It was recognised that any basic change in the formula would *inter se* alter the limits of State Governments giving rise to avoidable problems. Moreover, it was not deemed desirable to devise a formula linked to expenditure of the State Governments as this would result in automatic increases in the WMA. It was indicated that the limits were quite substantial and adequate in the case of most States and there were problems only in the case of a few States because of fundamental imbalances which could not be met merely by additional assistance in the form of WMA from the RBI. To the extent there was some need for increased limits, it was felt that the existing structure could be retained and increases agreed to within the present formula. The following suggestions were made:

i. The minimum balances of ₹6.50 crore for all States would be doubled (taking into account the increase in prices since 1966-67).

ii. The limits for clean advances would be fixed at 10 times the revised minimum balances instead of 12 times hitherto.

iii. The limits for secured advances could be increased to ten times the revised minimum balances.

Accordingly, the revised minimum balances and limits for WMA were as under:

(₹ Crore)

Effective	Minimum Balances	Clean WMA	Secured WMA
May 1, 1976	13	130	130

The rates of interest on WMA which were one per cent below Bank Rate were revised as follows:

(i) for 90 days	1 per cent below Bank Rate
(ii) for 91 to 180 days	1 per cent above Bank Rate
(iii) beyond 180 days	2 per cent above Bank Rate
The rates of interest on overdraft were fixed as under:	
For the first 7 days	Bank Rate
Over 7 days	3 per cent above Bank Rate

1978 REVIEW

As aggregate receipt and disbursement of States budgeted for 1978-79 were around 26 times their level in 1963, it was felt that limits for RBI's accommodation should be further revised. The limits for WMA were, therefore, raised from ₹130 crore in 1976 to ₹260 crore in 1978, i.e., twenty times the minimum balance. The limit for special WMA was, however, kept unchanged at ten times the minimum balance. The changes effected in clean WMA as on October 1, 1978 were as under:

(₹ Crore)

Effective	Minimum Balances	Clean WMA	Secured WMA
October 1, 1978	13	260	130

1982 REVIEW

In June 1982, GoI took steps to clear WMA and overdraft of States outstanding as at the end of June 1982 by grant of medium term loans/WMA. To eliminate the incidence of OD on an enduring basis and having regard to the increased budgetary expenditure of States since October 1978, it was decided to double RBI's accommodation. Normal and Special WMA were thus raised from ₹260 crore and ₹130 crore to ₹520 crore (forty times the minimum balance) and ₹260 crore (twenty times the minimum balance) respectively with effect from July 1, 1982. The minimum balances to be maintained by States with the RBI remained unchanged at ₹13 crore.

(₹ Crore)

Effective	Minimum Balances	Clean WMA	Secured WMA
July 1, 1982	13	520	260

1986 REVIEW

The limits for WMA were again reviewed in August 1986 at the instance of the Government. It was found that even though receipts and disbursements of States had increased substantially since 1982 when the revision of limits was last made, there was no strong evidence to show that the seasonal gaps in cash flow had increased proportionately. It was also pointed out by the RBI that the streamlining of the release of funds by the Centre to the States and the staggering of the repayment of loans by the States would also help the latter in avoiding serious cash flow problems in any particular month. It was agreed between Government and the RBI that only seasonal deficits and not structural deficits should be taken care of by WMA from the RBI. Nevertheless, in view of representations from States, it was decided to grant a basic increase of 20 per cent over the existing normal limits. As the cash flow problem faced by States was more severe in the first half of the year than in the second half when the position improves with the receipts of money from market borrowings, an additional 10 per cent rise was granted in the first half of the year. The revised limits with the above increase were as under:

(₹ Crore)

Effective	Minimum Balances	Clean WMA	Secured WMA
October 1, 1986			
April - September	13	676 (52 times)	260 (20 times)
October - March	13	624	260

1988 REVIEW

In February 1988, a further review of the WMA limits was undertaken at the instance of the GoI in view of the cash flow difficulties reported to be experienced by States in incurring emergent expenditure on drought relief. In the financial year 1987-88, only four States had got into an OD on several occasions and from the available data it was not possible to indicate whether the OD on each of the occasions was necessitated purely or mainly on account of the expenditure incurred by those States on drought relief. Besides, some of the worst affected States had not got into the problem of OD as often as some others where drought relief expenditure had not been a major problem. It was also necessary to keep in view the fact that all the States had not been uniformly affected by drought and therefore an across-the-board increase in the limits was not necessarily the correct solution. For the same reason, a regular increase in the limits of WMA, to take care of the difficulties faced in one year and that too, particularly barely a year and a half after the last increase was effected, did not appear to be warranted. However, having regard to the time lag between incurring of drought relief expenditure which was not budgeted by State Governments and the release of Central assistance, the RBI agreed for an increase of 40 per cent in normal WMA over the limits in force prior to October 1, 1986. The limits were uniformly made applicable throughout the year instead of separate limits for the two halves of the year.

The revised limits with effect from March 1, 1998 were as under:

(₹ Crore)

Effective	Minimum Balances	Clean WMA	Secured WMA
March 1,1998	13.30	744.80 (56 times)	266.00 (20 times)

1993 REVISION

Several States had represented for revision of the limits upwards. The issue was examined and on analysis of the financial position of State Governments. The important observations of the analysis were:

i. Majority of States had availed of WMA up to full extent;

ii. The number of States running into overdrafts had risen sharply and such occurrences have become more frequent and for larger amounts since 1992; and

iii. During 1992-93, all States except three emerged in overdrafts; the period of overdraft in some cases was as high as 192 days during the year. The RBI suspended payments in respect of six States (payments in respect of two States had to be suspended on more than one occasion).

Although number of States had represented that WMA limits should be related to expenditure, a view was taken that such a link would be inappropriate as States which incur expenditure disproportionate to their receipts would be eligible for higher limits, leading to larger deficits. While the main thrust of the policy should continue to be not to allow States to run large deficits, a pragmatic assessment would warrant that genuine temporary mismatches in finances of States should be adequately met by WMA. It was felt that the linking of WMA limits as multiple of the minimum balance would ensure that relativities among States were not disturbed. Based on the above considerations changes effected from November 1, 1993 were as under:

(₹ Crore)

Effective	Minimum Balances	Clean WMA	Secured WMA
November 1, 1993	13.30	1,117.20 (84 times of min. balance)	425.60 (32 times of min. balance)

Simultaneously, the time limit for clearance of overdrafts was extended from seven to ten consecutive working days under the Overdraft Regulation Scheme.

1996 REVISION

As an agenda for the new Government at the Centre, it was indicated that the system of providing WMA to State Governments should be revamped and the extent of accommodation should be substantially liberalised.

A study of the finances of the States based on their budget documents indicated that while there was improvement in some of the major deficit indicators, certain structural weakness persisted in the form of large revenue deficits, rising interest burden, increasing distortions in the pattern of expenditure and minuscule growth in non-tax revenues. It was, however, felt that there was a need to increase WMA to State Government so that genuine temporary mismatches in finances of State Governments could be adequately met by WMA from the RBI. Having regard to legitimate needs of States, it was considered that WMA should be revised to a level where States, which are managing their finances prudently, are freed from the problems of overdrafts. On a realistic estimate, it was decided that doubling of existing limits for WMA would be reasonable. The limits were accordingly revised as under:

(₹ Crore)

Effective	Minimum Balances	Clean WMA	Secured WMA
August 1, 1996	13.30	2,234.40 (168 times of min. balance)	852.20 (64 times of min. Balance)

VITHAL COMMITTEE

The Vithal Committee observed that fixing the WMA limits as multiples of an unchanged minimum balance, as in the past, does not capture the differing needs of the States in line with the different growth in their budgetary transactions. This has resulted in wide inter-State variations in the WMA limits in relation to the size of the Budget and this needs to be corrected. WMA limits should normally be fixed taking into account: (a) the cash flows, (b) the variation in the rate of flow of revenues and expenditure and consequent mismatches, and (c) the capacity of a State to raise resources on its own to cover such mismatches. The Vithal Committee proposed linking the normal WMA limit to the cash flows of the State. In this context, it proposed total (*i.e.*, revenue plus capital) expenditure less revenue deficit, as the surrogate for cash flows. It was perceived that this base, which worked out to revenue receipts plus capital expenditure, obviated the incentive for increasing imprudent expenditure as a means to obtain a higher WMA limit.

The actual WMA limits for non-Special Category States and Special Category States were obtained by applying a ratio of 2.25 per cent and 2.75 per cent, respectively, to the base which was the average of revenue receipts (including lottery receipts on a net basis) and capital expenditure of the States during the previous three years (1994-95 to 1996-97).

The revised WMA limits of Non-Special Category States were obtained as follows. For each State, the ratio of its existing WMA limit to its base was obtained. The maximum ratio (2.25 per cent) was obtained in the case of Goa. This ratio (2.25 per cent) was then applied to the base of each of the States to obtain the revised WMA limits. The aggregate of the revised WMA limits thus obtained was around 62 per cent higher than the sum of the existing limits. It was also found that the increase in the WMA limits was less than 40 per cent in the case of four States, *viz.*, Goa, Orissa, Punjab and West Bengal. Given the problems of adjustment in the short run, it was considered desirable that the increase in WMA limits should be at least 40 per cent over the existing limits for any State Government. The revised WMA limits of these four States were accordingly obtained as 40 per cent higher than their respective existing WMA limits. The aggregate of the final revised limits of the Non-Special Category States thus worked out to around 65 per cent higher than the sum of their existing limits.

The revised WMA limits of Special Category States were obtained as follows. The aggregate of the existing WMA limits of these States were increased by 62 per cent (i.e. the same order of the initial increase in the case of the Non-Special Category States). The resultant amount was expressed as a percentage of the sum of the bases of all the Special Category States. This multiplying ratio, which worked out to 2.75 per cent, was then applied to the base of each of the Special Category States, to obtain the revised WMA limits. It was found that the order of increase over the existing WMA limit was less than 50 per cent in the case of two States *viz.*, Meghalaya and Mizoram. Taking into account the peculiar problems of Special Category States, it was recommended that, as a transitional provision, the revised WMA limit for each of these States should be at least 50 per cent higher than their respective existing limits. Accordingly, the revised WMA limits of these two States were obtained as 50 per cent higher than their respective existing WMA limits. The aggregate of the final revised WMA limits of all Special Category States thus worked out to around 65 per cent of their existing limits. Thus, the aggregate normal WMA limit for all the (23) States was increased by 65 per cent to ₹3,685 crore with effect from March 1, 1999.

Following the formation of the new States, revised limits were fixed in November 2000 for the six reorganised States, *viz.*, Bihar, Jharkhand, Madhya Pradesh, Chhattisgarh, Uttar Pradesh and Uttarakhand. The aggregate revised WMA limits of all 26 States thus worked out to ₹3,941 crore, which was 76.4 per cent higher than the limits prevailing immediately prior to the Vithal Committee.

GROUP OF STATE FINANCE SECRETARIES

Despite the steep increase in limits as allocated by the Vithal Committee, there were requests from several State Governments for further liberalisation of these limits. The issue was discussed in the meeting of the State Finance Secretaries held on November 3-4, 2000 and an Informal Group of State Finance Secretaries (GSFS) was constituted which submitted its Report in January 2001. On the basis of the recommendations of the GSFS, the ratio was revised to 2.40 per cent for the Non-Special Category States and 2.90 per cent for the Special Category States, *i.e.*, a uniform increase of 0.15 per cent for both the categories of States. For the reorganised States, interim limits were fixed on their bifurcation in November 2000. Accordingly, the total revised normal WMA limits worked out to ₹5,283 crore (based on revenue receipts and capital expenditure of 1997-98 to 1999-2000) as against the then existing limits of ₹3,941 crore, an increase of 34 per cent with effect from February 1, 2001. As recommended by GSFS, the limits were revised again in April 2002 to ₹6,035 crore based on the average of revenue receipts and capital expenditure during the latest three years (1998-99 to 2000-01).

RAMACHANDRAN COMMITTEE

The Ramachandran Committee (2003) modified the formula for computing WMA limits by linking it exclusively to revenue receipts. The choice of revenue receipts was based on the following factors:

(a) It determines the repaying capacity of the States,

(b) It is relatively transparent,

(c) It is simpler to calculate, and

(d) Inclusion of capital expenditure tends to cause distortions because:

   (i) there are inter-State differences in computing capital expenditure;

   (ii) not all capital expenditure that is incurred by the States need be from the Consolidated Fund of the State;

   (iii) deficit on the capital account is camouflaged by carrying forward the unpaid bills on an incremental basis annually; and

   (iv) there is likely to be far less mismatch between receipts and expenditure on capital account than in the case of revenue account.

The exclusion of capital expenditure from the base was compensated by applying a higher multiplicative factor (ratio) in order to obtain the normal WMA limits. Thus, ratios for Non-Special and Special Category States were fixed at 3.19 per cent and 3.84 per cent, respectively, as compared with the earlier ratios of 2.40 per cent and 2.90 per cent. Applying these ratios to the average revenue receipts for the period 1994-95 to 1996-97, the aggregate WMA limit worked out to ₹7,170 crore, an increase of 18.8 per cent.

The Committee observed that a limit of this order should provide more than abundant cushion to cover the monthly liquidity problems that could arise even from any unexpected shortfall in devolution and transfer which, many States argued, were the main cause of their fiscal difficulties. The Committee also recommended that henceforth the ratios were to be applied to the average of the latest three years revenue receipts (two year's actuals and one year's pre-actuals as approved by the C&AG), to revise the limits annually with effect from April 1 every year. Based on the recommendations of the Ramachandran Committee, the aggregate WMA limits effective April 1, 2005 were placed at ₹8,935 crore.

BEZBARUAH COMMITTEE

The Bezbaruah Committee notes that since March 1999, WMA limits were increased every year (except in 2000-01) and the annual average increase in WMA limits since then had exceeded the average annual rate of growth of expenditure of the State Governments. The Committee opined that, with fiscal correction well underway at the State level and with the prospective improvement in the financial position of the States as envisaged by the 12th FC, the need to further increase the WMA limits, year after year, in line with the growth of average revenue receipts may not be as compelling over the ensuing medium term. Further, it should be expected that with the States enacting FRL and adhering to the 12th FC's fiscal restructuring plan of eliminating the revenue deficit over the medium term, the size of liquidity mismatches, and consequently, the need to avail of WMA, is likely to decline over the medium term. In such a scenario, temporary liquidity mismatches would reflect genuine seasonal factors with a few occasional disturbances.

Notwithstanding the prospective improvement in the fiscal environment over the medium term, the Committee recognised that 2006-07 would continue to be a period of transition for the State Governments mainly in the context of the shift from Central Plan loans to market borrowings. However, most of the States have expressed that the transition to market borrowings in lieu of Central loans is likely to be associated with uncertainties relating to the financing of their Plan expenditures which could, in turn, manifest in liquidity mismatches during the year, even though overall devolution and transfers from the Centre would be higher. The Committee perceives that State Governments would, accordingly, require some more time to adjust to the fiscal milieu envisaged by the 12th FC.

Notwithstanding the advantages of using revenue receipts exclusively as the base for computing WMA limits, as highlighted by the Ramachandran Committee, Bezbaruah Committee felt that there is merit in formulating a base that would more truly reflect the total volume of budgetary transactions. Accordingly, the Committee recommends that the base may be defined as total (revenue plus capital) expenditure excluding repayments and adjusted for one-time ad hoc expenditures. Lottery expenditures should also be excluded from the base since these are quite large in respect of some of the States and thus tend to inflate the base even if these are nearly equal to lottery receipts. In the case of a State Government which has a revenue surplus, the base may be defined as above, while in the case of a State having a revenue deficit, the base should exclude the revenue deficit. As part of one-time expenditures, actual amounts mobilised via power bonds during 2003-04 may be excluded from the base. The Committee further recommended that, the multiplying ratios may be taken as 3.1 per cent for Non-Special Category States and 4.1 per cent for Special Category States, and applied to their respective base. The base should be taken as the average of the latest three years for which actual data are available. Accordingly, the Committee proposed a WMA limit of ₹9875 crore for 26 States and the revision was implemented from April 2006.

Consequent on the agreement entered by Government of Union Territory of Puducherry with the Reserve Bank on December 3, 2007 under Section 21 A of the RBI Act 1934, the minimum balance and the WMA limit were fixed. As Section 21 A enable the Reserve Bank to transact Government business of any States, the agreement with UT of Puducherry is pursuant to the Government of Union Territories (Amendment) Act, 2001, which provides for the creation of a separate Public Account of a Union Territory and enables borrowing upon the security of the Consolidated Fund of the Union Territory, subject to agreed conditions. Accordingly, the WMA limit for 26 States and the UT of Puducherry increased to ₹9,925 crore in 2007-08.

Government of Jammu & Kashmir entered into a principal agreement with the Reserve Bank on September 1, 1972. On mutual agreement, the principal agreement was amended with a supplementary agreement on January 21, 2011 and accordingly, the Reserve Bank agreed to conduct the general banking business of the Government of Jammu & Kashmir with effect from April 1, 2011. Consequently, the minimum balance and the WMA were fixed for Government of Jammu& Kashmir. Accordingly, the minimum balance and the WMA limits of 27 States and the UT of Puducherry increased to ₹42.33 crore and ₹10,240 crore, respectively.

Since the major revision in WMA limits effected from April 1, 2006 based on the recommendations of the Bezbaruah Committee, annual reviews were undertaken every year. However, the limits were kept unchanged as utilisation was low and generally availed by the same 8 to 10 States on a regular basis. In view of requests from some of the States to revise the WMA limits as also requests made in the SFS conference held in May 2013, it was decided to increase the WMA limits for the State Governments by 50 per cent of then existing limit of ₹10,240 crore to ₹15,360 crore with effect from November 11, 2013 (Table 16). Thereafter, this Advisory Committee was constituted to review the WMA scheme.

Table 16: Minimum Balance and Limit of WMA for State Governments

(₹ crore)

Sl. No.	Date of Revision	Minimum Balance (Total for all States)	WMA Limits (In multiples of Minimum Balance)	
			Normal WMA	SDF (Special WMA)
1	2	3	4	5
1	April 1, 1937 (effective April 1, 1938) (Provincial Government/Part A States)	1.95	1 (1.95)	*
2	April 1, 1953 (Part A and Part B States)	a) 3.94 on Friday b) 3.38 on day other than Friday c) 4.50 before repayment of WMA	2 (7.88)	2.00 for each State
3	March 1, 1967	6.25	3 (18.75)	6 (37.50)
4	May 1, 1972	6.50 +	12 (78.0)	6 (42.66)
5	May 1, 1976	13.0	10 (130.0)	10 (130.0)
6	October 1, 1978	13.0	20 (260.0)	10 (130.0)
7	July 1, 1982	13.0	40 (520.0)	20 (260.0)
	October 1, 1986			
	a) April-September	13.0	52 (676.0)	20 (260.0)
8	b) October-March	13.0	48 (624.0)	20 (260.0)
9	March 1, 1988	13.30 ##	56 (744.80)	20 (266.0)
10	November 1, 1993	13.30	84 (1,117.20)	32 (425.60)
11	August 1, 1996	13.30	168 (2,234.40)	64 (852.20)
12	March 1, 1999	41.04 **	3,941.00 #	++
13	February 1, 2001	41.04	5,283.00	++
14	April 1, 2002	41.04	6,035.00	++
15	April 1, 2003	41.04	7,170.00	++
16	April 1, 2005	41.04	8,935.00	++
17	April 1, 2006	41.04	9,875.00	++
18	December 17, 2007	41.19 ***	9,925.00	++
19	April 1, 2011	42.33 ****	10,240.00	++
20	November 11, 2013	42.33	15,360.00	++

* Secured Ways and Means Advances were occasionally granted on an ad-hoc basis.
+ The increase of ₹0.25 crore over the figure for 1967 was due to the fixation of minimum balance for four States *viz.* Himachal Pradesh, Manipur, Meghalaya and Tripura. There was no revision for other States.
** The minimum balance revised upwards linking it to the same base as for WMA.
++ The limits for special WMA liberalised, no upper limit on Special WMA, which is being provided against the actual holdings of Central Government Securities subject to margin.
# The aggregate amount applicable in March 1999 was ₹3,685 crore on the basis of the recommendation of IAC. On bifurcation of Bihar, Madhya Pradesh and Uttar Pradesh, interim limits were granted to the six recognized States effective November 2000.
##Joining of Goa raised the minimum balance by ₹0.30 crore.
*** Joining of UT of Puducherry raised the minimum balance by ₹0.15 crore.
**** Joining of Jammu & Kashmir raised the minimum balance by ₹1.14 crore.
Note: Figures in brackets in columns 4 and 5 are the total monetary limits for all the States.

ANNEX 3: INTEREST RATES ON WMA, SDF AND OD - HISTORICAL TREND

S.N.	Period	Normal WMA	SDF (Special WMA)	OD
1	2	3	4	5
1	Prior to March 1967	1% below Bank Rate	i) Up to ₹50 lakh - 0.25% below Bank Rate ii) ₹51 lakh to ₹125 lakh - ½% below Bank Rate on the entire amount iii) Over ₹125 lakh - Bank Rate on the entire amount	Bank Rate
2	March 1967 to April 1976	1% below Bank Rate	1% below Bank Rate	Bank Rate
3	May 1976 to August 1996	i) First 90 days - 1% below Bank Rate ii) 91-180 days - 1% above bank Rate iii) Beyond 180 days - 2% above Bank Rate	i) First 90 days - 1% below Bank Rate ii) 91-180 days - 1% above bank Rate iii) Beyond 180 days - 2% above Bank Rate	i) For 7 days - Bank Rate ii) From 8th day onwards - 3% above Bank Rate
4	August 1996 to January 15, 1998	Bank Rate	Bank Rate	Bank Rate *plus* 3%
5	Jan 16, 1998 to March 18, 1998	2% below Bank Rate	2% below Bank Rate	Bank Rate
6	March 19, 1998 to April 2, 1998	1.5% below Bank Rate	1.5% below Bank Rate	0.5% above Bank Rate
7	April 3 to April 28, 1998	1% below Bank Rate	1% below Bank Rate	1% above Bank Rate
8	April 29, 1998 to November 1998	Bank Rate	Bank Rate	2% above Bank Rate
9	Vithal Committee-November 1998	Bank Rate	Bank Rate	Bank Rate *plus* 2%
10	Group of State Finance Secretaries - January 2001	Bank Rate	Bank Rate	Bank Rate *plus* 2%
11	Ramachandran Committee - January 2003	Bank Rate for the period of 1-90 days and 1% above Bank Rate for the period beyond 90 days.	1% below Bank Rate.	OD up to 100% of NWMA at 3% above the Bank Rate and for OD exceeding 100% of NWMA at 6% above the Bank Rate.
12	Bezbaruah Committee - October 2005	Repo Rate for the period of 1-90 days and 1% above Repo Rate for the period beyond 90 days.	1% below Repo Rate.	OD up to 100% of NWMA at 2% above Repo Rate and for OD exceeding 100% of NWMA at 5% above the Repo Rate.

ANNEX 4.1: MONTHLY AVERAGE UTILISATION OF SDF, WMA AND OD BY STATE GOVERNMENTS

(₹ Crore)

Month	SDF	WMA	OD	Total
MAR-2013	237.88	296.05	161.10	695.02
APR-2013	66.01	301.41	210.06	577.47
MAY-2013	69.43	149.87	28.50	247.80
JUN-2013	554.27	520.35	192.51	1267.13
JUL-2013	182.73	269.75	74.70	527.19
AUG-2013	373.78	251.77	263.40	888.95
SEP-2013	317.80	191.94	53.74	563.48
OCT-2013	818.64	378.43	10.50	1207.56
NOV-2013	56.68	1.87	0.00	58.55
DEC-2013	167.14	347.63	0.00	514.77
JAN-2014	657.14	492.92	84.82	1234.88
FEB-2014	58.95	390.93	31.64	481.52
MAR-2014	27.20	417.11	327.82	772.12
APR-2014	857.57	780.57	407.14	2045.28
MAY-2014	152.92	568.83	78.51	800.26
JUN-2014	234.53	661.33	91.46	987.31
JUL-2014	5.92	539.37	35.02	580.31
AUG-2014	58.85	621.81	116.41	797.06
SEP-2014	260.50	639.33	187.85	1087.68
OCT-2014	311.24	673.83	369.15	1354.23
NOV-2014	971.51	712.93	138.00	1822.44
DEC-2014	1276.85	743.59	65.27	2085.72
JAN-2015	491.71	989.19	346.39	1827.29
FEB-2015	835.14	665.29	26.33	1526.75
MAR-2015	444.25	1239.15	973.50	2656.90
APR-2015	381.55	748.15	505.54	1635.25
MAY-2015	552.03	262.21	60.51	874.75
JUN-2015	969.29	457.07	0.38	1426.73
JUL-2015	1911.05	437.79	3.21	2352.05
AUG-2015	1484.56	594.41	122.27	2201.23
SEP-2015	1878.28	844.52	106.26	2829.06
OCT-2015	1912.02	1092.63	516.55	3521.20

Source: RBI Internal Records.

ANNEX 4.2: INVESTMENT IN ITBs AND ATBs BY STATES

(As at End-March)

(₹ Crore)

Sl. No.	STATE	2011-12		2012-13		2013-14		2014-15	
		ITBs	ATBs	ITBs	ATBs	ITBs	ATBs	ITBs	ATBs
1	Andhra Pradesh	3497	-	4576	-	7062	-	-	-
2	Arunachal Pradesh	49	-	195	-	-	-	-	-
3	Assam	6021	-	6266	-	677	3000	2005	-
4	Bihar	398	-	2049	-	3630	400	3523	400
5	Chhattisgarh	1508	216	2624	58	1587	-	-	-
6	Goa	557	-	194	-	194	-	252	-
7	Gujarat	12235	-	8934	3500	10934	-	11414	-
8	Haryana	285	-	11	-	3691	-	2488	-
9	Himachal Pradesh	949	-	266	-	-	-	-	-
10	Jammu & Kashmir	713	-	150	-	175	-	-	-
11	Jharkhand	-	-	742	-	847	-	666	-
12	Karnataka	7667	-	6886	-	10994	-	17997	-
13	Kerala	2711	-	3201	-	759	-	142	-
14	Madhya Pradesh	6698	-	6819	-	3906	-	4800	-
15	Maharashtra	19060	8000	37660	-	4778	27500	14458	19000
16	Manipur	-	-	-	-	315	-	126	-
17	Meghalaya	300	-	-	-	1323	-	880	-
18	Mizoram	-	-	-	-	26	-	105	-
19	Nagaland	-	-	-	-	-	-	141	-
20	Odisha	3912	3000	4362	3000	3882	-	3821	-
21	Puducherry	862	-	938	-	1063	130	488	509
22	Punjab	-	-	-	-	-	-	248	-
23	Rajasthan	708	8803	5128	7603	2197	8112	2128	6701
24	Tamil Nadu	10716	1990	14886	4415	14084	7143	11996	10416
25	Telangana	-	-	-	-	-	-	1874	-
26	Tripura	1104	-	2306	-	3546	-	1287	2400
27	Uttar Pradesh	13508	-	4817	10000	4590	-	-	-
28	Uttarakhand	50	-	559	-	802	-	594	-
29	West Bengal	3084	-	4493	-	5128	-	2751	-
Total		**96594**	**22009**	**118060**	**28576**	**86191**	**46285**	**84185**	**39426**

Source: RBI Internal Records

ANNEX 4.3: AVERAGE INVESTMENT IN INTERMEDIATE TREASURY BILLS

(₹ Crore)

Sl. No.	STATES	2010-11	2011-12	2012-13	2013-14	2014-15
1	Andhra Pradesh	2,609	3,474	3,891	4,562	5,356
2	Arunachal Pradesh	1,098	978	740	406	250
3	Assam	7,959	7,117	4,728	4,647	4,610
4	Bihar	4,449	4,492	2,737	4,103	5,796
5	Chhattisgarh	1,673	2,809	1,959	1,536	1,248
6	Goa	260	333	190	115	56
7	Gujarat	5,927	7,089	10,690	6,557	6,096
8	Haryana	1,165	791	809	1,454	1,626
9	Himachal Pradesh	929	955	700	316	60
10	Jammu & Kashmir	-	230	232	210	241
11	Jharkhand	1,668	749	569	969	2,443
12	Karnataka	7,949	4,078	4,032	4,397	5,969
13	Kerala	2,100	1,697	2,445	1,495	905
14	Madhya Pradesh	5,324	7,041	6,167	4,685	2,978
15	Maharashtra	12,418	10,581	11,925	11,097	5,700
16	Manipur	672	350	297	386	540
17	Meghalaya	376	380	505	504	588
18	Mizoram	117	161	167	131	118
19	Nagaland	265	119	75	99	81
20	Odisha	4,479	3,194	2,873	3,056	2,293
21	Punjab	307	187	95	108	37
22	Rajasthan	2,135	1,607	2,339	2,398	2,885
23	Tamil Nadu	8,577	5,859	8,849	9,067	7,945
24	Telangana	-	-	-	-	3,330
25	Tripura	430	822	1,315	1,683	933
26	Uttar Pradesh	4,722	5,959	14,421	6,723	8,762
27	Uttarakhand	284	213	671	716	1,206
28	West Bengal	408	420	857	719	682
29	Puducherry	622	477	582	503	371
Total		**78,922**	**72,162**	**84,860**	**72,644**	**73,103**

Source: RBI Records.

ANNEX 4.4: AVERAGE INVESTMENT IN AUCTION TREASURY BILLS

(₹ Crore)

Sl. No.	STATES	2010-11	2011-12	2012-13	2013-14	2014-15
1	Arunachal Pradesh	-	49	-	-	-
2	Assam	72	1,226	3,066	2,189	305
3	Bihar	-	-	-	204	385
4	Chhattisgarh	296	413	343	144	-
5	Gujarat	363	1,311	2,774	2,384	3,975
6	Karnataka	-	1,975	3,881	2,742	5,536
7	Maharashtra	2,038	7,491	12,349	22,977	26,160
8	Odisha	1,337	4,121	5,047	5,231	2,242
9	Rajasthan	532	5,988	10,566	10,700	8,545
10	Tamil Nadu	4,973	5,010	3,993	4,517	7,766
11	Tripura	-	74	-	972	2,491
12	Uttar Pradesh	-	-	1,792	7,355	-
13	Puducherry	-	-	-	331	517
Total		**9,611**	**27,657**	**43,812**	**59,746**	**57,922**

Source : RBI Records.

ANNEX 5: EXPENDITURE BASE FOR CALCULATION OF WMA LIMIT

(₹ Crore)

Sl. No.	States/UTs	Revenue Expenediture (RE)			Lottery Expenditure			Capital Expenditure **			Recommended base TE =(RE+CE-Lottery)			Average base	Multi-plying Ratio
		2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
I	**Non-HS & NES**														
1	Andhra Pradesh	90,415	102,702	110,374	-	-	-	25,466	26,739	26,255	115,882	129,441	136,629	127,317	
2	Bihar	46,499	54,466	62,477	-	-	-	13,681	14,740	17,928	60,180	69,207	80,405	69,931	
3	Chhattisgarh	22,628	26,972	32,860	-	-	-	6,093	7,847	6,582	28,721	34,819	39,442	34,327	
4	Goa	5,482	6,061	6,803	-	-	-	1,471	1,285	1,346	6,953	7,346	8,149	7,483	
5	Gujarat	59,744	69,658	75,259	-	-	-	19,670	28,623	29,462	79,414	98,281	104,721	94,139	
6	Haryana	32,015	38,072	41,887	-	-	-	7,737	8,440	7,042	39,751	46,512	48,929	45,064	
7	Jharkhand	20,992	23,398	23,431	-	-	-	5,015	7,002	6,632	26,007	30,400	30,064	28,824	
8	Karnataka	65,115	76,293	89,190	-	-	-	20,641	20,308	21,459	85,756	96,601	110,649	97,669	
9	Kerala	46,045	53,489	60,485	902	2,083	3,203	7,745	8,544	8,884	52,887	59,950	66,167	59,668	
10	Madhya Pradesh	52,694	62,969	69,870	-	-	-	27,965	20,529	19,894	80,659	83,497	89,764	84,640	
11	Maharashtra	123,554	138,736	154,902	67	-	72	25,174	25,466	31,927	148,662	164,202	186,758	166,541	
12	Odisha	34,660	38,238	45,618	-	-	-	7,445	9,018	10,513	42,105	47,256	56,131	48,497	
13	Punjab	33,045	39,458	41,641	45	83	45	3,765	5,049	6,016	36,765	44,425	47,612	42,934	
14	Rajasthan	53,653	63,462	75,510	-	-	-	11,719	17,802	18,591	65,372	81,264	94,101	80,246	
15	Tamil Nadu	83,838	97,067	109,825	-	-	-	25,627	24,328	24,368	109,465	121,396	134,192	121,685	
16	Telangana	-	-	79,810	-	-	-	-	-	20,148	-	-	-	-	
17	Uttar Pradesh	123,885	140,724	158,147	-	-	-	29,827	32,997	42,573	153,712	173,720	200,720	176,051	
18	West Bengal	73,326	82,111	91,797	35	45	44	10,505	13,247	16,716	83,796	95,313	108,470	95,859	
Sub-Total (I)		**967,592**	**1,113,876**	**1,329,885**	**1,049**	**2,211**	**3,364**	**249,545**	**271,964**	**316,338**	**1,216,088**	**1,383,629**	**1,542,902**	**1,380,873**	**2.03%**
II	**Himalayan & NE States**														
19	Arunachal Pradesh	4,418	4,786	5,731	-	-	-	2,247	1,567	2,050	6,665	6,354	7,782	6,933	
20	Assam	26,529	29,137	31,972	-	-	-	3,740	4,611	5,207	30,269	33,748	37,178	33,732	
21	Himachal Pradesh	13,898	16,174	17,352	-	-	-	3,431	4,540	3,919	17,329	20,715	21,271	19,771	
22	Jammu and Kashmir	22,680	25,117	27,058	1	-	-	7,176	6,661	5,925	29,855	31,778	32,983	31,539	
23	Manipur	5,005	5,317	5,719	2	1	1	1,857	1,677	1,454	6,861	6,993	7,172	7,008	
24	Meghalaya	4,835	5,000	5,552	1	1	1	1,110	1,124	1,259	5,944	6,123	6,810	6,292	
25	Mizoram	3,724	4,509	6,145	1	2	2	762	827	1,132	4,485	5,334	7,275	5,698	
26	Nagaland	4,876	5,601	5,750	2	2	-	1,573	1,593	1,477	6,447	7,192	7,227	6,955	
27	Tripura	4,809	5,213	5,949	-	-	-	1,629	1,815	1,876	6,438	7,027	7,825	7,097	
28	Uttarakhand	12,975	13,960	16,216	-	-	-	3,257	5,256	5,307	16,232	19,216	21,523	18,991	
29	Puducherry	3,222	3,051	4,483	-	-	-	534	505	568	3,756	3,556	5,050	4,121	
Sub-Total (II)		**106,971**	**117,865**	**131,927**	**7**	**5**	**4**	**27,316**	**30,175**	**30,174**	**134,280**	**148,035**	**162,098**	**148,138**	**2.78%**
ToTal		**1,074,563**	**1,231,741**	**1,461,813**	**1,056**	**2,216**	**3,368**	**276,862**	**302,139**	**346,512**	**1,350,368**	**1,531,664**	**1,704,999**	**1,529,011**	

Note: WMA for Andhra Pradesh and Telangana has been bifurcated in the ratio advised by the AP Reorganisation Act 2014 . ** : Excludes public account items.

ANNEX 6: OPERATING PROCEDURES AND LIQUIDITY MANAGEMENT FRAMEWORK OF THE RBI

As per the prevailing operating framework of monetary policy, the fixed overnight repurchase (repo) rate under the Liquidity Adjustment Facility (LAF) is the single monetary policy rate while the weighted average call money rate (WACR) is the operating target of monetary policy. The Reserve Bank's operating procedure aims at modulating liquidity conditions so as to anchor the WACR around the policy rate. This is the first leg of monetary policy transmission to the financial system and the economy.

The main features of the revised liquidity management framework implemented since September 5, 2014 are as follows: (i) assured access to central bank liquidity of one per cent of banks' net demand and time liabilities (NDTL) comprising 0.25 per cent of NDTL provided through overnight fixed rate repo auctions conducted daily at the policy rate, and 0.75 per cent of NDTL provided through 14-day variable rate term repo auctions conducted on every Tuesday and Friday; (ii) fine-tuning operations through variable rate repo/ reverse repo auctions of maturities ranging from overnight to 28 days to even out frictional liquidity mismatches that occur in spite of assured liquidity operations; and (iii) outright open market operations to manage enduring liquidity mismatches. Besides, the two standing facilities - Marginal Standing Facility (MSF) and fixed rate daily overnight Reverse Repo auctions allows market participants to access central bank liquidity or place surplus liquidity with the RBI. The MSF rate and the fixed overnight reverse repo rate define an informal corridor for limiting intra-day variations in the call rate.

ANNEX 7: COMBINATION OF WMA FORMULAS ATTEMPTED

WMA Limits Based on GSDP

The latest GSDP data available for all States pertain to 2013-14. The GSDP of the States were aggregated according to HS&NES and other States to arrive at the multiplying ratio and then the State-wise WMA limit was calculated. As per this formula, some States got lower WMA than their present limit while few other States got much higher WMA limit. Moreover, it is observed that the GSDP figures of some States were not in alignment with their fiscal position. Therefore, fixing the WMA limits based on GSDP was not considered by the Committee.

WMA Limits Based on 3 per cent of GSDP

The 14th FC has recommended for a GFD of 3 per cent of States' GSDP from 2015-16 onwards. As the State-wise GSDP was not giving clear picture of the State's fiscal position, three per cent of their GSDP also did not give any meaningful result for WMA calculation, in particular, some HS&NES got negative growth over their existing limit. Therefore, this formula was not found suitable.

WMA Limits Based on Total Expenditure minus Revenue Receipts

Normally, WMA is to finance the temporary mismatch in States' cash flows. Total expenditure minus revenue receipts more or less represents the gap of the States. However, it was observed that some States were managing their expenditure so prudently that their revenue receipts and clearly known borrowings took care of their total expenditure. As a result, the gap was very narrow in such States and did not represent the true fiscal size of the States. Therefore, this methodology was not found appropriate for calculation of WMA formula.

WMA calculation based on Revenue Receipts

The revenue receipts of the States increased on a CAGR basis between 7.1 per cent and 20.4 per cent during the recent period and the growth was very low in respect of some of the HS&NES while 17 States registered a CAGR of over 15 per cent during the period. Further, revenue receipts may not represent the cash flow mismatches for all States as some States registered revenue deficit in 2014-15 despite the 13th FC's recommendation for achieving revenue surplus. In addition, revised limits on the basis of revenue receipts showed wide variation in the growth between 46.7 per cent and 166.7 per cent. Therefore, formula based on revenue receipts was not found to be adequate.

ANNEX 8: VIEWS EXPRESSED BY THE STATE GOVERNMENTS

In the advisory Committee meetings and SFS conference, States were requested to forward their views/ suggestions for the Committee to deliberate. Accordingly States like Tamil Nadu, Odisha, Meghalaya, Jharkhand, Haryana, *etc.*, have forwarded their views. The summary of the views are consolidated in respective heads as under:

WMA Limit

The WMA/ OD is no more a means of financing the deficit after enactment of FRBM Act. Due to increase in State's budget size, on-an-average, daily transaction has increased and any mismatch in receipts, especially from the Centre/ State's Commercial Taxes, coinciding with bullet payments, the gap will also increase. This will result in the State exhausting their WMA and OD limits quickly. Further, past performances alone should not be taken as the criterion for fixing the WMA limits and the future perspectives should also be given due consideration by the Committee. There is a need to re-assess the WMA limit, which will provide cushion to the States to carry on their essential activities without disrupting the financial transactions in the State Treasuries. As the States do not have the option of mobilizing short-term loans like ATBs/ Cash Management Bills (CMBs), it is essential that the WMA limit shall be in tune with the current budgetary trends.

On account of unique problems faced by the North Eastern States such as limited fiscal capacity and comparatively higher expenditure needs due to inhospitable climate, topographical conditions and remote location, the committee may recommend a higher WMA limit for this region to tide over any temporary mismatches.

Basis for calculation of WMA Limit and adoption of latest data

The same formula used by the Bezbaruah Committee shall be continued for computation of WMA limits. But the data adopted by the previous Committee was relatively old as last three years accounts data were adopted. Instead, while adopting the same formula, data for preceding three years comprising Accounts, Accounts and Revised Estimates may be considered.

Fixing Rolling Normal WMA Limit for each year

In view of seasonality in flow of revenues and pattern of expenditure, there is need to consider two sets of WMA limits, i.e., one for the first half of the financial year and the second for the second half of the financial year. Since, capital expenditure is supposed to be taken care of through borrowings, a function of total revenue receipt and revenue expenditure may be taken into consideration for revision of WMA. In this connection, it needs to be mentioned that during period of high revenue deficit and fiscal deficit the State experienced frequent cash imbalance and high degree of dependence on WMA/ OD.

The annual WMA limit shall be revised on the 1st April every year, based on the data for the preceding three years to cope with the increasing public spending/ budget size. The WMA limit for the State should be computed in a manner similar to Cash Credit because the States have to face unexpected and large expenditure like disaster, natural calamities, pay commission pay outs, pension disputes, *etc.*

OD Scheme

Small States like North Eastern States, majority of the source of revenue comes from the Centre and only at the beginning of the month. Therefore, the time limit for OD may be increased from 14 days to 30 days with the rate of interest at Repo rate + 1% for OD within admissible time limit and Repo rate + 2% for OD beyond the admissible limit.

Creating additional avenues for Investment of Surplus Cash Balance

As the States have not achieved fiscal surplus, the cash balances of the States do not represent the surplus cash but the liabilities under the Public Account. The accretions under the Public Account is kept within the governmental system whereby it can be used by States for sanction of WMA to State owned entities/ time-being utilization by States/ keeping the float with Centre. If allowed, the deposits will go to the market players who will lend the same at higher rates to the Government institutions. Therefore, additional avenues for investment of the Public Account accruals of the States may be created, like Repo to market participants within LAF framework as in the case of Centre, considering the implementation of the recommendations of the Working Group of State Finance Secretaries on Investment of the Surplus Cash Balances of State Governments (2006), keep in fixed deposit with Gol for a suitable longer tenor say 6 months or one year fetching interest at G-Sec rates, *etc.*

Return on 14 day ITBs

The return on ITBs is at 5 per cent only and that too realized on full maturity of 14 days. When the Bezbaruah Committee had changed the bench mark interest rate on WMA/ OD from the Bank rate to Repo rate, the return on States' investment in ITBs should also have been linked ideally to the Repo rate. As per Gol notification dated March 31, 1997, the discount rate had been made equivalent to the interest rate on WMA chargeable to GoI. Subsequently, in terms of RBI communication dated May 8, 2003, the discount rate on ITBs had been fixed with the criterion "Rate of Interest on WMA less 100 basis points" (at that point the rate of interest on WMA was linked to Bank Rate).

Therefore, when the bench mark rate of WMA/ OD had been linked to Repo rate *w.e.f.* April 1, 2006, the return on ITBs should also have been with reference to Repo rate only (*i.e.*, rate of interest on WMA less 100 basis points). But this had not been done. In view of the position explained above, the present Committee should take into consideration the differences in the interest chargeable on WMA and the rate of return on the surplus cash balances for the State Governments. Ideally, either it must be aligned to a single benchmark rate as in the case of interest on WMA or a separate overnight instrument as recommended by the SFS Committee should be introduced or as in the case of Gol, a portion of the States' surpluses shall also be allowed to be repoed in the market so as to create a level playing field/ fetch decent return on the States' resources.

Better Cash Management Technique

State Governments may be imparted better cash management techniques including adoption of exchequer control based Cash Management System adopted by the GoI for the Ministries in order to reverse the trend of back loading of expenditure to the last quarter of the financial year, integration of Cash and Debt Management as well as flow of revenue receipts. Adoption of electronic receipt and payment system will also minimise the float with the banking system at the cost of the State Government. In order to take care of periodic imbalances between receipts and payments arising out of committed liabilities like payment of salaries, pension, interest payment, repayment of loans by fixed dates, the State Government ought to have a surplus cash balance in hand. The Committee may deliberate upon and prescribe an indicative/optimum surplus cash balance to be maintained by the State Government over and above the minimum balance.

Centrally Sponsored Scheme – Float with Implementing Agencies

The float available with the implementing agencies of the Centrally Sponsored Scheme (CSS) can be minimised by integrating their bank accounts and transactions with the State Treasury systems so that fund flow to these agencies can be ensured 'just in time'. The Public Financial Management System (PFMS) needs to be rolled out for all the GoI and State Government schemes through an interface provided by the State Treasury Portal so that the fund flow for CSS as well as State Government schemes can be made with minimum float in the transmission system. This will go a long way in improving the cash management system of both the GoI and State Governments.

Under the CSS, the GoI transfers large amount to the

States for implementation of these schemes. State Governments find it very difficult to obtain the authentic information on availability of Central assistance from a single source in the absence of which proper estimate of the availability of resources for each CSS in shape of grant and also the matching State share is not possible. Moreover, in the absence of any indication about receipt of Central Assistance for CSS from the beginning of the financial year, the States are not in a position to properly plan for spending the Central assistance and required State share. Although the State Government release funds for CSS on receipt of Central Assistance, at times in order to continue the programme delivery, the State Government are required to provide both Central Assistance and matching State share in advance. Accelerated Irrigation Benefit Programme, National Rural Employment Guarantee Act, Integrated Child Development Services (Special Nutrition Component) are the schemes under which such instances are frequent. This largely contributes to periodic cash imbalance in the State Government account.

It is suggested that, in order to impart greater predictability in fund flow for CSS, the annual allocation for each State and the sharing pattern need to be provided in a single platform and make it accessible to all States. This would ensure transparency in allocation of funds to States under CSS which was hitherto considered as discretionary and there would be predictability in fund flow for all CSS and at the same time the States would be in a better position to utilize the CSS funds with advance planning for funds to be made available for spending from the beginning of the financial year.

For externally aided projects, the States are required to first undertake the expenditure and thereafter claim reimbursement from the donor agencies through the MoF, GoI. There is considerable time lag between actual expenditure and receipt of additional Central Assistance for Externally Aided Projects. This restricts the maneuverability of the States to provide funds in advance for expenditure.

SDF Account Head

The nomenclature of Special WMA was changed to SDF in order to shed the stigma attached to SWMA which is granted against the State Government's holdings in GoI dated Security and investment in ATBs. However, receipt from SDF and repayment thereof is still accounted for as WMA under the Minor Head of Account '110-WMA from RBI below the Major Head '6003-Internal Debt of the State Government'. It is, therefore, suggested that Controller General of Accounts in the MoF, GoI may be moved to provide a separate Minor Head for classification of SDF.

Periodical Capacity Building Programme

To keep pace with changes, the capacity of officials of the State Finance Department needs to be strengthened *vis-a-vis* change in transaction systems and other banking systems so as to enable the State Finance Department officials in dealing with banking transactions, contra credit, periodical bank statements, *etc.* The RBI may plan to conduct periodical capacity building and orientation programmes for the officials of State Finance Departments.

ANNEX 9: OFFICIALS ATTENDED THE ADVISORY COMMITTEE MEETINGS

The first meeting of the Advisory Committee was held on December 23, 2014 at RBI, Mumbai. The following officials participated in the meeting:

Chairman & Members

1 Shri Sumit Bose, Chairman.

2 Dr. Rathin Roy, Director, NIPFP.

3 Shri Shrikant Deshpande, Secretary (Expenditure), FD, Govt of Maharashtra.

4 Shri T. Udhayachandran, Secretary, FD, Govt of Tamil Nadu.

5 Shri Kekhwezo Kepfo, Senior RO, FD, Govt of Nagaland.

Ministry of Finance, GoI

6 Shri S. Mohan, Director, MoF, GoI.

Reserve Bank of India

7. Shri P. Vijaya Bhaskar, Executive Director.

8. Smt. Rekha G. Warriar, CGM, IDMD.

9. Smt. R. Kausaliya, Director, IDMD.

10. Shri A. K. Mitra, Director, MPD.

11. Shri L. Lakshmanan, Asst. Adviser, IDMD.

The second meeting of the Advisory Committee was held on April 21, 2015 at RBI, Kolkata. In addition to members of the Committee, special invitees from the Finance Department of North-Eastern and Eastern States were also invited for the meeting. Accordingly, the following officials participated in the meeting:

Chairman & Members

1 Shri Sumit Bose, Chairman.

2 Dr. Rathin Roy, Director, NIPFP.

3 Smt Vini Mahajan, Principal Finance Secretary, Govt of Punjab.

4 Shri T. Udhayachandran, Secretary (Expenditure), FD, Govt of Tamil Nadu.

5 Shri Temjen Toy, Principal Finance Secretary, Govt of Nagaland.

6 Shri S. Mohan, Adviser (PF-I), MoF, GoI.

Invitees from State Governments

7. Shri Ganesh Koyu, Dev. Commissioner & Secretary, Govt of Arunachal Pradesh.

8. Shri Rameshwar Singh, PFS, Govt of Bihar.

9. Shri Puneet Agarwal, Secretary (Finance), Govt of Tripura.

10. Shri R.K. Bujarbaruah, Consultant, Govt of Assam.

11. Shri S.P. Sarmah, Director, Govt of Assam.

12. Shri Anurag Srivastava, Joint Secretary, Govt of West Bengal.

Reserve Bank of India

13. Smt. R. Kausaliya, Director, IDMD.

14. Shri L. Lakshmanan, Asst Adviser, IDMD.

15. Shri Brijesh Pazhayathodi, Asst Adviser, DEPR.

Discussion with Reserve Bank Officials on August 31, 2015

The Chairman along with Dr. Rathin Roy had discussions with the following officials of the IDMD on August 31, 2015 and lunch-on discussion with Shri H.R. Khan, Deputy Governor and Shri P. Vijaya Bhaskar, Executive Director of the Reserve Bank.

1. Smt. R. Kausaliya, Director, IDMD.

2. Shri Rajendra Kumar, GM, IDMD.

3. Shri L. Lakshmanan, Asst. Adviser, IDMD.

4. Shri A. K. Mitra, Director, MPD.

5. Shri I. Bhattacharya, Director, DEPR.

The third meeting of the Advisory Committee held on November 20, 2015 at RBI, New Delhi and the following officials participated in the meeting:

Chairman & Members

1 Shri Sumit Bose, Chairman.

2 Dr. Rathin Roy, Director, NIPFP.

3 Shri K. Shanmugam, Pr. Finance Secretary, Govt of Tamil Nadu.

4. Shri D.P. Reddy, Principal Fin Secretary, Govt of Punjab.

5. Shri Temjen Toy, Pr. Sec & Finance Commissioner, Govt of Nagaland.

6. Smt L.N. Tochhawng, Finance Commissioner & Secretary, Govt of Mizoram.

7. Shri N.K. Chaudhary, Pr. Fin Secretary, Govt of Jammu & Kashmir.

8. Shri G.C. Murmu, Addl. Secretary, PF-I, MoF, GoI.

Invitees from GoI and States

9. Shri S. Mohan, Adviser (PF-I), MoF, GoI.

10. Shri N. Venkatesh, Dy Secretary, Finance Department, Govt of Tamil Nadu.

11. Shri Manmohan Sachdeva, Director, PF-I, MoF, GoI.

Reserve Bank of India

12. Smt. R. Kausaliya, Director, IDMD.

13. Shri L. Lakshmanan, Asst. Adviser, IDMD.

14. Shri A. K. Mitra, Director, MPD.

Annex Table 1: Trends in Select Interest Rates

(Per cent)

Item	2010-11				2011-12				2012-13				2013-14				2014-15				2015-16	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Repo Rate (end of the Quarter)	5.25	6.00	6.25	6.75	7.50	8.25	8.50	8.50	8.00	8.00	8.00	7.50	7.25	7.50	7.75	8.00	8.00	8.00	8.00	7.50	7.25	6.75
Bank Rate (end of the Quarter)	6.00	6.00	6.00	6.00	6.00	6.00	6.00	9.50	9.00	9.00	9.00	8.50	8.25	9.50	8.75	9.00	9.00	9.00	9.00	8.50	8.25	7.75
Treasury Bills (Weighted Average)																						
91- Days	4.41	6.00	6.85	7.19	7.98	8.34	8.63	8.87	8.41	8.20	8.15	8.04	7.49	10.33	8.82	8.99	8.73	8.60	8.36	8.30	7.82	7.45
182- Days	4.82	6.22	7.04	7.47	7.98	8.37	8.68	8.62	8.38	8.20	8.13	8.00	7.49	10.18	8.83	8.98	8.79	8.68	8.44	8.23	7.86	7.53
364- Days	5.08	6.24	7.14	7.63	8.13	8.33	8.55	8.42	8.19	8.06	8.05	7.86	7.46	9.53	8.83	8.92	8.84	8.69	8.40	8.01	7.82	7.56
Weighted Average GoI dated Securities (Primary Auctions)	8.34	8.44	8.87	8.38	8.58	8.33	8.25	7.93	7.56	8.55	8.88	9.03	8.91	8.67	8.28	7.78	8.91	8.67	8.28	7.78	7.91	7.95
Average of 10 Year Bechmark GoI securities (Secondary Market)	7.72	7.86	8.04	8.09	8.20	8.34	8.69	8.32	8.48	8.16	8.16	7.88	7.55	8.32	8.81	8.80	8.80	8.58	8.19	7.79	7.84	7.78
14-Day ITBs	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Weighted Average SDLs	8.31	8.32	8.44	8.47	8.55	8.61	9.01	8.85	9.09	8.89	8.87	8.63	7.91	9.33	9.38	9.52	9.22	8.98	8.48	8.08	8.17	8.26

CURRENT STATISTICS

Contents

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

No. 1: Select Economic Indicators

Item	2014-15	2014-15		2015-16	
		Q1	Q2	Q1	Q2
	1	2	3	4	5
1 Real Sector (% Change)					
1.1 GVA at Basic Prices	7.2	7.4	8.4	7.1	7.4
1.1.1 Agriculture	0.2	2.6	2.1	1.9	2.2
1.1.2 Industry	6.6	8.1	7.2	6.4	8.3
1.1.3 Services	9.4	8.4	10.2	8.6	8.0
1.1a Final Consumption Expenditure	6.4	5.3	7.4	6.3	6.5
1.1b Gross Fixed Capital Formation	4.6	8.7	3.8	4.9	6.8

	2014-15	2014	2015		2016
		Dec.	Jan.	Dec.	Jan.
	1	2	3	4	5
1.2 Index of Industrial Production	4.4	3.6	2.8	..	..
2 Money and Banking (% Change)					
2.1 Scheduled Commercial Banks					
2.1.1 Deposits	10.7	10.8	10.9	10.9	11.1
2.1.2 Credit	9.0	10.1	9.3	11.1	11.5
2.1.2.1 Non-food Credit	9.3	10.3	9.6	11.2	11.7
2.1.3 Investment in Govt. Securities	12.6	9.9	12.9	11.1	8.9
2.2 Money Stock Measures					
2.2.1 Reserve Money (M0)	11.2	9.4	10.2	14.3	12.0
2.2.2 Broad Money (M3)	10.5	10.7	10.8	11.0	11.1
3 Ratios (%)					
3.1 Cash Reserve Ratio	4.00	4.00	4.00	4.00	4.00
3.2 Statutory Liquidity Ratio	21.50	22.00	22.00	21.50	21.50
3.3 Cash-Deposit Ratio	4.8	4.9	4.7	5.1	4.7
3.4 Credit-Deposit Ratio	74.4	76.3	76.0	76.4	76.3
3.5 Incremental Credit-Deposit Ratio	44.1	56.2	56.0	73.8	72.6
3.6 Investment-Deposit Ratio	29.3	29.3	29.9	29.3	29.3
3.7 Incremental Investment-Deposit Ratio	31.1	36.9	43.4	31.2	31.1
4 Interest Rates (%)					
4.1 Policy Repo Rate	6.75	8.00	7.75	6.75	6.75
4.2 Reverse Repo Rate	5.75	7.00	6.75	5.75	5.75
4.3 Marginal Standing Facility (MSF) Rate	7.75	9.00	8.75	7.75	7.75
4.4 Bank Rate	7.75	9.00	8.75	7.75	7.75
4.5 Base Rate	10.00/10.25	10.00/10.25	10.00/10.25	9.30/9.70	9.30/9.70
4.6 Term Deposit Rate >1 Year	7.00/8.75	8.00/9.00	8.00/8.75	7.00/7.90	7.00/7.90
4.7 Savings Deposit Rate	4.00	4.00	4.00	4.00	4.00
4.8 Call Money Rate (Weighted Average)	7.36	8.10	7.79	6.76	6.89
4.9 91-Day Treasury Bill (Primary) Yield	8.27	8.31	8.23	7.23	7.31
4.10 182-Day Treasury Bill (Primary) Yield	8.14	8.36	8.14	7.25	7.23
4.11 364-Day Treasury Bill (Primary) Yield	7.98	8.22	7.91	7.25	7.21
4.12 10-Year Government Securities Yield	7.80	7.90	7.72	7.83	7.64
5 RBI Reference Rate and Forward Premia					
5.1 INR-US$ Spot Rate (₹ Per Foreign Currency)	62.59	63.33	61.76	66.20	67.88
5.2 INR-Euro Spot Rate (₹ Per Foreign Currency)	67.51	98.58	70.03	72.41	74.07
5.3 Forward Premia of US$ 1-month (%)	9.78	7.92	7.09	6.34	6.01
3-month (%)	8.50	7.23	7.84	6.22	6.36
6-month (%)	8.11	7.13	7.35	6.47	6.22
6 Inflation (%)					
6.1 All India Consumer Price Index	5.9	4.3	5.2	5.6	5.7
6.2 Consumer Price Index for Industrial Workers	6.3	5.9	7.2	6.3	5.9
6.3 Wholesale Price Index	2.0	-0.5	-1.0	-0.7	-0.9
6.3.1 Primary Articles	3.0	0.3	1.4	5.5	4.6
6.3.2 Fuel and Power	-0.9	-7.8	-11.0	-9.2	-9.2
6.3.3 Manufactured Products	2.4	1.4	1.1	-1.4	-1.2
7 Foreign Trade (% Change)					
7.1 Imports	-0.6	-3.6	-11.7	-3.9	-11.0
7.2 Exports	-1.2	-1.0	-9.4	-14.8	-13.6

Reserve Bank of India

No. 2: RBI - Liabilities and Assets

(₹ Billion)

Item	As on the Last Friday/ Friday						
	2014-15	2015	2016				
		Feb.	Jan. 29	Feb. 5	Feb. 12	Feb. 19	Feb. 26
	1	2	3	4	5	6	7
1 Issue Department							
1.1 Liabilities							
1.1.1 Notes in Circulation	14,264.95	14,064.12	15,626.64	15,806.10	15,996.31	16,023.94	15,992.62
1.1.2 Notes held in Banking Department	0.12	0.12	0.15	0.18	0.16	0.15	0.15
1.1/1.2 Total Liabilities (Total Notes Issued) or Assets	**14,265.06**	**14,064.24**	**15,626.79**	**15,806.28**	**15,996.47**	**16,024.09**	**15,992.76**
1.2 Assets							
1.2.1 Gold Coin and Bullion	642.29	653.15	599.18	629.43	629.43	629.43	629.43
1.2.2 Foreign Securities	13,609.92	13,398.53	15,014.02	15,163.79	15,354.54	15,382.58	15,351.82
1.2.3 Rupee Coin	2.38	2.10	3.13	2.60	2.04	1.62	1.05
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	5,953.69	5,172.45	5,738.35	5,101.74	5,725.22	5,750.17	5,619.79
2.1.1.1 Central Government	1.01	1.01	1.01	1.01	1.01	6.49	1.00
2.1.1.2 Market Stabilisation Scheme	–	–	–	–	–	–	–
2.1.1.3 State Governments	21.40	0.42	0.42	0.42	0.42	6.73	0.42
2.1.1.4 Scheduled Commercial Banks	3,573.56	3,596.13	3,831.87	3,897.61	3,796.94	3,871.06	3,862.50
2.1.1.5 Scheduled State Co-operative Banks	35.10	33.38	34.68	35.31	33.56	35.41	33.76
2.1.1.6 Non-Scheduled State Co-operative Banks	11.24	9.96	13.58	13.24	13.24	13.40	12.79
2.1.1.7 Other Banks	189.63	181.11	200.38	200.68	201.15	204.98	204.13
2.1.1.8 Others	2,121.76	1,350.43	1,656.40	953.47	1,678.90	1,612.09	1,505.18
2.1.2 Other Liabilities	8,002.15	7,884.14	9,492.26	9,646.12	9,926.86	9,904.18	9,836.11
2.1/2.2 Total Liabilities or Assets	**13,955.84**	**13,056.58**	**14,466.42**	**14,466.42**	**14,466.42**	**14,466.42**	**14,466.42**
2.2 Assets							
2.2.1 Notes and Coins	0.12	0.12	0.15	0.18	0.17	0.15	0.15
2.2.2 Balances held Abroad	6,408.77	6,099.36	7,333.05	7,233.61	7,397.41	7,284.20	7,156.95
2.2.3 Loans and Advances							
2.2.3.1 Central Government	–	–	–	–	–	–	–
2.2.3.2 State Governments	57.60	5.61	2.37	8.64	22.77	31.16	15.39
2.2.3.3 Scheduled Commercial Banks	1,403.93	925.02	1,535.30	1,119.31	1,732.89	1,839.45	1,774.63
2.2.3.4 Scheduled State Co-op.Banks	–	–	0.35	0.35	0.35	0.35	0.35
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	107.73	46.94	56.63	51.73	58.58	57.23	57.67
2.2.4 Bills Purchased and Discounted							
2.2.4.1 Internal	–	–	–	–	–	–	–
2.2.4.2 Government Treasury Bills	–	–	–	–	–	–	–
2.2.5 Investments	5,260.32	5,259.99	5,582.42	5,586.42	5,700.06	5,701.02	5,706.93
2.2.6 Other Assets	717.38	719.53	720.33	747.61	739.85	740.78	743.84
2.2.6.1 Gold	583.45	593.31	544.29	571.76	571.76	571.76	571.76

No. 3: Liquidity Operations by RBI

(₹ Billion)

Date	Liquidity Adjustment Facility				MSF	Standing Liquidity Facilities	OMO (Outright)		Net Injection (+)/ Absorption (-) (1+3+5+6+8-2-4-7)
	Repo	Reverse Repo	Variable Rate Repo	Variable Rate Reverse Repo			Sale	Purchase	
	1	2	3	4	5	6	7	8	9
Jan. 1, 2016	86.99	162.72	228.63	–	–	–	–	3.10	156.00
Jan. 2, 2016	–	317.71	–	–	–	–	–	–	–317.71
Jan. 4, 2016	78.49	71.22	–	63.19	3.91	–	–	3.20	–48.81
Jan. 5, 2016	158.25	69.55	150.03	61.33	1.70	–	–	3.50	182.60
Jan. 6, 2016	131.97	120.33	–	–	24.60	1.10	–	3.30	40.64
Jan. 7, 2016	236.33	55.21	92.99	–	–	–2.90	–	3.50	274.71
Jan. 8, 2016	185.39	37.56	505.05	–	37.50	2.90	–	5.10	698.38
Jan. 11, 2016	202.27	37.92	185.70	–	2.05	–	–	5.10	357.20
Jan. 12, 2016	179.47	40.45	155.03	–	0.20	–	–	5.20	299.45
Jan. 13, 2016	212.74	37.38	100.01	–	6.50	–	–	5.45	287.32
Jan. 14, 2016	158.38	24.79	100.04	–	5.50	–	–	5.50	244.63
Jan. 15, 2016	148.19	26.98	405.04	–	0.30	–	–	–	526.55
Jan. 16, 2016	10.00	24.86	–	–	0.25	–	–	–	–14.61
Jan. 18, 2016	230.33	24.80	80.95	–	1.10	–	–	–	287.58
Jan. 19, 2016	174.20	25.23	256.99	–	5.72	–2.00	–	–	409.68
Jan. 20, 2016	129.26	55.28	100.02	–	–	1.10	–	5.40	180.50
Jan. 21, 2016	129.66	37.95	–	–	–	–	–	105.10	196.81
Jan. 22, 2016	195.51	63.63	189.95	–	26.20	–	–	–	348.03
Jan. 25, 2016	205.16	35.05	218.50	–	18.50	–	–	–	407.11
Jan. 27, 2016	250.18	45.09	295.90	–	0.10	–	–	–	501.09
Jan. 28, 2016	135.08	96.48	118.70	–	1.35	–	–	–	158.65
Jan. 29, 2016	132.14	37.18	216.60	–	5.65	–	–	–	317.21
Jan. 30, 2016	–	116.15	–	–	0.30	–	–	–	–115.85

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

i) Operations in OTC segment

Item	2014-15	2015		2016
		Jan.	Dec.	Jan.
	1	2	3	4
1 Net Purchase/ Sale of Foreign Currency (US $ Million) (1.1–1.2)	54,837.00	12,137.00	–179.00	–30.00
1.1 Purchase (+)	124,414.00	15,259.00	2,620.00	3,240.00
1.2 Sale (–)	69,577.00	3,122.00	2,799.00	3,270.00
2 ₹ equivalent at contract rate (₹ Billion)	3,308.59	754.14	–13.84	–4.97
3 Cumulative (over end-March) (US $ Million)	56,882.00	41,337.00	8,894.00	8,864.00
(₹ Billion)	3,430.69	2,455.27	560.05	555.08
4 Outstanding Net Forward Sales (–)/ Purchase (+) at the end of month (US $ Million)	8,322.00	5,576.00	1,987.00	–318.00

ii) Operations in currency futures segment

Item	2014-15	2015		2016
		Jan.	Dec.	Jan.
	1	2	3	4
1 Net Purchase/ Sale of Foreign Currency (US $ Million) (1.1–1.2)	0.000	0.000	0.000	0.000
1.1 Purchase (+)	0.000	0.000	1,220.000	2,765.000
1.2 Sale (–)	0.000	0.000	1,220.000	2,765.000
2 Outstanding Net Currency Futures Sales (–)/ Purchase (+) at the end of month (US $ Million)	0.000	0.000	0.000	0.000

No. 4 A : Maturity Breakdown (by Residual Maturity) of Outstanding Forwards of RBI (US $ Million)

Item	As on January 31, 2016		
	Long (+)	Short (-)	Net (1-2)
	1	2	3
1. Upto 1 month	3,212	1,140	2,072
2. More than 1 month and upto 3 months	3,888	545	3,343
3. More than 3 months and upto 1 year	21,152	24,667	-3,515
4. More than 1 year	0	2,218	-2,218
Total (1+2+3+4)	**28,252**	**28,570**	**-318**

No. 5: RBI's Standing Facilities

(₹ Billion)

Item		As on the Last Reporting Friday						
	2014-15	2015					2016	
		Jan. 23	Sep. 18	Oct. 30	Nov. 27	Dec. 25	Jan. 22	Feb. 19
	1	2	3	4	5	6	7	8
1 MSF	41.9	14.2	81.8	25.2	57.5	0.8	26.2	21.5
2 Export Credit Refinance for Scheduled Banks								
2.1 Limit	128.2	129.0	–	–	–	–	–	–
2.2 Outstanding	51.8	69.4	–	–	–	–	–	–
3 Liquidity Facility for PDs								
3.1 Limit	28.0	28.0	28.0	28.0	28.0	28.0	28.0	28.0
3.2 Outstanding	17.0	18.8	16.5	20.7	22.2	22.1	22.3	22.9
4 Others								
4.1 Limit	–	–	–	–	–	–	–	–
4.2 Outstanding	–	–	–	–	–	–	–	–
5 Total Outstanding (1+2.2+3.2+4.2)	110.7	102.4	98.3	45.9	79.7	22.9	48.5	44.4

Money and Banking

No. 6: Money Stock Measures

(₹ Billion)

Item	Outstanding as on March 31/last reporting Fridays of the month/reporting Fridays				
	2014-15	2015		2016	
		Jan. 23	Dec. 25	Jan. 8	Jan. 22
	1	2	3	4	5
1 Currency with the Public (1.1 + 1.2 + 1.3 – 1.4)	13,863.5	13,509.9	14,994.7	15,094.7	15,177.9
1.1 Notes in Circulation	14,288.8	13,912.5	15,485.9	15,564.5	15,656.2
1.2 Circulation of Rupee Coin	186.9	183.4	205.6	205.6	205.6
1.3 Circulation of Small Coins	7.4	7.4	7.4	7.4	7.4
1.4 Cash on Hand with Banks	619.6	593.3	704.3	682.9	691.4
2 Deposit Money of the Public	9,053.4	8,374.1	9,696.0	9,452.7	9,322.8
2.1 Demand Deposits with Banks	8,907.5	8,290.7	9,552.6	9,307.1	9,196.2
2.2 'Other' Deposits with Reserve Bank	145.9	83.5	143.4	145.7	126.6
3 M_1 (1 + 2)	**22,916.8**	**21,884.1**	**24,690.8**	**24,547.4**	**24,500.7**
4 Post Office Saving Bank Deposits	474.3	461.7	567.5	567.5	567.5
5 M_2 (3 + 4)	**23,391.1**	**22,345.8**	**25,258.3**	**25,114.9**	**25,068.2**
6 Time Deposits with Banks	82,538.7	81,127.5	88,692.9	89,883.1	89,931.8
7 M_3 (3 + 6)	**105,455.5**	**103,011.6**	**113,383.7**	**114,430.5**	**114,432.5**
8 Total Post Office Deposits	1,737.3	1,711.9	1,978.7	1,978.7	1,978.7
9 M_4 (7 + 8)	**107,192.8**	**104,723.5**	**115,362.4**	**116,409.2**	**116,411.2**

No. 7: Sources of Money Stock (M_3)

(₹ Billion)

Sources	Outstanding as on March 31/last reporting Fridays of the month/reporting Fridays				
	2014-15	2015		2016	
		Jan. 23	Dec. 25	Jan. 8	Jan. 22
	1	2	3	4	5
1 Net Bank Credit to Government	**30,061.6**	**30,920.5**	**32,512.9**	**33,320.4**	**32,814.4**
1.1 RBI's net credit to Government (1.1.1–1.1.2)	3,645.2	4,594.3	3,932.1	4,294.1	4,086.7
1.1.1 Claims on Government	5,293.6	5,296.3	5,401.8	5,462.0	5,585.1
1.1.1.1 Central Government	5,258.3	5,267.0	5,388.6	5,445.2	5,580.3
1.1.1.2 State Governments	35.3	29.3	13.2	16.8	4.9
1.1.2 Government deposits with RBI	1,648.4	702.0	1,469.7	1,167.9	1,498.5
1.1.2.1 Central Government	1,647.9	701.6	1,468.3	1,167.5	1,498.1
1.1.2.2 State Governments	0.4	0.4	1.4	0.4	0.4
1.2 Other Banks' Credit to Government	26,416.3	26,326.2	28,580.7	29,026.3	28,727.8
2 Bank Credit to Commercial Sector	**70,395.8**	**68,517.0**	**75,329.2**	**75,995.4**	**76,114.4**
2.1 RBI's credit to commercial sector	148.5	58.8	64.6	70.5	69.6
2.2 Other banks' credit to commercial sector	70,247.4	68,458.2	75,264.6	75,924.9	76,044.8
2.2.1 Bank credit by commercial banks	65,364.2	63,639.2	70,170.0	70,808.3	70,903.3
2.2.2 Bank credit by co-operative banks	4,825.1	4,763.4	5,041.5	5,062.9	5,066.7
2.2.3 Investments by commercial and co-operative banks in other securities	58.0	55.5	53.1	53.8	74.8
3 Net Foreign Exchange Assets of Banking Sector (3.1 + 3.2)	**22,506.5**	**20,484.8**	**24,418.4**	**24,346.9**	**24,584.2**
3.1 RBI's net foreign exchange assets (3.1.1–3.1.2)	21,272.8	19,736.5	23,177.8	23,106.3	23,343.6
3.1.1 Gross foreign assets	21,273.0	19,736.8	23,178.1	23,106.6	23,343.9
3.1.2 Foreign liabilities	0.2	0.3	0.3	0.3	0.3
3.2 Other banks' net foreign exchange assets	1,233.7	748.3	1,240.6	1,240.6	1,240.6
4 Government's Currency Liabilities to the Public	**194.3**	**190.8**	**213.1**	**213.1**	**213.1**
5 Banking Sector's Net Non-monetary Liabilities	**17,702.7**	**17,101.4**	**19,089.9**	**19,445.3**	**19,293.6**
5.1 Net non-monetary liabilities of RBI	7,852.7	7,756.3	9,003.9	8,946.7	9,217.6
5.2 Net non-monetary liabilities of other banks (residual)	9,849.9	9,345.1	10,086.0	10,498.5	10,076.0
M_3 (1+2+3+4–5)	**105,455.5**	**103,011.6**	**113,383.7**	**114,430.5**	**114,432.5**

No. 8: Monetary Survey

(₹ Billion)

Item	Outstanding as on March 31/last reporting Fridays of the month/reporting Fridays				
	2014-15	2015		2016	
		Jan. 23	Dec. 25	Jan. 8	Jan. 22
	1	2	3	4	5
Monetary Aggregates					
NM_1 (1.1 + 1.2.1+1.3)	22,916.8	21,884.1	24,690.8	24,547.4	24,500.7
NM_2 (NM_1+ 1.2.2.1)	58,851.5	57,211.8	63,263.8	63,642.0	63,592.6
NM_3 (NM_2 + 1.2.2.2 + 1.4 = 2.1 + 2.2 + 2.3 – 2.4 – 2.5)	105,030.3	102,544.0	113,432.4	114,386.3	114,364.4
1 Components					
1.1 Currency with the Public	13,863.5	13,509.9	14,994.7	15,094.7	15,177.9
1.2 Aggregate Deposits of Residents	88,762.2	86,796.8	95,270.4	96,184.0	96,067.1
1.2.1 Demand Deposits	8,907.5	8,290.7	9,552.6	9,307.1	9,196.2
1.2.2 Time Deposits of Residents	79,854.7	78,506.1	85,717.8	86,876.9	86,870.9
1.2.2.1 Short-term Time Deposits	35,934.6	35,327.8	38,573.0	39,094.6	39,091.9
1.2.2.1.1 Certificates of Deposit (CDs)	2,974.5	2,725.0	2,000.0	2,181.7	2,235.3
1.2.2.2 Long-term Time Deposits	43,920.1	43,178.4	47,144.8	47,782.3	47,779.0
1.3 ‘Other’ Deposits with RBI	145.9	83.5	143.4	145.7	126.6
1.4 Call/Term Funding from Financial Institutions	2,258.7	2,153.8	3,023.9	2,962.0	2,992.8
2 Sources					
2.1 Domestic Credit	105,143.8	103,991.7	113,132.9	114,584.7	114,359.3
2.1.1 Net Bank Credit to the Government	30,061.6	30,920.5	32,512.9	33,320.4	32,814.4
2.1.1.1 Net RBI credit to the Government	3,645.2	4,594.3	3,932.1	4,294.1	4,086.7
2.1.1.2 Credit to the Government by the Banking System	26,416.3	26,326.2	28,580.7	29,026.3	28,727.8
2.1.2 Bank Credit to the Commercial Sector	75,082.2	73,071.2	80,620.1	81,264.4	81,544.9
2.1.2.1 RBI Credit to the Commercial Sector	148.5	58.8	64.6	70.5	69.6
2.1.2.2 Credit to the Commercial Sector by the Banking System	74,933.8	73,012.4	80,555.5	81,193.9	81,475.2
2.1.2.2.1 Other Investments (Non-SLR Securities)	4,653.3	4,510.7	5,223.8	5,203.1	5,372.9
2.2 Government’s Currency Liabilities to the Public	194.3	190.8	213.1	213.1	213.1
2.3 Net Foreign Exchange Assets of the Banking Sector	19,441.0	17,629.3	20,480.0	20,239.9	20,495.4
2.3.1 Net Foreign Exchange Assets of the RBI	21,272.8	19,736.5	23,177.8	23,106.3	23,343.6
2.3.2 Net Foreign Currency Assets of the Banking System	–1,831.8	–2,107.2	–2,697.8	–2,866.4	–2,848.2
2.4 Capital Account	16,773.5	16,618.6	17,990.2	17,982.3	18,260.3
2.5 Other items (net)	2,975.3	2,649.2	2,403.4	2,669.1	2,443.1

No. 9: Liquidity Aggregates

(₹ Billion)

Aggregates	2014-15	2015			2016
		Jan.	Nov.	Dec.	Jan.
	1	2	3	4	5
1 NM_3	**105,030.3**	**102,544.0**	**112,143.2**	**113,432.4**	**114,364.4**
2 Postal Deposits	1,737.3	1,711.9	1,938.5	1,978.7	1,978.7
3 L_1 (1 + 2)	**106,767.5**	**104,255.9**	**114,081.7**	**115,411.1**	**116,343.1**
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)	**106,796.9**	**104,285.2**	**114,111.0**	**115,440.5**	**116,372.4**
6 Public Deposits with Non-Banking Financial Companies	321.2	..	..	344.2	..
7 L_3 (5 + 6)	**107,118.1**	..	..	**115,784.7**	..

No. 10: Reserve Bank of India Survey

(₹ Billion)

Item	Outstanding as on March 31/last reporting Fridays of the month/reporting Fridays				
	2014-15	2015		2016	
		Jan. 23	Dec. 25	Jan. 8	Jan. 22
	1	2	3	4	5
1 Components					
1.1 Currency in Circulation	14,483.1	14,103.3	15,699.0	15,777.6	15,869.3
1.2 Bankers' Deposits with the RBI	4,655.6	3,709.6	4,339.9	4,001.2	4,055.6
1.2.1 Scheduled Commercial Banks	4,396.7	3,486.7	4,090.4	3,754.1	3,807.9
1.3 'Other' Deposits with the RBI	145.9	83.5	143.4	145.7	126.6
Reserve Money (1.1 + 1.2 + 1.3 = 2.1 + 2.2 + 2.3 – 2.4 – 2.5)	19,284.6	17,896.3	20,182.3	19,924.4	20,051.4
2 Sources					
2.1 RBI's Domestic Credit	5,670.3	5,725.3	5,795.4	5,551.8	5,712.4
2.1.1 Net RBI credit to the Government	3,645.2	4,594.3	3,932.1	4,294.1	4,086.7
2.1.1.1 Net RBI credit to the Central Government (2.1.1.1.1 + 2.1.1.1.2 + 2.1.1.1.3 + 2.1.1.1.4 – 2.1.1.1.5)	3,610.4	4,565.4	3,920.3	4,277.7	4,082.2
2.1.1.1.1 Loans and Advances to the Central Government	–	–	–	–	–
2.1.1.1.2 Investments in Treasury Bills	–	–	–	–	–
2.1.1.1.3 Investments in dated Government Securities	5,256.2	5,264.8	5,387.4	5,442.8	5,578.8
2.1.1.1.3.1 Central Government Securities	5,245.7	5,254.3	5,377.0	5,432.4	5,568.4
2.1.1.1.4 Rupee Coins	2.2	2.2	1.2	2.4	1.5
2.1.1.1.5 Deposits of the Central Government	1,647.9	701.6	1,468.3	1,167.5	1,498.1
2.1.1.2 Net RBI credit to State Governments	34.9	28.9	11.8	16.4	4.4
2.1.2 RBI's Claims on Banks	1,876.6	1,072.2	1,798.7	1,187.2	1,556.1
2.1.2.1 Loans and Advances to Scheduled Commercial Banks	1,876.1	1,071.7	1,798.3	1,186.9	1,555.8
2.1.3 RBI's Credit to Commercial Sector	148.5	58.8	64.6	70.5	69.6
2.1.3.1 Loans and Advances to Primary Dealers	24.1	18.8	22.1	23.2	22.3
2.1.3.2 Loans and Advances to NABARD	–	–	–	–	–
2.2 Government's Currency Liabilities to the Public	194.3	190.8	213.1	213.1	213.1
2.3 Net Foreign Exchange Assets of the RBI	21,272.8	19,736.5	23,177.8	23,106.3	23,343.6
2.3.1 Gold	1,191.6	1,227.2	1,172.2	1,143.5	1,143.5
2.3.2 Foreign Currency Assets	20,081.4	18,509.4	22,005.8	21,963.0	22,200.3
2.4 Capital Account	8,166.4	8,193.7	8,441.5	8,394.3	8,636.9
2.5 Other Items (net)	-313.7	-437.4	562.4	552.4	580.8

No. 11: Reserve Money - Components and Sources

(₹ Billion)

Item	Outstanding as on March 31/ last Fridays of the month/ Fridays						
	2014-15	2015		2016			
		Jan. 30	Dec. 25	Jan. 8	Jan. 15	Jan. 22	Jan. 29
	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)	19,284.6	17,785.4	20,182.3	19,924.4	20,071.8	20,051.4	20,053.7
1 Components							
1.1 Currency in Circulation	14,483.1	14,053.0	15,699.0	15,777.6	15,905.4	15,869.3	15,839.7
1.2 Bankers' Deposits with RBI	4,655.6	3,647.5	4,339.9	4,001.2	4,042.0	4,055.6	4,080.5
1.3 'Other' Deposits with RBI	145.9	84.9	143.4	145.7	124.5	126.6	133.5
2 Sources							
2.1 Net Reserve Bank Credit to Government	3,645.2	4,567.5	3,932.1	4,294.1	4,277.6	4,086.7	4,140.3
2.2 Reserve Bank Credit to Banks	1,876.6	658.9	1,798.7	1,187.2	1,376.4	1,556.1	1,498.5
2.3 Reserve Bank Credit to Commercial Sector	148.5	59.6	64.6	70.5	70.5	69.6	69.6
2.4 Net Foreign Exchange Assets of RBI	21,272.8	20,167.2	23,177.8	23,106.3	23,223.0	23,343.6	23,490.2
2.5 Government's Currency Liabilities to the Public	194.3	190.8	213.1	213.1	213.1	213.1	213.1
2.6 Net Non- Monetary Liabilities of RBI	7,852.7	7,858.5	9,003.9	8,946.7	9,088.7	9,217.6	9,358.0

No. 12: Commercial Bank Survey

(₹ Billion)

Item	Outstanding as on last reporting Fridays of the month/ reporting Fridays of the month				
	2014-15	2015		2016	
		Jan. 23	Dec. 25	Jan. 8	Jan. 22
	1	2	3	4	5
1 Components					
1.1 Aggregate Deposits of Residents	82,648.9	80,789.5	88,871.5	89,772.2	89,639.1
1.1.1 Demand Deposits	7,940.3	7,373.3	8,576.5	8,323.6	8,212.3
1.1.2 Time Deposits of Residents	74,708.6	73,416.2	80,295.0	81,448.6	81,426.8
1.1.2.1 Short-term Time Deposits	33,618.9	33,037.3	36,132.8	36,651.9	36,642.1
1.1.2.1.1 Certificates of Deposits (CDs)	2,974.5	2,725.0	2,000.0	2,181.7	2,235.3
1.1.2.2 Long-term Time Deposits	41,089.7	40,378.9	44,162.3	44,796.7	44,784.7
1.2 Call/Term Funding from Financial Institutions	2,258.7	2,153.8	3,023.9	2,962.0	2,992.8
2 Sources					
2.1 Domestic Credit	94,881.9	93,008.7	102,325.6	103,391.3	103,372.2
2.1.1 Credit to the Government	24,897.5	24,883.4	26,931.1	27,379.8	27,098.7
2.1.2 Credit to the Commercial Sector	69,984.3	68,125.3	75,394.5	76,011.5	76,273.5
2.1.2.1 Bank Credit	65,364.2	63,639.2	70,170.0	70,808.3	70,903.3
2.1.2.1.1 Non-food Credit	64,420.0	62,609.2	69,059.9	69,807.3	69,881.4
2.1.2.2 Net Credit to Primary Dealers	35.7	46.2	69.8	68.5	60.2
2.1.2.3 Investments in Other Approved Securities	20.7	18.8	20.6	21.3	26.8
2.1.2.4 Other Investments (in non-SLR Securities)	4,563.7	4,421.1	5,134.1	5,113.5	5,283.3
2.2 Net Foreign Currency Assets of Commercial Banks (2.2.1–2.2.2–2.2.3)	–1,831.8	–2,107.2	–2,697.8	–2,866.4	–2,848.2
2.2.1 Foreign Currency Assets	1,647.0	1,271.1	1,370.4	1,223.0	1,300.7
2.2.2 Non-resident Foreign Currency Repatriable Fixed Deposits	2,684.0	2,621.4	2,975.1	3,006.2	3,060.9
2.2.3 Overseas Foreign Currency Borrowings	794.8	756.8	1,093.1	1,083.2	1,088.0
2.3 Net Bank Reserves (2.3.1+2.3.2–2.3.3)	2,741.5	2,934.7	2,922.4	3,174.9	2,869.7
2.3.1 Balances with the RBI	3,730.7	3,486.7	4,090.4	3,754.1	3,807.9
2.3.2 Cash in Hand	533.5	519.7	630.4	607.7	617.6
2.3.3 Loans and Advances from the RBI	1,522.8	1,071.7	1,798.3	1,186.9	1,555.8
2.4 Capital Account	8,365.4	8,183.2	9,307.0	9,346.3	9,381.7
2.5 Other items (net) (2.1+2.2+2.3–2.4–1.1–1.2)	2,518.6	2,709.7	1,347.9	1,619.4	1,380.1
2.5.1 Other Demand and Time Liabilities (net of 2.2.3)	3,777.2	3,617.2	3,523.8	3,383.0	3,461.1
2.5.2 Net Inter-Bank Liabilities (other than to PDs)	–620.4	–382.8	–447.7	–403.3	–478.8

No. 13: Scheduled Commercial Banks' Investments

Item	As on March 20, 2015	2015		2016	
		Jan. 23	Dec. 25	Jan. 08	Jan. 22
	1	2	3	4	5
1 SLR Securities	24,918.3	24,902.2	26,824.0	27,401.1	27,125.5
2 Commercial Paper	467.9	384.3	966.4	889.6	864.5
3 Shares issued by					
3.1 PSUs	81.8	69.2	81.4	80.5	80.6
3.2 Private Corporate Sector	365.8	347.2	425.0	439.5	439.6
3.3 Others	32.7	30.1	39.5	39.6	38.5
4 Bonds/Debentures issued by					
4.1 PSUs	809.5	805.0	759.0	711.1	790.4
4.2 Private Corporate Sector	1,159.2	1,159.0	1,179.1	1,211.8	1,238.9
4.3 Others	505.1	481.9	531.4	539.7	569.8
5 Instruments issued by					
5.1 Mutual funds	585.6	580.3	617.2	596.5	661.5
5.2 Financial institutions	627.6	636.7	614.7	605.1	599.4

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			
	2014-15	2015	2016		2014-15	2015	2016	
		Jan.	Dec.	Jan.		Jan.	Dec.	Jan.
	1	2	3	4	5	6	7	8
Number of Reporting Banks	214	214	214	214	147	147	147	147
1 Liabilities to the Banking System	**1,619.2**	**1,611.4**	**2,313.7**	**2,270.1**	**1,561.5**	**1,558.5**	**2,254.5**	**2,209.9**
1.1 Demand and Time Deposits from Banks	1,153.7	1,129.5	1,558.5	1,597.3	1,102.0	1,080.0	1,500.9	1,538.0
1.2 Borrowings from Banks	404.1	419.7	547.5	527.3	398.2	416.4	546.0	526.4
1.3 Other Demand and Time Liabilities	61.5	62.2	207.6	145.5	61.4	62.1	207.6	145.5
2 Liabilities to Others	**94,577.6**	**93,470.3**	**101,502.9**	**103,789.4**	**92,163.6**	**91,062.6**	**98,961.7**	**101,196.7**
2.1 Aggregate Deposits	87,651.2	86,387.4	93,754.1	95,875.8	85,332.9	84,078.1	91,323.8	93,388.1
2.1.1 Demand	8,125.7	7,947.3	8,669.3	8,894.0	7,940.3	7,762.1	8,478.5	8,692.2
2.1.2 Time	79,525.6	78,440.2	85,084.8	86,981.8	77,392.6	76,316.0	82,845.3	84,695.9
2.2 Borrowings	2,279.0	2,504.6	3,048.2	3,103.1	2,258.7	2,474.5	3,023.5	3,081.6
2.3 Other Demand and Time Liabilities	4,647.3	4,578.3	4,700.6	4,810.5	4,572.0	4,509.9	4,614.4	4,727.1
3 Borrowings from Reserve Bank	**1,582.5**	**770.7**	**1,932.7**	**1,535.7**	**1,582.0**	**770.6**	**1,932.4**	**1,535.3**
3.1 Against Usance Bills /Promissory Notes	–	–	–	–	–	–	–	–
3.2 Others	1,582.5	770.7	1,932.7	1,535.7	1,582.0	770.6	1,932.4	1,535.3
4 Cash in Hand and Balances with Reserve Bank	4,379.4	4,076.4	4,840.1	4,550.0	4,264.3	3,961.9	4,717.3	4,430.5
4.1 Cash in Hand	544.9	552.2	639.5	611.3	533.5	540.6	626.9	598.6
4.2 Balances with Reserve Bank	3,834.6	3,524.2	4,200.6	3,938.7	3,730.7	3,421.3	4,090.4	3,831.9
5 Assets with the Banking System	**2,581.2**	**2,277.9**	**2,967.8**	**3,083.3**	**2,217.7**	**1,891.9**	**2,595.4**	**2,720.1**
5.1 Balances with Other Banks	1,540.2	1,379.2	1,790.8	1,926.7	1,374.1	1,217.6	1,668.8	1,780.3
5.1.1 In Current Account	109.3	105.0	107.3	121.5	91.3	87.9	90.5	105.9
5.1.2 In Other Accounts	1,430.9	1,274.2	1,683.5	1,805.2	1,282.7	1,129.6	1,578.4	1,674.4
5.2 Money at Call and Short Notice	374.3	397.5	366.2	306.5	225.9	239.9	215.1	165.0
5.3 Advances to Banks	192.5	146.0	288.6	286.7	189.2	142.6	256.9	278.9
5.4 Other Assets	474.2	355.2	522.2	563.4	428.5	291.8	454.5	496.0
6 Investment	**25,610.7**	**25,856.2**	**27,580.7**	**28,187.9**	**24,918.3**	**25,172.5**	**26,824.0**	**27,427.7**
6.1 Government Securities	25,586.6	25,835.5	27,559.0	28,158.2	24,897.5	25,155.4	26,805.3	27,401.8
6.2 Other Approved Securities	24.0	20.7	21.7	29.7	20.7	17.1	18.6	26.0
7 Bank Credit	**67,426.9**	**65,880.7**	**71,988.3**	**73,381.7**	**65,364.2**	**63,869.8**	**69,882.5**	**71,215.6**
7a Food Credit	1,078.0	1,166.0	1,244.9	1,190.4	944.2	1,032.2	1,110.1	1,027.7
7.1 Loans, Cash-credits and Overdrafts	65,154.2	63,659.2	69,807.1	71,159.1	63,123.9	61,678.2	67,734.6	69,025.1
7.2 Inland Bills-Purchased	348.6	358.2	279.9	272.1	344.1	353.3	274.0	266.2
7.3 Inland Bills-Discounted	1,221.1	1,177.7	1,289.9	1,331.9	1,199.9	1,158.5	1,268.7	1,311.3
7.4 Foreign Bills-Purchased	242.6	244.7	207.3	204.0	241.2	243.3	205.5	202.8
7.5 Foreign Bills-Discounted	460.3	440.9	404.3	414.6	455.2	436.4	399.6	410.1

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

(₹ Billion)

Item	Outstanding as on				Growth (%)	
	Mar. 20, 2015	2015		2016	Financial year so far	Y-o-Y
		Jan. 23	Dec. 25	Jan. 22	2015-16	2016
	1	2	3	4	5	6
1 Gross Bank Credit	**61,023**	**59,323**	**64,335**	**64,983**	**6.5**	**9.5**
1.1 Food Credit	**994**	**1,070**	**1,084**	**1,002**	**0.8**	**–6.3**
1.2 Non-food Credit	**60,030**	**58,253**	**63,251**	**63,981**	**6.6**	**9.8**
1.2.1 Agriculture & Allied Activities	**7,659**	**7,510**	**8,424**	**8,514**	**11.2**	**13.4**
1.2.2 Industry	**26,576**	**25,792**	**26,952**	**27,244**	**2.5**	**5.6**
1.2.2.1 Micro & Small	3,800	3,687	3,741	3,776	–0.6	2.4
1.2.2.2 Medium	1,265	1,244	1,151	1,155	–8.7	–7.1
1.2.2.3 Large	21,511	20,861	22,060	22,313	3.7	7.0
1.2.3 Services	**14,131**	**13,527**	**14,582**	**14,732**	**4.3**	**8.9**
1.2.3.1 Transport Operators	916	913	962	984	7.5	7.8
1.2.3.2 Computer Software	172	173	190	187	8.4	8.1
1.2.3.3 Tourism, Hotels & Restaurants	370	365	383	371	0.2	1.8
1.2.3.4 Shipping	101	94	103	103	1.5	8.8
1.2.3.5 Professional Services	844	828	973	1,033	22.4	24.7
1.2.3.6 Trade	3,657	3,416	3,629	3,662	0.1	7.2
1.2.3.6.1 Wholesale Trade	1,801	1,660	1,641	1,650	–8.4	–0.6
1.2.3.6.2 Retail Trade	1,856	1,756	1,988	2,012	8.4	14.6
1.2.3.7 Commercial Real Estate	1,665	1,650	1,723	1,766	6.1	7.1
1.2.3.8 Non-Banking Financial Companies (NBFCs)	3,117	2,945	3,149	3,260	4.6	10.7
1.2.3.9 Other Services	3,289	3,144	3,471	3,367	2.4	7.1
1.2.4 Personal Loans	**11,663**	**11,425**	**13,293**	**13,491**	**15.7**	**18.1**
1.2.4.1 Consumer Durables	153	149	167	170	10.8	14.0
1.2.4.2 Housing	6,285	6,113	7,140	7,238	15.2	18.4
1.2.4.3 Advances against Fixed Deposits	625	625	635	639	2.1	2.1
1.2.4.4 Advances to Individuals against share & bonds	54	52	60	58	7.5	12.7
1.2.4.5 Credit Card Outstanding	305	311	373	386	26.6	24.1
1.2.4.6 Education	633	635	680	683	7.9	7.5
1.2.4.7 Vehicle Loans	1,246	1,232	1,408	1,420	13.9	15.2
1.2.4.8 Other Personal Loans	2,362	2,308	2,830	2,898	22.7	25.5
1.2A Priority Sector	**20,103**	**19,640**	**21,564**	**21,724**	**8.1**	**10.6**
1.2A.1 Agriculture & Allied Activities	7,659	7,510	8,424	8,514	11.2	13.4
1.2A.2 Micro & Small Enterprises	8,003	7,737	8,283	8,346	4.3	7.9
1.2A.2.1 Manufacturing	3,800	3,687	3,741	3,776	–0.6	2.4
1.2A.2.2 Services	4,203	4,050	4,542	4,570	8.7	12.8
1.2A.3 Housing	3,224	3,212	3,387	3,392	5.2	5.6
1.2A.4 Micro-Credit	177	170	178	188	6.4	10.7
1.2A.5 Education Loans	592	596	609	607	2.5	1.9
1.2A.6 State-Sponsored Orgs. for SC/ST	3	4	5	5	47.6	46.4
1.2A.7 Weaker Sections	4,049	3,963	4,606	4,650	14.8	17.3
1.2A.8 Export Credit	426	391	322	346	–18.9	–11.7

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

(₹ Billion)

Industry	Outstanding as on				Growth (%)	
	Mar. 20, 2015	2015		2016	Financial year so far	Y-o-Y
		Jan. 23	Dec. 25	Jan. 22	2015-16	2016
	1	2	3	4	5	6
1 Industry	**26,576**	**25,792**	**26,952**	**27,244**	**2.5**	**5.6**
1.1 Mining & Quarrying (incl. Coal)	**360**	**368**	**365**	**387**	**7.7**	**5.2**
1.2 Food Processing	**1,715**	**1,563**	**1,489**	**1,525**	**–11.1**	**–2.4**
1.2.1 Sugar	414	350	350	365	–11.9	4.4
1.2.2 Edible Oils & Vanaspati	211	206	193	193	–8.3	–6.5
1.2.3 Tea	32	32	36	36	13.7	13.2
1.2.4 Others	1,058	975	910	931	–12.1	–4.5
1.3 Beverage & Tobacco	**186**	**187**	**180**	**178**	**–4.5**	**–4.6**
1.4 Textiles	**2,019**	**1,975**	**2,023**	**2,027**	**0.4**	**2.7**
1.4.1 Cotton Textiles	1,000	975	1,011	1,017	1.6	4.3
1.4.2 Jute Textiles	22	22	22	22	–0.8	–1.4
1.4.3 Man-Made Textiles	204	200	209	208	2.4	4.1
1.4.4 Other Textiles	793	777	782	780	–1.6	0.4
1.5 Leather & Leather Products	**102**	**103**	**103**	**103**	**0.9**	**0.1**
1.6 Wood & Wood Products	**98**	**97**	**100**	**96**	**–2.0**	**–0.2**
1.7 Paper & Paper Products	**341**	**338**	**357**	**362**	**6.2**	**7.0**
1.8 Petroleum, Coal Products & Nuclear Fuels	**561**	**559**	**477**	**477**	**–15.0**	**–14.7**
1.9 Chemicals & Chemical Products	**1,545**	**1,511**	**1,540**	**1,562**	**1.1**	**3.4**
1.9.1 Fertiliser	254	249	222	229	–10.0	–8.2
1.9.2 Drugs & Pharmaceuticals	493	481	515	513	4.0	6.6
1.9.3 Petro Chemicals	331	338	342	362	9.5	7.1
1.9.4 Others	467	443	461	458	–1.9	3.5
1.10 Rubber, Plastic & their Products	**378**	**377**	**374**	**363**	**–4.0**	**–3.7**
1.11 Glass & Glassware	**88**	**88**	**88**	**89**	**0.8**	**0.9**
1.12 Cement & Cement Products	**560**	**559**	**548**	**538**	**–4.0**	**–3.8**
1.13 Basic Metal & Metal Product	**3,854**	**3,711**	**4,008**	**4,099**	**6.4**	**10.5**
1.13.1 Iron & Steel	2,834	2,717	2,985	3,037	7.2	11.8
1.13.2 Other Metal & Metal Product	1,020	994	1,023	1,062	4.1	6.8
1.14 All Engineering	**1,540**	**1,481**	**1,562**	**1,526**	**–0.9**	**3.0**
1.14.1 Electronics	368	346	381	379	3.0	9.5
1.14.2 Others	1,172	1,135	1,180	1,147	–2.2	1.0
1.15 Vehicles, Vehicle Parts & Transport Equipment	**682**	**670**	**669**	**679**	**–0.4**	**1.4**
1.16 Gems & Jewellery	**718**	**677**	**706**	**718**	**0.0**	**6.1**
1.17 Construction	**743**	**733**	**742**	**739**	**–0.6**	**0.8**
1.18 Infrastructure	**9,245**	**9,001**	**9,706**	**9,883**	**6.9**	**9.8**
1.18.1 Power	5,576	5,452	5,915	5,992	7.5	9.9
1.18.2 Telecommunications	919	863	918	937	1.9	8.5
1.18.3 Roads	1,687	1,653	1,793	1,789	6.1	8.3
1.18.4 Other Infrastructure	1,064	1,034	1,080	1,165	9.5	12.7
1.19 Other Industries	**1,839**	**1,795**	**1,917**	**1,892**	**2.8**	**5.4**

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					
	2014-15	2014	2015			
		Oct. 31	Sep. 25	Oct. 2	Oct. 16	Oct. 30
	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)	**422.3**	**422.2**	**436.9**	**443.2**	**443.5**	**447.2**
2 Demand and Time Liabilities						
2.1 Demand Liabilities	**148.1**	**140.5**	**147.4**	**150.2**	**143.0**	**145.5**
2.1.1 Deposits						
2.1.1.1 Inter-Bank	33.7	23.9	33.0	31.8	30.2	30.2
2.1.1.2 Others	77.7	76.1	72.2	75.2	72.4	73.6
2.1.2 Borrowings from Banks	9.3	14.0	10.1	10.1	10.1	10.5
2.1.3 Other Demand Liabilities	27.4	26.6	32.2	33.1	30.4	31.1
2.2 Time Liabilities	**854.6**	**834.4**	**846.5**	**865.6**	**873.0**	**872.7**
2.2.1 Deposits						
2.2.1.1 Inter-Bank	499.2	476.8	471.0	487.2	492.2	489.2
2.2.1.2 Others	344.6	346.1	364.7	367.9	371.2	373.6
2.2.2 Borrowings from Banks	0.1	0.1	–	–	–	0.4
2.2.3 Other Time Liabilities	10.8	11.3	10.8	10.5	9.6	9.5
3 Borrowing from Reserve Bank	–	–	–	–	–	–
4 Borrowings from a notified bank / State Government	450.9	424.2	434.3	439.2	437.0	437.5
4.1 Demand	174.9	169.5	170.4	172.2	165.0	160.5
4.2 Time	276.0	254.7	263.9	267.0	272.1	277.0
5 Cash in Hand and Balances with Reserve Bank	**40.5**	**44.0**	**33.0**	**39.6**	**41.1**	**40.8**
5.1 Cash in Hand	2.4	9.1	2.1	2.1	3.6	2.2
5.2 Balance with Reserve Bank	38.1	34.9	30.9	37.4	37.5	38.6
6 Balances with Other Banks in Current Account	10.0	7.9	6.6	10.1	7.0	7.2
7 Investments in Government Securities	282.4	286.6	265.1	264.8	274.7	275.7
8 Money at Call and Short Notice	198.8	178.1	176.3	180.6	176.9	193.7
9 Bank Credit (10.1+11)	**426.4**	**410.5**	**426.9**	**429.9**	**443.7**	**428.8**
10 Advances						
10.1 Loans, Cash-Credits and Overdrafts	**426.4**	**410.5**	**334.3**	**429.9**	**443.6**	**428.8**
10.2 Due from Banks	709.2	688.5	709.3	689.3	693.9	701.7
11 Bills Purchased and Discounted	0.1	–	92.6	–	–	–

Prices and Production

No. 18: Consumer Price Index (Base: 2012=100)

Group/Sub group	2014-15			Rural			Urban			Combined		
	Rural	Urban	Combined	Jan. 15	Dec. 15	Jan. 16	Jan. 15	Dec. 15	Jan. 16	Jan. 15	Dec. 15	Jan. 16
	1	2	3	4	5	6	7	8	9	10	11	12
1 Food and beverages	**122.6**	**124.1**	**123.1**	**122.8**	**131.4**	**131.4**	**123.5**	**131.5**	**131.2**	**123.1**	**131.4**	**131.3**
1.1 Cereals and products	122.0	123.9	122.6	123.1	126.3	126.8	124.0	124.3	124.7	123.4	125.7	126.1
1.2 Meat and fish	122.3	125.5	123.5	123.1	131.3	133.1	125.5	131.7	135.9	123.9	131.4	134.1
1.3 Egg	119.0	118.4	118.7	122.1	123.3	126.6	126.6	127.1	132.0	123.8	124.8	128.7
1.4 Milk and products	122.3	122.7	122.5	124.9	129.8	130.5	125.2	128.6	129.2	125.0	129.4	130.0
1.5 Oils and fats	110.6	103.7	108.1	111.0	118.3	118.8	104.3	110.0	109.6	108.5	115.3	115.4
1.6 Fruits	128.6	126.1	127.4	130.4	131.6	131.8	121.3	120.8	119.1	126.2	126.6	125.9
1.7 Vegetables	140.0	146.7	142.3	132.3	145.5	140.1	134.4	149.0	144.1	133.0	146.7	141.5
1.8 Pulses and products	115.1	117.8	116.0	117.2	162.1	163.9	122.9	190.1	184.1	119.1	171.5	170.7
1.9 Sugar and confectionery	102.8	99.5	101.7	100.5	95.4	97.6	96.1	92.7	96.7	99.0	94.5	97.3
1.10 Spices	115.0	122.6	117.5	117.2	128.9	129.7	126.6	138.6	139.5	120.3	132.1	133.0
1.11 Non-alcoholic beverages	116.4	114.9	115.8	117.9	123.3	124.2	116.5	120.2	120.5	117.3	122.0	122.7
1.12 Prepared meals, snacks, sweets	123.0	125.4	124.1	125.6	135.1	135.9	128.0	134.2	134.6	126.7	134.7	135.3
2 Pan, tobacco and intoxicants	**120.0**	**123.7**	**120.9**	**122.7**	**133.1**	**133.7**	**127.4**	**138.2**	**139.5**	**124.0**	**134.5**	**135.2**
3 Clothing and footwear	**121.7**	**118.5**	**120.5**	**124.0**	**131.9**	**132.6**	**120.2**	**124.5**	**124.9**	**122.5**	**129.0**	**129.5**
3.1 Clothing	122.1	119.2	121.0	124.4	132.5	133.2	121.0	125.4	125.8	123.1	129.7	130.3
3.2 Footwear	119.6	114.7	117.6	121.6	128.5	128.9	116.1	119.5	119.8	119.3	124.8	125.1
4 Housing	**--**	**116.1**	**116.1**	**--**	**--**	**--**	**117.3**	**122.4**	**123.4**	**117.3**	**122.4**	**123.4**
5 Fuel and light	**116.5**	**112.3**	**114.9**	**118.4**	**125.7**	**126.3**	**113.4**	**116.0**	**116.9**	**116.5**	**122.0**	**122.7**
6 Miscellaneous	**113.6**	**113.1**	**113.4**	**114.5**	**119.8**	**120.1**	**113.4**	**116.7**	**116.8**	**114.0**	**118.3**	**118.5**
6.1 Household goods and services	116.9	115.8	116.4	118.9	126.0	126.5	117.2	121.0	121.6	118.1	123.6	124.2
6.2 Health	114.9	112.5	114.0	116.6	123.1	123.7	113.7	118.6	119.1	115.5	121.4	122.0
6.3 Transport and communication	112.0	110.3	111.1	111.0	114.0	113.6	107.9	109.3	108.9	109.4	111.5	111.1
6.4 Recreation and amusement	112.8	113.3	113.1	114.0	121.6	121.8	114.6	118.1	118.4	114.3	119.6	119.9
6.5 Education	116.4	118.4	117.6	118.2	125.6	126.2	120.8	126.6	126.4	119.7	126.2	126.3
6.6 Personal care and effects	109.4	110.2	109.7	110.2	114.1	114.8	111.4	113.2	114.0	110.7	113.7	114.5
General Index (All Groups)	**119.5**	**118.1**	**118.9**	**120.3**	**127.9**	**128.1**	**118.5**	**124.0**	**124.2**	**119.5**	**126.1**	**126.3**

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

No. 19: Other Consumer Price Indices

Item	Base Year	Linking Factor	2014-15	2015		2016
				Jan.	Dec.	Jan.
	1	2	3	4	5	6
1 Consumer Price Index for Industrial Workers	2001	4.63	251	254	269	269
2 Consumer Price Index for Agricultural Labourers	1986-87	5.89	800	804	853	849
3 Consumer Price Index for Rural Labourers	1986-87	–	802	808	857	854

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

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

Item	2014-15	2015		2016
		Jan.	Dec.	Jan.
	1	2	3	4
1 Standard Gold (₹ per 10 grams)	27,415	27,403	25,207	25,998
2 Silver (₹ per kilogram)	40,558	38,526	34,245	34,287

Source: Business Standard/Business Line/The Economic Times, Mumbai for Gold and Silver prices in Mumbai.

No. 21: Wholesale Price Index

(Base: 2004-05 = 100)

Commodities	Weight	2014-15	2015			2016
			Jan.	Nov.	Dec. (P)	Jan. (P)
	1	2	3	4	5	6
1 ALL COMMODITIES	**100.000**	**181.2**	**177.3**	**177.5**	**177.4**	**175.7**
1.1 PRIMARY ARTICLES	**20.118**	**248.8**	**242.1**	**256.2**	**257.8**	**253.3**
1.1.1 Food articles	**14.337**	**253.4**	**252.4**	**271.9**	**272.7**	**267.6**
1.1.1.1 Food Grains	4.090	235.0	237.6	261.4	261.8	260.1
1.1.1.1.1 Cereals	3.373	233.6	233.8	236.2	237.1	236.7
1.1.1.1.2 Pulses	0.717	241.4	255.4	380.2	378.2	370.1
1.1.1.2 Fruits & Vegetables	3.843	257.3	246.0	279.1	273.8	257.5
1.1.1.2.1 Vegetables	1.736	276.6	257.2	330.7	318.4	289.4
1.1.1.2.2 Fruits	2.107	241.5	236.7	236.6	237.1	231.2
1.1.1.3 Milk	3.238	242.6	247.3	250.8	250.9	250.8
1.1.1.4 Eggs, Meat & Fish	2.414	282.3	281.3	287.1	296.6	297.3
1.1.1.5 Condiments & Spices	0.569	298.8	310.2	363.3	372.3	363.3
1.1.1.6 Other Food Articles	0.183	249.4	243.6	244.4	251.4	252.6
1.1.2 Non-Food Articles	**4.258**	**212.1**	**207.4**	**221.7**	**223.9**	**224.5**
1.1.2.1 Fibres	0.877	215.3	198.3	202.8	208.0	213.7
1.1.2.2 Oil Seeds	1.781	208.9	203.3	217.9	217.9	215.3
1.1.2.3 Other Non-Food Articles	1.386	215.6	217.0	234.3	233.2	231.1
1.1.2.4 Flowers	0.213	202.6	217.5	248.8	278.3	302.9
1.1.3 Minerals	**1.524**	**308.5**	**242.9**	**205.1**	**212.3**	**199.2**
1.1.3.1 Metallic Minerals	0.489	388.6	389.4	259.4	273.7	258.0
1.1.3.2 Other Minerals	0.135	211.8	218.2	203.1	205.3	202.6
1.1.3.3 Crude Petroleum	0.900	279.6	167.2	176.0	180.1	166.9
1.2 FUEL & POWER	**14.910**	**203.5**	**189.0**	**178.1**	**176.8**	**171.6**
1.2.1 Coal	2.094	189.8	189.8	189.9	189.9	189.9
1.2.2 Mineral Oils	9.364	219.6	196.7	175.7	173.8	165.5
1.2.3 Electricity	3.452	168.0	167.6	177.2	177.2	177.2
1.3 MANUFACTURED PRODUCTS	**64.972**	**155.1**	**154.5**	**153.0**	**152.6**	**152.7**
1.3.1 Food Products	**9.974**	**172.9**	**171.9**	**175.2**	**175.4**	**176.7**
1.3.1.1 Dairy Products	0.568	199.5	204.9	207.2	205.0	205.1
1.3.1.2 Canning, Preserving & Processing of Food	0.358	167.2	164.4	163.7	165.7	165.6
1.3.1.3 Grain Mill Products	1.340	175.1	176.9	183.4	182.4	182.7
1.3.1.4 Bakery Products	0.444	149.2	147.1	149.2	150.1	148.6
1.3.1.5 Sugar, Khandsari & Gur	2.089	182.7	176.7	164.5	165.6	172.8
1.3.1.6 Edible Oils	3.043	145.0	146.5	150.6	151.5	149.6
1.3.1.7 Oil Cakes	0.494	227.0	222.0	258.8	253.1	260.5
1.3.1.8 Tea & Coffee Proccessing	0.711	189.7	182.3	192.3	194.2	189.9
1.3.1.9 Manufacture of Salt	0.048	197.3	196.8	199.8	199.8	199.8
1.3.1.10 Other Food Products	0.879	194.1	196.9	207.6	208.2	211.8
1.3.2 Beverages, Tobacco & Tobacco Products	**1.762**	**200.8**	**201.8**	**206.4**	**205.2**	**206.4**
1.3.2.1 Wine Industries	0.385	137.0	136.9	137.2	137.2	137.2
1.3.2.2 Malt Liquor	0.153	177.5	178.7	180.7	180.7	181.0
1.3.2.3 Soft Drinks & Carbonated Water	0.241	162.6	165.7	166.8	166.9	166.9
1.3.2.4 Manufacture of Bidi, Cigarettes, Tobacco & Zarda	0.983	238.7	239.8	247.2	245.0	247.3
1.3.3 Textiles	**7.326**	**142.6**	**140.6**	**139.6**	**139.7**	**139.4**
1.3.3.1 Cotton Textiles	2.605	162.6	158.7	155.2	155.5	154.9
1.3.3.1.1 Cotton Yarn	1.377	179.2	172.2	163.5	163.6	162.7
1.3.3.1.2 Cotton Fabric	1.228	144.0	143.5	145.9	146.5	146.1
1.3.3.2 Man-Made Textiles	2.206	135.3	132.5	130.3	130.2	129.4
1.3.3.2.1 Man-Made Fibre	1.672	134.5	130.7	128.4	128.5	127.9
1.3.3.2.2 Man-Made Fabric	0.533	138.0	138.4	136.2	135.4	133.9
1.3.3.3 Woollen Textiles	0.294	159.5	160.3	150.9	150.9	151.7
1.3.3.4 Jute, Hemp & Mesta Textiles	0.261	192.9	197.7	225.9	227.3	231.4
1.3.3.5 Other Misc. Textiles	1.960	115.0	115.2	116.2	116.2	116.1
1.3.4 Wood & Wood Products	**0.587**	**187.8**	**189.3**	**196.5**	**196.4**	**195.3**
1.3.4.1 Timber/Wooden Planks	0.181	156.9	157.5	165.5	165.5	165.7
1.3.4.2 Processed Wood	0.128	191.1	191.8	195.3	195.3	195.3
1.3.4.3 Plywood & Fibre Board	0.241	214.9	217.7	228.0	227.5	225.2
1.3.4.4 Others	0.038	152.6	151.3	149.1	150.7	147.9

No. 21: Wholesale Price Index (Concld.)

(Base: 2004-05 = 100)

Commodities	Weight	2014-15	2015			2016
			Jan.	Nov.	Dec. (P)	Jan. (P)
	1	2	3	4	5	6
1.3.5 Paper & Paper Products	**2.034**	**150.7**	**151.3**	**154.7**	**154.9**	**155.7**
1.3.5.1 Paper & Pulp	1.019	149.8	149.8	151.1	151.2	151.2
1.3.5.2 Manufacture of boards	0.550	133.8	133.9	136.1	135.4	136.3
1.3.5.3 Printing & Publishing	0.465	172.4	175.1	184.7	186.2	188.7
1.3.6 Leather & Leather Products	**0.835**	**145.0**	**142.6**	**144.4**	**144.4**	**144.8**
1.3.6.1 Leathers	0.223	116.0	113.6	114.0	113.5	114.3
1.3.6.2 Leather Footwear	0.409	161.9	159.3	160.2	160.3	161.0
1.3.6.3 Other Leather Products	0.203	143.1	141.0	146.1	146.2	145.9
1.3.7 Rubber & Plastic Products	**2.987**	**149.9**	**148.5**	**146.3**	**145.8**	**145.2**
1.3.7.1 Tyres & Tubes	0.541	177.3	177.8	177.2	177.2	177.1
1.3.7.1.1 Tyres	0.488	177.5	177.9	178.0	178.0	177.9
1.3.7.1.2 Tubes	0.053	175.7	177.2	169.9	169.9	169.9
1.3.7.2 Plastic Products	1.861	140.2	138.0	134.7	133.9	133.4
1.3.7.3 Rubber Products	0.584	155.3	154.8	154.6	154.2	153.6
1.3.8 Chemicals & Chemical Products	**12.018**	**152.8**	**151.5**	**150.1**	**149.9**	**149.7**
1.3.8.1 Basic Inorganic Chemicals	1.187	156.1	155.4	154.6	154.9	154.9
1.3.8.2 Basic Organic Chemicals	1.952	150.9	146.1	138.3	138.3	138.0
1.3.8.3 Fertilisers & Pesticides	3.145	152.0	152.7	155.4	155.3	155.9
1.3.8.3.1 Fertilisers	2.661	154.9	155.3	158.5	158.4	158.7
1.3.8.3.2 Pesticides	0.483	135.7	138.6	138.6	138.5	140.5
1.3.8.4 Paints, Varnishes & Lacquers	0.529	149.9	149.6	152.6	152.2	152.0
1.3.8.5 Dyestuffs & Indigo	0.563	144.8	143.6	142.6	142.1	141.9
1.3.8.6 Drugs & Medicines	0.456	129.3	129.6	128.9	129.0	128.6
1.3.8.7 Perfumes, Cosmetics, Toiletries etc.	1.130	160.7	160.7	163.4	163.1	163.1
1.3.8.8 Turpentine, Plastic Chemicals	0.586	156.4	155.3	153.4	153.5	153.4
1.3.8.9 Polymers including Synthetic Rubber	0.970	152.3	151.3	144.5	145.0	146.2
1.3.8.10 Petrochemical Intermediates	0.869	162.0	155.7	149.4	147.8	142.7
1.3.8.11 Matches, Explosives & other Chemicals	0.629	153.5	154.2	153.3	153.1	152.7
1.3.9 Non-Metallic Mineral Products	**2.556**	**172.9**	**174.9**	**179.2**	**177.5**	**178.6**
1.3.9.1 Structural Clay Products	0.658	192.4	195.4	199.3	198.5	200.4
1.3.9.2 Glass, Earthenware, Chinaware & their Products	0.256	135.5	137.3	141.4	141.2	141.8
1.3.9.3 Cement & Lime	1.386	169.6	171.7	176.4	173.6	174.5
1.3.9.4 Cement, Slate & Graphite Products	0.256	177.7	177.8	180.8	181.1	181.0
1.3.10 Basic Metals, Alloys & Metal Products	**10.748**	**165.6**	**164.6**	**151.9**	**150.3**	**149.6**
1.3.10.1 Ferrous Metals	8.064	155.6	154.1	138.8	136.8	136.1
1.3.10.1.1 Iron & Semis	1.563	156.7	153.1	135.1	131.8	133.4
1.3.10.1.2 Steel: Long	1.630	164.7	163.1	144.3	141.9	142.5
1.3.10.1.3 Steel: Flat	2.611	150.8	149.2	129.5	126.7	124.4
1.3.10.1.4 Steel: Pipes & Tubes	0.314	133.4	133.9	126.0	125.7	124.6
1.3.10.1.5 Stainless Steel & alloys	0.938	167.3	167.7	159.6	160.1	158.0
1.3.10.1.6 Castings & Forgings	0.871	145.6	145.7	144.4	143.5	142.8
1.3.10.1.7 Ferro alloys	0.137	158.9	159.0	147.8	148.8	148.5
1.3.10.2 Non-Ferrous Metals	1.004	168.6	168.5	162.7	163.4	162.6
1.3.10.2.1 Aluminium	0.489	144.9	145.7	134.8	135.9	134.8
1.3.10.2.2 Other Non-Ferrous Metals	0.515	191.1	190.2	189.3	189.6	189.0
1.3.10.3 Metal Products	1.680	211.6	212.3	208.1	207.4	206.7
1.3.11 Machinery & Machine Tools	**8.931**	**134.6**	**135.3**	**134.9**	**134.9**	**134.9**
1.3.11.1 Agricultural Machinery & Implements	0.139	148.7	149.8	149.0	149.0	149.0
1.3.11.2 Industrial Machinery	1.838	152.3	153.2	153.4	153.6	153.9
1.3.11.3 Construction Machinery	0.045	141.1	141.5	141.5	141.5	141.5
1.3.11.4 Machine Tools	0.367	165.0	165.4	165.7	165.7	165.7
1.3.11.5 Air Conditioner & Refrigerators	0.429	120.6	120.8	120.8	120.8	121.2
1.3.11.6 Non-Electrical Machinery	1.026	126.9	127.8	127.5	127.6	127.6
1.3.11.7 Electrical Machinery, Equipment & Batteries	2.343	138.6	139.0	138.4	138.4	138.4
1.3.11.8 Electrical Accessories, Wires, Cables etc.	1.063	156.0	157.3	155.9	155.8	154.6
1.3.11.9 Electrical Apparatus & Appliances	0.337	119.8	121.3	121.7	121.7	121.7
1.3.11.10 Electronics Items	0.961	89.6	89.4	89.3	89.3	89.3
1.3.11.11 IT Hardware	0.267	91.5	91.7	91.7	91.9	91.7
1.3.11.12 Communication Equipments	0.118	98.7	99.3	99.6	99.6	99.6
1.3.12 Transport, Equipment & Parts	**5.213**	**136.2**	**136.9**	**138.1**	**138.0**	**138.2**
1.3.12.1 Automotives	4.231	135.3	135.8	137.1	137.0	137.2
1.3.12.2 Auto Parts	0.804	138.1	139.6	140.5	140.3	140.4
1.3.12.3 Other Transport Equipments	0.178	150.1	150.0	150.7	150.6	150.6

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	2013-14	2014-15	April-December		December	
				2014-15	2015-16	2014	2015
	1	2	3	4	5	6	7
General Index	**100.00**	**172.0**	**176.9**	**172.7**	**178.1**	**185.9**	**183.4**
1 Sectoral Classification							
1.1 Mining and Quarrying	14.16	124.7	126.5	122.5	125.3	133.6	137.5
1.2 Manufacturing	75.53	181.9	186.1	181.0	186.6	196.8	192.0
1.3 Electricity	10.32	164.7	178.6	180.4	188.5	177.6	183.2
2 Use-Based Classification							
2.1 Basic Goods	45.68	156.9	167.8	165.8	171.5	174.6	175.4
2.2 Capital Goods	8.83	242.6	258.0	248.8	253.1	269.7	216.6
2.3 Intermediate Goods	15.69	151.3	153.8	152.3	155.2	159.0	160.5
2.4 Consumer Goods	29.81	185.3	178.9	171.4	178.2	192.4	197.8
2.4.1 Consumer Durables	8.46	264.2	231.0	223.6	251.3	208.0	242.3
2.4.2 Consumer Non-Durables	21.35	154.0	158.3	150.7	149.2	186.2	180.2

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

Government Accounts and Treasury Bills

No. 23: Union Government Accounts at a Glance

(Amount in ₹ Billion)

Item	Financial Year	April–January			
	2015-16 (Revised Estimates)	2014-15 (Actuals)	2015-16 (Actuals)	Percentage to Revised Estimates	
				2014-15	2015-16
	1	2	3	4	5
1 Revenue Receipts	12,060.8	7,531.1	8,811.8	66.9	73.1
1.1 Tax Revenue (Net)	9,475.1	5,948.0	6,788.9	65.5	71.7
1.2 Non-Tax Revenue	2,585.8	1,583.1	2,022.9	72.7	78.2
2 Capital Receipts	5,793.1	5,851.6	5,551.6	105.5	95.8
2.1 Recovery of Loans	189.1	99.5	100.1	91.4	53.0
2.2 Other Receipts	253.1	70.7	128.7	22.5	50.8
2.3 Borrowings and Other Liabilities	5,350.9	5,681.4	5,322.8	110.8	99.5
3 Total Receipts (1+2)	17,853.9	13,382.7	14,363.4	79.6	80.4
4 Non-Plan Expenditure	13,081.9	9,683.1	10,684.2	79.8	81.7
4.1 On Revenue Account	12,126.7	9,008.6	9,779.7	80.3	80.6
4.1.1 Interest Payments	4,426.2	3,122.6	3,416.3	75.9	77.2
4.2 On Capital Account	955.3	674.5	904.5	73.9	94.7
5 Plan Expenditure	4,772.0	3,699.6	3,679.2	79.1	77.1
5.1 On Revenue Account	3,350.0	2,937.6	2,493.9	80.1	74.4
5.2 On Capital Account	1,421.9	762.0	1,185.4	75.4	83.4
6 Total Expenditure (4+5)	17,853.9	13,382.7	14,363.4	79.6	80.4
7 Revenue Expenditure (4.1+5.1)	15,476.7	11,946.1	12,273.6	80.2	79.3
8 Capital Expenditure (4.2+5.2)	2,377.2	1,436.6	2,089.8	74.7	87.9
9 Revenue Deficit (7-1)	3,415.9	4,415.1	3,461.7	121.8	101.3
10 Fiscal Deficit {6-(1+2.1+2.2)}	5,350.9	5,681.4	5,322.8	110.8	99.5
11 Gross Primary Deficit [10-4.1.1]	924.7	2,558.8	1,906.5	252.7	206.2

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

No. 24: Treasury Bills – Ownership Pattern

(₹ Billion)

Item	2014-15	2015		2016				
		Jan. 30	Dec. 25	Jan. 1	Jan. 8	Jan. 15	Jan. 22	Jan. 29
	1	2	3	4	5	6	7	8
1 14-day								
1.1 Banks	–	–	–	–	–	–	–	–
1.2 Primary Dealers	–	–	–	–	–	–	–	–
1.3 State Governments	838.1	857.1	771.7	884.0	579.9	649.0	724.8	813.6
1.4 Others	14.7	8.6	17.6	6.4	8.5	7.8	9.7	16.1
2 91-day								
2.1 Banks	446.9	352.9	328.6	362.5	388.1	370.5	403.3	369.2
2.2 Primary Dealers	284.1	294.8	361.3	329.0	303.7	326.5	321.3	295.9
2.3 State Governments	368.3	558.8	576.3	709.3	720.4	669.7	679.4	669.4
2.4 Others	264.9	431.4	373.9	461.3	457.5	465.9	453.1	424.9
3 182-day								
3.1 Banks	231.5	259.5	238.2	218.7	239.5	180.1	193.2	194.5
3.2 Primary Dealers	408.9	317.8	409.7	414.4	405.0	450.7	434.6	425.9
3.3 State Governments	13.9	15.4	91.0	82.8	82.8	92.8	92.8	92.8
3.4 Others	113.9	126.3	104.9	119.8	108.4	121.6	124.6	132.0
4 364-day								
4.1 Banks	330.8	433.1	423.3	460.9	478.1	433.5	449.5	443.7
4.2 Primary Dealers	657.3	609.5	658.4	709.4	622.5	719.0	697.5	692.9
4.3 State Governments	12.0	12.0	19.6	19.6	19.6	19.6	19.6	19.6
4.4 Others	483.4	430.0	328.9	300.3	360.2	308.2	313.7	324.0
5 Total	4,468.7	4,707.3	4,703.3	5,078.4	4,774.0	4,814.9	4,917.1	4,914.5

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										
2015-16										
Dec. 30	80	62	495.50	52.00	51	80.00	52.00	132.00	98.23	7.2274
Jan. 6	90	80	313.18	21.93	49	81.58	21.93	103.51	98.23	7.2274
Jan. 13	90	64	283.22	8.02	48	90.00	8.02	98.02	98.23	7.2274
Jan. 20	90	64	236.87	35.02	58	90.00	35.02	125.02	98.21	7.3105
Jan. 27	90	62	227.23	10.12	–	–	–	–	–	–
182-day Treasury Bills										
2015-16										
Dec. 30	60	48	194.14	–	23	60.00	–	60.00	96.51	7.2523
Jan. 13	60	52	178.14	10.00	12	60.00	10.00	70.00	96.52	7.2308
Jan. 27	60	45	203.19	–	8	60.00	–	60.00	96.52	7.2308
364-day Treasury Bills										
2015-16										
Dec. 9	60	67	183.35	0.15	32	60.00	0.15	60.15	93.26	7.2470
Dec. 23	60	71	248.91	0.06	20	60.00	0.06	60.06	93.26	7.2470
Jan. 6	60	60	365.96	0.10	5	60.00	0.10	60.10	93.29	7.2124
Jan. 20	60	81	317.13	–	19	60.00	–	60.00	93.29	7.2124

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
January	1, 2016	5.60-7.10	6.72
January	2, 2016	4.90-6.30	5.68
January	4, 2016	5.70-6.90	6.65
January	5, 2016	5.60-6.90	6.69
January	6, 2016	5.70-7.65	6.84
January	7, 2016	5.70-7.35	6.78
January	8, 2016	5.70-7.20	6.95
January	11, 2016	5.00-7.10	6.88
January	12, 2016	5.00-7.05	6.79
January	13, 2016	5.00-7.05	6.76
January	14, 2016	5.00-7.10	6.76
January	15, 2016	5.00-7.10	6.90
January	16, 2016	4.90-6.77	6.10
January	18, 2016	5.00-7.15	6.85
January	19, 2016	4.75-8.00	6.91
January	20, 2016	5.00-7.05	6.73
January	21, 2016	5.00-7.00	6.63
January	22, 2016	5.00-7.40	6.92
January	25, 2016	5.60-7.65	7.02
January	27, 2016	5.00-7.30	6.86
January	28, 2016	5.70-7.10	6.66
January	29, 2016	5.65-7.50	7.00
January	30, 2016	4.75-7.00	6.13
February	1, 2016	5.70-7.10	6.69
February	2, 2016	5.00-7.10	6.65
February	3, 2016	5.70-7.40	6.63
February	4, 2016	5.60-7.35	6.68
February	5, 2016	5.00-7.25	6.73
February	6, 2016	5.00-7.60	7.10
February	8, 2016	5.80-7.65	6.89
February	9, 2016	5.80-7.15	6.75
February	10, 2016	5.80-7.45	6.85
February	11, 2016	5.00-7.55	6.97
February	12, 2016	5.00-7.10	6.62
February	15, 2016	5.00-7.05	6.85

Note: Includes Notice Money.

No. 27: Certificates of Deposit

Item	2015			2016	
	Jan. 23	Dec. 11	Dec. 25	Jan. 8	Jan. 22
	1	2	3	4	5
1 Amount Outstanding (₹ Billion)	2,633.8	1,892.6	2,065.6	2,002.2	2,174.9
1.1 Issued during the fortnight (₹ Billion)	116.3	296.6	299.2	297.8	106.3
2 Rate of Interest (per cent)	8.06-8.65	7.24-7.75	7.25-7.78	7.09-7.77	7.20-7.90

No. 28: Commercial Paper

Item	2015			2016	
	Jan. 31	Dec. 15	Dec. 31	Jan. 15	Jan. 31
	1	2	3	4	5
1 Amount Outstanding (₹ Billion)	2,376.1	3,802.8	3,085.1	3,643.7	3,553.8
1.1 Reported during the fortnight (₹ Billion)	373.4	1,151.3	665.9	718.3	513.9
2 Rate of Interest (per cent)	7.95-13.21	7.08-12.13	7.23-11.79	6.89-11.42	7.30-11.18

No. 29: Average Daily Turnover in Select Financial Markets

(₹ Billion)

Item	2014-15	2015		2016				
		Jan. 30	Dec. 25	Jan. 1	Jan. 8	Jan. 15	Jan. 22	Jan. 29
	1	2	3	4	5	6	7	8
1 Call Money	190.3	224.5	293.4	272.3	366.3	278.9	296.3	236.2
2 Notice Money	65.4	112.0	8.1	82.9	4.0	81.5	3.0	84.7
3 Term Money	4.1	7.3	5.1	6.9	4.5	4.4	7.4	5.2
4 CBLO	1,168.3	1,242.7	1,100.6	1,471.6	1,176.1	1,279.8	1,030.2	1,223.9
5 Market Repo	1,097.6	1,109.5	1,101.1	1,351.6	1,431.0	1,530.1	1,319.9	1,688.0
6 Repo in Corporate Bond	0.3	–	1.9	2.0	–	0.7	1.9	0.9
7 Forex (US $ million)	56,541	68,158	48,724	50,130	53,163	52,876	48,896	65,244
8 Govt. of India Dated Securities	772.4	764.1	741.5	477.6	731.2	635.3	779.6	661.0
9 State Govt. Securities	15.8	21.4	44.9	22.0	22.5	20.5	19.2	44.2
10 Treasury Bills								
10.1 91-Day	35	25.6	52.1	71.7	46.6	41.8	35.9	35.6
10.2 182-Day	12.1	13.5	17.9	16.6	6.4	6.6	10.7	28.1
10.3 364-Day	21.4	53.5	4.2	22.0	13.7	7.0	18.3	10.5
10.4 Cash Management Bills	0.7	–	–	–	–	–	–	–
11 Total Govt. Securities (8+9+10)	857.4	878.2	860.6	609.8	820.4	711.2	863.8	779.4
11.1 RBI	–	2.9	8.0	11.0	4.5	5.9	22.3	0.1

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

(Amount in ₹ Billion)

Security & Type of Issue	2014-15		2014-15 (Apr.-Jan.)		2015-16 (Apr.-Jan.) *		Jan. 2015		Jan. 2016 *	
	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	**63**	**93.1**	**48**	**58.3**	**64**	**214.1**	**4**	**16.0**	**5**	**5.7**
1A Premium	53	76.8	40	43.8	59	201.0	3	15.6	5	5.4
1.1 Prospectus	46	30.4	34	14.3	52	121.2	2	0.1	3	4.2
1.1.1 Premium	40	28.0	30	12.5	48	113.9	1	–	3	3.9
1.2 Rights	17	62.8	14	44.0	12	92.9	2	15.9	2	1.5
1.2.1 Premium	13	48.8	10	31.2	11	87.1	2	15.6	2	1.4
2 Preference Shares	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
2.1 Prospectus	–	–	–	–	–	–	–	–	–	–
2.2 Rights	–	–	–	–	–	–	–	–	–	–
3 Debentures	**23**	**77.4**	**18**	**61.0**	**9**	**27.2**	**–**	**–**	**1**	**2.1**
3.1 Convertible	–	–	–	–	–	–	–	–	–	–
3.1.1 Prospectus	–	–	–	–	–	–	–	–	–	–
3.1.2 Rights	–	–	–	–	–	–	–	–	–	–
3.2 Non-Convertible	23	77.4	18	61.0	9	27.2	–	–	1	2.1
3.2.1 Prospectus	23	77.4	18	61.0	9	27.2	–	–	1	2.1
3.2.2 Rights	–	–	–	–	–	–	–	–	–	–
4 Bonds	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
4.1 Prospectus	–	–	–	–	–	–	–	–	–	–
4.2 Rights	–	–	–	–	–	–	–	–	–	–
5 Total (1+2+3+4)	**86**	**170.6**	**66**	**119.3**	**73**	**241.3**	**4**	**16.0**	**6**	**7.8**
5.1 Prospectus	69	107.8	52	75.3	61	148.4	2	0.1	4	6.3
5.2 Rights	17	62.8	14	44.0	12	92.9	2	15.9	2	1.5

* : Data is Provisional

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	2014-15	2015					2016
			Jan.	Sep.	Oct.	Nov.	Dec.	Jan.
		1	2	3	4	5	6	7
1 Exports	₹ Billion	18,963.5	1,517.9	1,443.4	1,380.1	1,287.2	1,491.2	1,417.4
	US $ Million	310,338.5	24,393.6	21,798.1	21,213.3	19,468.2	22,391.6	21,075.6
1.1 Oil	₹ Billion	3,460.8	188.1	171.0	159.9	150.5	162.8	131.8
	US $ Million	56,794.2	3,023.0	2,581.9	2,457.2	2,276.8	2,444.1	1,959.5
1.2 Non-oil	₹ Billion	15,502.7	1,329.8	1,272.5	1,220.2	1,136.6	1,328.4	1,285.6
	US $ Million	253,544.4	21,370.6	19,216.2	18,756.1	17,191.4	19,947.4	19,116.0
2 Imports	₹ Billion	27,370.9	2,007.7	2,137.7	2,007.2	1,961.4	2,259.1	1,931.1
	US $ Million	448,033.4	32,265.4	32,283.3	30,853.0	29,665.3	33,923.3	28,714.5
2.1 Oil	₹ Billion	8,428.7	512.8	440.6	445.8	426.9	443.4	338.0
	US $ Million	138,325.5	8,241.2	6,653.6	6,853.1	6,456.1	6,657.9	5,026.4
2.2 Non-oil	₹ Billion	18,942.1	1,494.9	1,697.1	1,561.4	1,534.5	1,815.8	1,593.1
	US $ Million	309,707.9	24,024.2	25,629.7	24,000.0	23,209.2	27,265.4	23,688.1
3 Trade Balance	₹ Billion	–8,407.4	–489.8	–694.3	–627.1	–674.2	–768.0	–513.7
	US $ Million	–137,694.9	–7,871.8	–10,485.2	–9,639.7	–10,197.1	–11,531.7	–7,638.9
3.1 Oil	₹ Billion	–4,967.9	–324.7	–269.6	–286.0	–276.3	–280.6	–206.3
	US $ Million	–81,531.4	–5,218.2	–4,071.7	–4,395.9	–4,179.2	–4,213.8	–3,066.9
3.2 Non-oil	₹ Billion	–3,439.5	–165.1	–424.7	–341.2	–397.9	–487.3	–307.5
	US $ Million	–56,163.5	–2,653.6	–6,413.5	–5,243.9	–6,017.8	–7,318.0	–4,572.1

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

No. 32: Foreign Exchange Reserves

Item	Unit	2015	2016					
		Feb. 20	Jan. 15	Jan. 22	Jan. 29	Feb. 5	Feb. 12	Feb. 19
		1	2	3	4	5	6	7
1 Total Reseves	**₹ Billion**	**20,797**	**23,261**	**23,381**	**23,528**	**23,639**	**23,910**	**23,827**
	US $ Million	**334,193**	**347,208**	**347,563**	**349,152**	**351,485**	**351,832**	**350,365**
1.1 Foreign Currency Assets	₹ Billion	19,195	21,761	21,880	22,026	22,076	22,427	22,346
	US $ Million	308,298	324,675	325,047	326,631	328,438	330,020	328,583
1.2 Gold	₹ Billion	1,247	1,144	1,144	1,144	1,201	1,201	1,201
	US $ Million	20,183	17,240	17,240	17,240	17,697	17,697	17,697
1.3 SDRs	SDRs Million	2,889	2,889	2,889	2,889	2,889	2,889	1,066
	₹ Billion	254	270	270	271	273	278	102
	US $ Million	4,077	3,997	3,985	3,988	4,040	4,061	1,487
1.4 Reserve Tranche Position in IMF	₹ Billion	102	87	88	88	89	4	178
	US $ Million	1,635	1,296	1,292	1,293	1,310	54	2,598

No. 33: NRI Deposits

(US$ Million)

Scheme	Outstanding				Flows	
	2014-15	2015		2016	2014-15	2015-16
		Jan.	Dec.	Jan.	Apr.-Jan.	Apr.-Jan.
	1	2	3	4	5	6
1 NRI Deposits	**115,163**	**113,593**	**122,636**	**121,696**	**11,514**	**12,656**
1.1 FCNR(B)	42,824	42,687	44,696	44,586	864	1,762
1.2 NR(E)RA	62,746	61,253	68,165	67,558	9,865	10,159
1.3 NRO	9,593	9,653	9,775	9,552	785	735

No. 34: Foreign Investment Inflows

(US$ Million)

Item	2014-15	2014-15	2015-16	2015		2016
		Apr.-Jan.	Apr.-Jan.	Jan.	Dec.	Jan.
	1	2	3	4	5	6
1.1 Net Foreign Direct Investment (1.1.1–1.1.2)	**31,252**	**26,449**	**31,678**	**4,468**	**3,598**	**4,413**
1.1.1 Direct Investment to India (1.1.1.1–1. 1.1.2)	**35,284**	**29,477**	**38,717**	**4,681**	**5,068**	**5,343**
1.1.1.1 Gross Inflows/Gross Investments	**45,148**	**36,911**	**47,157**	**5,897**	**6,067**	**6,342**
1.1.1.1.1 Equity	31,911	26,328	35,217	4,570	4,719	5,065
1.1.1.1.1.1 Government (SIA/FIPB)	2,219	1,912	2,980	209	106	105
1.1.1.1.1.2 RBI	22,530	17,969	28,379	4,016	4,225	4,251
1.1.1.1.1.3 Acquisition of shares	6,185	5,647	3,059	255	304	620
1.1.1.1.1.4 Equity capital of unincorporated bodies	978	800	800	89	84	89
1.1.1.1.2 Reinvested earnings	9,988	8,165	8,165	912	856	912
1.1.1.1.3 Other capital	3,249	2,418	3,775	415	492	366
1.1.1.2 Repatriation/Disinvestment	**9,864**	**7,433**	**8,440**	**1,215**	**1,000**	**1,000**
1.1.1.2.1 Equity	9,612	7,230	8,301	1,191	966	966
1.1.1.2.2 Other capital	252	204	139	24	34	34
1.1.2 Foreign Direct Investment by India (1.1.2.1+1.1.2.2+1.1.2.3–1.1.2.4)	**4,031**	**3,028**	**7,039**	**213**	**1,470**	**929**
1.1.2.1 Equity capital	3,867	2,959	4,715	287	1,240	656
1.1.2.2 Reinvested Earnings	3,337	2,781	2,781	278	278	278
1.1.2.3 Other Capital	3,476	2,792	2,884	220	220	263
1.1.2.4 Repatriation/Disinvestment	6,649	5,504	3,341	572	268	268
1.2 Net Portfolio Investment (1.2.1+1.2.2+1.2.3–1.2.4)	**42,205**	**35,122**	**–12,589**	**6,640**	**–2,568**	**–1,969**
1.2.1 GDRs/ADRs	1,271	–	373	–	–	–
1.2.2 FIIs	40,923	35,121	–13,241	6,634	–2,572	–1,972
1.2.3 Offshore funds and others	–	–	–	–	–	–
1.2.4 Portfolio investment by India	–11	–1	–279	–5	–3	–3
1 Foreign Investment Inflows	**73,457**	**61,571**	**19,089**	**11,108**	**1,029**	**2,444**

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

(US$ Million)

Item	2014-15	2015			2016
		Jan.	Nov.	Dec.	Jan.
	1	2	3	4	5
1 Outward Remittances under the LRS	**1,325.8**	**150.9**	**333.4**	**447.2**	**534.1**
1.1 Deposit	51.4	3.1	6.4	7.1	10.4
1.2 Purchase of immovable property	45.5	5.1	5.0	6.6	4.7
1.3 Investment in equity/debt	195.5	13.7	19.7	19.9	18.4
1.4 Gift	403.5	33.6	37.2	48.2	35.2
1.5 Donations	3.2	0.1	0.4	0.3	0.1
1.6 Travel	11.0	0.7	36.2	32.7	40.8
1.7 Maintenance of close relatives	174.4	20.0	103.1	154.7	151.6
1.8 Medical Treatment	7.2	0.6	1.4	1.6	2.0
1.9 Studies Abroad	277.1	51.4	92.1	127.5	213.9
1.10 Others	157.1	22.6	31.9	48.6	56.9

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

Item	2013-14	2014-15	2015	2016	
			February	January	February
	1	2	3	4	5
36-Currency Export and Trade Based Weights (Base: 2004-05=100)					
1 Trade-Based Weights					
1.1 NEER	72.32	74.07	75.99	74.62	72.76
1.2 REER	103.27	108.96	112.03	113.20	110.38
2 Export-Based Weights					
2.1 NEER	73.56	75.22	77.27	76.16	74.30
2.2 REER	105.48	111.25	114.66	115.31	112.48
6-Currency Trade Based Weights					
1 Base: 2004-05 (April-March) =100					
1.1 NEER	67.76	68.60	70.53	67.03	65.51
1.2 REER	112.80	119.92	124.20	123.63	120.82
2 Base: 2014-15 (April-March) =100					
2.1 NEER	98.78	100.00	102.83	97.72	95.50
2.2 REER	94.07	100.00	103.57	103.09	100.75

No. 37: External Commercial Borrowings (ECBs)

(Amount in US$ Million)

Item	2014-15	2015		2016
		Jan.	Dec.	Jan.
	1	2	3	4
1 Automatic Route				
1.1 Number	733	71	56	56
1.2 Amount	19,215	1,496	1,906	1,391
2 Approval Route				
2.1 Number	88	3	5	4
2.2 Amount	9,170	1,095	1,128	4
3 Total (1+2)				
3.1 Number	821	74	61	60
3.2 Amount	28,385	2,591	3,034	1,395
4 Weighted Average Maturity (in years)	6.49	7.32	9.20	4.60
5 Interest Rate (per cent)				
5.1 Weighted Average Margin over 6-month LIBOR or reference rate for Floating Rate Loans	2.12	3.09	1.42	1.56
5.2 Interest rate range for Fixed Rate Loans	0.00-13.50	0.00-10.50	0.00-8.00	0.00-7.00

No. 38: India's Overall Balance of Payments

(US $ Million)

Item	Jul-Sep 2014 (PR) Credit	Jul-Sep 2014 (PR) Debit	Jul-Sep 2014 (PR) Net	Jul-Sep 2015 (P) Credit	Jul-Sep 2015 (P) Debit	Jul-Sep 2015 (P) Net
	1	2	3	4	5	6
Overall Balance of Payments(1+2+3)	**276,336**	**269,439**	**6,897**	**254,938**	**255,794**	**–856**
1 CURRENT ACCOUNT (1.1+ 1.2)	**142,467**	**153,413**	**–10,945**	**127,315**	**135,549**	**–8,234**
1.1 MERCHANDISE	**83,093**	**122,745**	**–39,652**	**67,573**	**104,998**	**–37,425**
1.2 INVISIBLES (1.2.1+1.2.2+1.2.3)	**59,374**	**30,668**	**28,706**	**59,743**	**30,551**	**29,191**
1.2.1 Services	38,358	19,429	18,929	38,752	20,792	17,960
1.2.1.1 Travel	4,992	4,123	869	5,037	4,021	1,016
1.2.1.2 Transportation	4,469	4,109	360	3,535	3,837	–301
1.2.1.3 Insurance	592	261	331	552	286	266
1.2.1.4 G.n.i.e.	138	252	–115	168	247	–79
1.2.1.5 Miscellaneous	28,167	10,683	17,483	29,460	12,402	17,058
1.2.1.5.1 Software Services	17,645	728	16,917	18,873	648	18,225
1.2.1.5.2 Business Services	7,077	6,780	297	7,244	7,511	–267
1.2.1.5.3 Financial Services	1,363	852	512	1,717	875	842
1.2.1.5.4 Communication Services	492	355	138	592	280	312
1.2.2 Transfers	17,505	1,118	16,387	17,084	821	16,263
1.2.2.1 Official	98	224	–126	88	246	–157
1.2.2.2 Private	17,407	894	16,513	16,996	575	16,421
1.2.3 Income	3,511	10,121	–6,610	3,907	8,938	–5,032
1.2.3.1 Investment Income	2,642	9,383	–6,741	2,909	8,341	–5,432
1.2.3.2 Compensation of Employees	869	738	131	998	597	400
2 CAPITAL ACCOUNT (2.1+2.2+2.3+2.4+2.5)	**133,615**	**116,026**	**17,589**	**127,488**	**120,245**	**7,243**
2.1 Foreign Investment (2.1.1+2.1.2)	**75,916**	**58,679**	**17,237**	**65,848**	**65,723**	**125**
2.1.1 Foreign Direct Investment	12,507	5,032	7,475	11,366	4,799	6,567
2.1.1.1 In India	10,937	2,110	8,827	10,397	2,205	8,191
2.1.1.1.1 Equity	7,690	2,050	5,640	7,355	2,201	5,154
2.1.1.1.2 Reinvested Earnings	2,369	–	2,369	2,369	–	2,369
2.1.1.1.3 Other Capital	878	60	818	673	5	668
2.1.1.2 Abroad	1,570	2,923	–1,353	970	2,594	–1,624
2.1.1.2.1 Equity	1,570	940	630	970	1,012	–42
2.1.1.2.2 Reinvested Earnings	–	834	–834	–	834	–834
2.1.1.2.3 Other Capital	–	1,148	–1,148	–	747	–747
2.1.2 Portfolio Investment	63,409	53,647	9,762	54,482	60,924	–6,442
2.1.2.1 In India	63,293	53,421	9,872	54,293	60,841	–6,548
2.1.2.1.1 FIIs	63,293	53,421	9,872	54,193	60,841	–6,648
2.1.2.1.1.1 Equity	44,534	43,163	1,371	47,351	53,483	–6,132
2.1.2.1.1.2 Debt	18,760	10,258	8,502	6,842	7,358	–516
2.1.2.1.2 ADR/GDRs	–	–	–	100	–	100
2.1.2.2 Abroad	116	226	–110	189	83	106
2.2 Loans (2.2.1+2.2.2+2.2.3)	**30,508**	**31,775**	**–1,268**	**30,252**	**31,228**	**–975**
2.2.1 External Assistance	1,375	686	689	976	1,089	–113
2.2.1.1 By India	15	97	–82	14	131	–117
2.2.1.2 To India	1,360	589	771	963	958	4
2.2.2 Commercial Borrowings	6,693	7,065	–372	5,953	7,123	–1,170
2.2.2.1 By India	366	20	346	253	44	209
2.2.2.2 To India	6,327	7,045	–718	5,700	7,079	–1,379
2.2.3 Short Term to India	22,439	24,024	–1,585	23,323	23,016	307
2.2.3.1 Suppliers' Credit > 180 days & Buyers' Credit	21,773	24,024	–2,251	22,425	23,016	–591
2.2.3.2 Suppliers' Credit up to 180 days	666	–	666	898	–	898
2.3 Banking Capital (2.3.1+2.3.2)	**19,478**	**19,906**	**–428**	**24,970**	**17,671**	**7,300**
2.3.1 Commercial Banks	19,344	19,906	–562	24,970	17,668	7,302
2.3.1.1 Assets	2,080	3,114	–1,034	6,119	3,392	2,727
2.3.1.2 Liabilities	17,263	16,791	472	18,852	14,277	4,575
2.3.1.2.1 Non-Resident Deposits	16,883	12,819	4,064	16,184	11,957	4,227
2.3.2 Others	134	–	134	–	3	–3
2.4 Rupee Debt Service	–	2	–2	–	17	–17
2.5 Other Capital	7,713	5,664	2,050	6,417	5,607	811
3 Errors & Omissions	**254**	**–**	**254**	**135**	**–**	**135**
4 Monetary Movements (4.1+ 4.2)	**–**	**6,897**	**–6,897**	**856**	**–**	**856**
4.1 I.M.F.	–	–	–	–	–	–
4.2 Foreign Exchange Reserves (Increase - / Decrease +)	–	6,897	–6,897	856	–	856

No. 39: India's Overall Balance of Payments

(₹ Billion)

Item	Jul-Sep 2014 (PR)			Jul-Sep 2015 (P)		
	Credit	Debit	Net	Credit	Debit	Net
	1	2	3	4	5	6
Overall Balance of Payments(1+2+3)	**16,748**	**16,330**	**418**	**16,565**	**16,620**	**–56**
1 CURRENT ACCOUNT (1.1+ 1.2)	**8,634**	**9,298**	**–663**	**8,272**	**8,807**	**–535**
1.1 MERCHANDISE	**5,036**	**7,439**	**–2,403**	**4,391**	**6,822**	**–2,432**
1.2 INVISIBLES (1.2.1+1.2.2+1.2.3)	**3,598**	**1,859**	**1,740**	**3,882**	**1,985**	**1,897**
1.2.1 Services	2,325	1,178	1,147	2,518	1,351	1,167
1.2.1.1 Travel	303	250	53	327	261	66
1.2.1.2 Transportation	271	249	22	230	249	–20
1.2.1.3 Insurance	36	16	20	36	19	17
1.2.1.4 G.n.i.e.	8	15	–7	11	16	–5
1.2.1.5 Miscellaneous	1,707	647	1,060	1,914	806	1,108
1.2.1.5.1 Software Services	1,069	44	1,025	1,226	42	1,184
1.2.1.5.2 Business Services	429	411	18	471	488	–17
1.2.1.5.3 Financial Services	83	52	31	112	57	55
1.2.1.5.4 Communication Services	30	21	8	38	18	20
1.2.2 Transfers	1,061	68	993	1,110	53	1,057
1.2.2.1 Official	6	14	–8	6	16	–10
1.2.2.2 Private	1,055	54	1,001	1,104	37	1,067
1.2.3 Income	213	613	–401	254	581	–327
1.2.3.1 Investment Income	160	569	–409	189	542	–353
1.2.3.2 Compensation of Employees	53	45	8	65	39	26
2 CAPITAL ACCOUNT (2.1+2.2+2.3+2.4+2.5)	**8,098**	**7,032**	**1,066**	**8,284**	**7,813**	**471**
2.1 Foreign Investment (2.1.1+2.1.2)	4,601	3,556	1,045	4,279	4,270	8
2.1.1 Foreign Direct Investment	758	305	453	739	312	427
2.1.1.1 In India	663	128	535	676	143	532
2.1.1.1.1 Equity	466	124	342	478	143	335
2.1.1.1.2 Reinvested Earnings	144	–	144	154	–	154
2.1.1.1.3 Other Capital	53	4	50	44	–	43
2.1.1.2 Abroad	95	177	–82	63	169	–106
2.1.1.2.1 Equity	95	57	38	63	66	–3
2.1.1.2.2 Reinvested Earnings	–	51	–51	–	54	–54
2.1.1.2.3 Other Capital	–	70	–70	–	49	–49
2.1.2 Portfolio Investment	3,843	3,251	592	3,540	3,959	–419
2.1.2.1 In India	3,836	3,238	598	3,528	3,953	–425
2.1.2.1.1 FIIs	3,836	3,238	598	3,521	3,953	–432
2.1.2.1.1.1 Equity	2,699	2,616	83	3,077	3,475	–398
2.1.2.1.1.2 Debt	1,137	622	515	445	478	–34
2.1.2.1.2 ADR/GDRs	–	–	–	6	–	6
2.1.2.2 Abroad	7	14	–7	12	5	7
2.2 Loans (2.2.1+2.2.2+2.2.3)	**1,849**	**1,926**	**–77**	**1,966**	**2,029**	**–63**
2.2.1 External Assistance	83	42	42	63	71	–7
2.2.1.1 By India	1	6	–5	1	8	–8
2.2.1.2 To India	82	36	47	63	62	–
2.2.2 Commercial Borrowings	406	428	–23	387	463	–76
2.2.2.1 By India	22	1	21	16	3	14
2.2.2.2 To India	383	427	–44	370	460	–90
2.2.3 Short Term to India	1,360	1,456	–96	1,515	1,495	20
2.2.3.1 Suppliers' Credit > 180 days & Buyers' Credit	1,320	1,456	–136	1,457	1,495	–38
2.2.3.2 Suppliers' Credit up to 180 days	40	–	40	58	–	58
2.3 Banking Capital (2.3.1+2.3.2)	**1,180**	**1,206**	**–26**	**1,622**	**1,148**	**474**
2.3.1 Commercial Banks	1,172	1,206	–34	1,622	1,148	474
2.3.1.1 Assets	126	189	–63	398	220	177
2.3.1.2 Liabilities	1,046	1,018	29	1,225	928	297
2.3.1.2.1 Non-Resident Deposits	1,023	777	246	1,052	777	275
2.3.2 Others	8	–	8	–	–	–
2.4 Rupee Debt Service	–	–	–	–	1	–1
2.5 Other Capital	467	343	124	417	364	53
3 Errors & Omissions	**15**	–	**15**	**9**	–	**9**
4 Monetary Movements (4.1+ 4.2)	–	**418**	**–418**	**56**	–	**56**
4.1 I.M.F.	–	–	–	–	–	–
4.2 Foreign Exchange Reserves (Increase - / Decrease +)	–	418	–418	56	–	56

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

(US $ Million)

Item	Jul-Sep 2014 (PR)			Jul-Sep 2015 (P)		
	Credit	Debit	Net	Credit	Debit	Net
	1	2	3	4	5	6
1 Current Account (1.A+1.B+1.C)	**142,463**	**153,391**	**–10,928**	**127,310**	**135,525**	**–8,214**
1.A Goods and Services (1.A.a+1.A.b)	**121,451**	**142,174**	**–20,723**	**106,324**	**125,790**	**–19,465**
1.A.a Goods (1.A.a.1 to 1.A.a.3)	**83,093**	**122,745**	**–39,652**	**67,573**	**104,998**	**–37,425**
1.A.a.1 General merchandise on a BOP basis	83,093	115,069	–31,976	67,573	95,015	–27,443
1.A.a.2 Net exports of goods under merchanting	–	–	–	–	–	–
1.A.a.3 Nonmonetary gold	–	7,676	–7,676	–	9,982	–9,982
1.A.b Services (1.A.b.1 to 1.A.b.13)	**38,358**	**19,429**	**18,929**	**38,752**	**20,792**	**17,960**
1.A.b.1 Manufacturing services on physical inputs owned by others	24	7	17	94	5	89
1.A.b.2 Maintenance and repair services n.i.e.	40	46	–6	41	65	–24
1.A.b.3 Transport	4,469	4,109	360	3,535	3,837	–301
1.A.b.4 Travel	4,992	4,123	869	5,037	4,021	1,016
1.A.b.5 Construction	338	276	62	366	229	137
1.A.b.6 Insurance and pension services	592	261	331	552	286	266
1.A.b.7 Financial services	1,363	852	512	1,717	875	842
1.A.b.8 Charges for the use of intellectual property n.i.e.	76	922	–845	100	1,073	–973
1.A.b.9 Telecommunications, computer, and information services	18,184	1,145	17,039	19,522	1,002	18,520
1.A.b.10 Other business services	7,077	6,780	297	7,244	7,511	–267
1.A.b.11 Personal, cultural, and recreational services	322	421	–99	302	421	–119
1.A.b.12 Government goods and services n.i.e.	138	252	–115	168	247	–79
1.A.b.13 Others n.i.e.	741	235	506	75	1,221	–1,147
1.B Primary Income (1.B.1 to 1.B.3)	**3,511**	**10,121**	**–6,610**	**3,907**	**8,938**	**–5,032**
1.B.1 Compensation of employees	869	738	131	998	597	400
1.B.2 Investment income	2,348	9,312	–6,963	2,495	8,169	–5,674
1.B.2.1 Direct investment	1,186	3,419	–2,232	1,315	3,086	–1,771
1.B.2.2 Portfolio investment	49	2,476	–2,427	31	1,961	–1,930
1.B.2.3 Other investment	108	3,415	–3,307	157	3,121	–2,965
1.B.2.4 Reserve assets	1,005	1	1,003	992	1	991
1.B.3 Other primary income	294	71	222	414	172	242
1.C Secondary Income (1.C.1+1.C.2)	**17,500**	**1,096**	**16,405**	**17,080**	**797**	**16,283**
1.C.1 Financial corporations, nonfinancial corporations, households, and NPISHs	17,407	894	16,513	16,996	575	16,421
1.C.1.1 Personal transfers (Current transfers between resident and/ non-resident households)	16,753	813	15,940	16,455	515	15,941
1.C.1.2 Other current transfers	654	81	573	541	60	480
1.C.2 General government	93	202	–109	84	222	–138
2 Capital Account (2.1+2.2)	**42**	**95**	**–53**	**83**	**79**	**4**
2.1 Gross acquisitions (DR.)/disposals (CR.) of non-produced nonfinancial assets	9	19	–10	10	14	–3
2.2 Capital transfers	32	76	–44	73	65	8
3 Financial Account (3.1 to 3.5)	**133,578**	**122,850**	**10,728**	**128,266**	**120,191**	**8,076**
3.1 Direct Investment (3.1A+3.1B)	**12,507**	**5,032**	**7,475**	**11,366**	**4,799**	**6,567**
3.1.A Direct Investment in India	10,937	2,110	8,827	10,397	2,205	8,191
3.1.A.1 Equity and investment fund shares	10,059	2,050	8,009	9,724	2,201	7,523
3.1.A.1.1 Equity other than reinvestment of earnings	7,690	2,050	5,640	7,355	2,201	5,154
3.1.A.1.2 Reinvestment of earnings	2,369	–	2,369	2,369	–	2,369
3.1.A.2 Debt instruments	878	60	818	673	5	668
3.1.A.2.1 Direct investor in direct investment enterprises	878	60	818	673	5	668
3.1.B Direct Investment by India	1,570	2,923	–1,353	970	2,594	–1,624
3.1.B.1 Equity and investment fund shares	1,570	1,774	–204	970	1,846	–877
3.1.B.1.1 Equity other than reinvestment of earnings	1,570	940	630	970	1,012	–42
3.1.B.1.2 Reinvestment of earnings	–	834	–834	–	834	–834
3.1.B.2 Debt instruments	–	1,148	–1,148	–	747	–747
3.1.B.2.1 Direct investor in direct investment enterprises	–	1,148	–1,148	–	747	–747
3.2 Portfolio Investment	**63,409**	**53,647**	**9,762**	**54,382**	**60,924**	**–6,542**
3.2.A Portfolio Investment in India	63,293	53,421	9,872	54,193	60,841	–6,648
3.2.1 Equity and investment fund shares	44,534	43,163	1,371	47,351	53,483	–6,132
3.2.2 Debt securities	18,760	10,258	8,502	6,842	7,358	–516
3.2.B Portfolio Investment by India	116	226	–110	189	83	106
3.3 Financial derivatives (other than reserves) and employee stock options	**3,198**	**3,900**	**–702**	**2,573**	**4,178**	**–1,606**
3.4 Other investment	**54,464**	**53,374**	**1,090**	**59,089**	**50,289**	**8,800**
3.4.1 Other equity (ADRs/GDRs)	–	–	–	100	–	100
3.4.2 Currency and deposits	17,017	12,819	4,198	16,184	11,960	4,225
3.4.2.1 Central bank (Rupee Debt Movements; NRG)	134	–	134	–	3	–3
3.4.2.2 Deposit-taking corporations, except the central bank (NRI Deposits)	16,883	12,819	4,064	16,184	11,957	4,227
3.4.2.3 General government	–	–	–	–	–	–
3.4.2.4 Other sectors	–	–	–	–	–	–
3.4.3 Loans (External Assistance, ECBs and Banking Capital)	10,529	14,837	–4,308	15,716	13,923	1,793
3.4.3.A Loans to India	10,148	14,721	–4,573	15,449	13,748	1,700
3.4.3.B Loans by India	381	117	265	267	175	92
3.4.4 Insurance, pension, and standardized guarantee schemes	71	67	3	34	10	23
3.4.5 Trade credit and advances	22,439	24,024	–1,585	23,323	23,016	307
3.4.6 Other accounts receivable/payable - other	4,408	1,626	2,782	3,733	1,380	2,352
3.4.7 Special drawing rights	–	–	–	–	–	–
3.5 Reserve assets	–	**6,897**	**–6,897**	**856**	–	**856**
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)	–	6,897	–6,897	856	–	856
4 Total assets/liabilities	**133,578**	**122,850**	**10,728**	**128,266**	**120,191**	**8,076**
4.1 Equity and investment fund shares	59,547	51,181	8,367	60,840	61,802	–962
4.2 Debt instruments	69,623	63,147	6,476	62,738	57,009	5,729
4.3 Other financial assets and liabilities	4,408	8,523	–4,115	4,689	1,380	3,308
5 Net errors and omissions	**254**	–	**254**	**135**	–	**135**

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

(₹ Billion)

Item	Jul-Sep 2014 (PR)			Jul-Sep 2015 (P)		
	Credit	Debit	Net	Credit	Debit	Net
	1	2	3	4	5	6
1 Current Account (1.A+1.B+1.C)	**8,634**	**9,296**	**-662**	**8,272**	**8,806**	**-534**
1.A Goods and Services (1.A.a+1.A.b)	**7,361**	**8,617**	**-1,256**	**6,908**	**8,173**	**-1,265**
1.A.a Goods (1.A.a.1 to 1.A.a.3)	**5,036**	**7,439**	**-2,403**	**4,391**	**6,822**	**-2,432**
1.A.a.1 General merchandise on a BOP basis	5,036	6,974	-1,938	4,391	6,174	-1,783
1.A.a.2 Net exports of goods under merchanting	–	–	–	–	–	–
1.A.a.3 Nonmonetary gold	–	465	-465	–	649	-649
1.A.b Services (1.A.b.1 to 1.A.b.13)	**2,325**	**1,178**	**1,147**	**2,518**	**1,351**	**1,167**
1.A.b.1 Manufacturing services on physical inputs owned by others	1	–	1	6	–	6
1.A.b.2 Maintenance and repair services n.i.e.	2	3	–	3	4	-2
1.A.b.3 Transport	271	249	22	230	249	-20
1.A.b.4 Travel	303	250	53	327	261	66
1.A.b.5 Construction	20	17	4	24	15	9
1.A.b.6 Insurance and pension services	36	16	20	36	19	17
1.A.b.7 Financial services	83	52	31	112	57	55
1.A.b.8 Charges for the use of intellectual property n.i.e.	5	56	-51	6	70	-63
1.A.b.9 Telecommunications, computer, and information services	1,102	69	1,033	1,268	65	1,203
1.A.b.10 Other business services	429	411	18	471	488	-17
1.A.b.11 Personal, cultural, and recreational services	20	26	-6	20	27	-8
1.A.b.12 Government goods and services n.i.e.	8	15	-7	11	16	-5
1.A.b.13 Others n.i.e.	45	14	31	5	79	-74
1.B Primary Income (1.B.1 to 1.B.3)	**213**	**613**	**-401**	**254**	**581**	**-327**
1.B.1 Compensation of employees	53	45	8	65	39	26
1.B.2 Investment income	142	564	-422	162	531	-369
1.B.2.1 Direct investment	72	207	-135	85	201	-115
1.B.2.2 Portfolio investment	3	150	-147	2	127	-125
1.B.2.3 Other investment	7	207	-200	10	203	-193
1.B.2.4 Reserve assets	61	–	61	64	–	64
1.B.3 Other primary income	18	4	13	27	11	16
1.C Secondary Income (1.C.1+1.C.2)	**1,061**	**66**	**994**	**1,110**	**52**	**1,058**
1.C.1 Financial corporations, nonfinancial corporations, households, and NPISHs	1,055	54	1,001	1,104	37	1,067
1.C.1.1 Personal transfers (Current transfers between resident and/ non-resident households)	1,015	49	966	1,069	33	1,036
1.C.1.2 Other current transfers	40	5	35	35	4	31
1.C.2 General government	6	12	-7	5	14	-9
2 Capital Account (2.1+2.2)	**3**	**6**	**-3**	**5**	**5**	**–**
2.1 Gross acquisitions (DR.)/disposals (CR.) of non-produced nonfinancial assets	1	1	-1	1	1	–
2.2 Capital transfers	2	5	-3	5	4	–
3 Financial Account (3.1 to 3.5)	**8,096**	**7,445**	**650**	**8,334**	**7,809**	**525**
3.1 Direct Investment (3.1A+3.1B)	**758**	**305**	**453**	**739**	**312**	**427**
3.1.A Direct Investment in India	663	128	535	676	143	532
3.1.A.1 Equity and investment fund shares	610	124	485	632	143	489
3.1.A.1.1 Equity other than reinvestment of earnings	466	124	342	478	143	335
3.1.A.1.2 Reinvestment of earnings	144	–	144	154	–	154
3.1.A.2 Debt instruments	53	4	50	44	–	43
3.1.A.2.1 Direct investor in direct investment enterprises	53	4	50	44	–	43
3.1.B Direct Investment by India	95	177	-82	63	169	-106
3.1.B.1 Equity and investment fund shares	95	108	-12	63	120	-57
3.1.B.1.1 Equity other than reinvestment of earnings	95	57	38	63	66	-3
3.1.B.1.2 Reinvestment of earnings	–	51	-51	–	54	-54
3.1.B.2 Debt instruments	–	70	-70	–	49	-49
3.1.B.2.1 Direct investor in direct investment enterprises	–	70	-70	–	49	-49
3.2 Portfolio Investment	**3,843**	**3,251**	**592**	**3,533**	**3,959**	**-425**
3.2.A Portfolio Investment in India	3,836	3,238	598	3,521	3,953	-432
3.2.1 Equity and investment fund shares	2,699	2,616	83	3,077	3,475	-398
3.2.2 Debt securities	1,137	622	515	445	478	-34
3.2.B Portfolio Investment by India	7	14	-7	12	5	7
3.3 Financial derivatives (other than reserves) and employee stock options	**194**	**236**	**-43**	**167**	**271**	**-104**
3.4 Other investment	**3,301**	**3,235**	**66**	**3,839**	**3,268**	**572**
3.4.1 Other equity (ADRs/GDRs)	–	–	–	6	–	6
3.4.2 Currency and deposits	1,031	777	254	1,052	777	275
3.4.2.1 Central bank (Rupee Debt Movements; NRG)	8	–	8	–	–	–
3.4.2.2 Deposit-taking corporations, except the central bank (NRI Deposits)	1,023	777	246	1,052	777	275
3.4.2.3 General government	–	–	–	–	–	–
3.4.2.4 Other sectors	–	–	–	–	–	–
3.4.3 Loans (External Assistance, ECBs and Banking Capital)	638	899	-261	1,021	905	116
3.4.3.A Loans to India	615	892	-277	1,004	893	110
3.4.3.B Loans by India	23	7	16	17	11	6
3.4.4 Insurance, pension, and standardized guarantee schemes	4	4	–	2	1	2
3.4.5 Trade credit and advances	1,360	1,456	-96	1,515	1,495	20
3.4.6 Other accounts receivable/payable - other	267	99	169	243	90	153
3.4.7 Special drawing rights	–	–	–	–	–	–
3.5 Reserve assets	–	**418**	**-418**	**56**	–	**56**
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)	–	418	-418	56	–	56
4 Total assets/liabilities	**8,096**	**7,445**	**650**	**8,334**	**7,809**	**525**
4.1 Equity and investment fund shares	3,609	3,102	507	3,953	4,016	-62
4.2 Debt instruments	4,220	3,827	393	4,076	3,704	372
4.3 Other financial assets and liabilities	267	517	-249	305	90	215
5 Net errors and omissions	**15**	**–**	**15**	**9**	**–**	**9**

No. 42: International Investment Position

(US$ Million)

Item	As on Financial Year /Quarter End							
	2014-15		2014		2015			
			Sep.		Jun.		Sep.	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
	1	2	3	4	5	6	7	8
1 Direct Investment Abroad/in India	132,741	265,527	130,763	252,705	134,144	271,100	135,768	271,041
1.1 Equity Capital and Reinvested Earnings	91,457	254,055	91,086	241,550	92,098	258,806	92,975	258,420
1.2 Other Capital	41,283	11,472	39,678	11,155	42,046	12,293	42,794	12,622
2 Portfolio Investment	1,429	233,391	1,282	216,355	1,595	236,062	1,701	222,545
2.1 Equity	1,050	153,641	947	148,845	1,480	151,105	1,586	140,577
2.2 Debt	378	79,750	335	67,510	115	84,956	116	81,968
3 Other Investment	46,590	388,221	42,362	380,263	42,387	390,388	40,541	392,529
3.1 Trade Credit	5,495	83,692	6,996	82,508	4,485	82,180	3,522	82,589
3.2 Loan	5,664	177,018	5,142	176,122	4,432	174,890	4,273	173,220
3.3 Currency and Deposits	19,432	115,313	14,972	108,870	17,116	120,059	16,667	122,008
3.4 Other Assets/Liabilities	15,998	12,199	15,252	12,763	16,354	13,259	16,080	14,712
4 Reserves	341,639	–	313,841	–	356,001	–	350,288	–
5 Total Assets/ Liabilities	522,398	887,139	488,249	849,322	534,127	897,550	528,299	886,115
6 IIP (Assets - Liabilities)		–364,742		–361,073		–363,422		–357,816

Payment and Settlement Systems

No. 43: Payment System Indicators

System	Volume (Million)				Value (₹ Billion)			
	2014-15	2015		2016	2014-15	2015		2016
		Nov.	Dec.	Jan.		Nov.	Dec.	Jan.
	1	2	3	4	5	6	7	8
1 RTGS	**92.78**	**7.60**	**8.03**	**8.22**	**929,332.89**	**68,045.93**	**89,031.27**	**82,659.68**
1.1 Customer Transactions	88.39	7.26	7.67	7.86	631,050.74	45,281.08	58,712.64	55,307.40
1.2 Interbank Transactions	4.38	0.34	0.36	0.36	122,981.62	8,614.95	10,211.40	11,210.31
1.3 Interbank Clearing	0.012	0.001	0.001	0.001	175,300.73	14,149.90	20,107.23	16,141.98
2 CCIL Operated Systems	**3.03**	**0.20**	**0.25**	**0.26**	**752,000.42**	**54,346.61**	**69,114.62**	**65,553.48**
2.1 CBLO	0.21	0.02	0.02	0.02	167,645.96	12,635.52	15,567.72	13,104.45
2.2 Govt. Securities Clearing	1.09	0.06	0.08	0.08	258,916.76	17,621.84	23,147.93	23,750.43
2.2.1 Outright	0.98	0.05	0.07	0.07	101,561.62	5,068.58	7,946.88	7,702.02
2.2.2 Repo	0.109	0.010	0.012	0.012	157,355.15	12,553.26	15,201.05	16,048.41
2.3 Forex Clearing	1.73	0.13	0.15	0.16	325,437.69	24,089.25	30,398.97	28,698.60
3 Paper Clearing	**1,196.51**	**81.37**	**93.75**	**87.49**	**85,434.14**	**6,178.45**	**6,935.57**	**6,376.98**
3.1 Cheque Truncation System (CTS)	964.86	70.81	82.07	77.58	66,769.93	4,988.06	6,026.51	5,546.26
3.2 MICR Clearing	22.43	-	-	-	1,850.40	–	–	–
3.2.1 RBI Centres	7.50	-	-	-	614.51	–	–	–
3.2.2 Other Centres	14.93	-	-	-	1,235.89	–	–	–
3.3 Non-MICR Clearing	209.82	10.56	11.67	9.91	16,939.34	1,190.39	909.06	830.72
4 Retail Electronic Clearing	**1,687.44**	**257.62**	**299.35**	**290.25**	**65,365.51**	**7,066.06**	**8,879.97**	**7,863.67**
4.1 ECS DR	226.01	20.05	31.57	13.36	1,739.78	157.77	153.06	99.01
4.2 ECS CR (includes NECS)	115.35	2.09	2.09	2.94	2,019.14	56.31	89.69	71.54
4.3 EFT/NEFT	927.55	99.82	119.61	118.97	59,803.83	6,370.16	8,197.21	7,086.75
4.4 Immediate Payment Service (IMPS)	78.37	19.08	20.52	22.48	581.87	137.67	150.73	165.59
4.5 National Automated Clearing House (NACH)	340.17	116.59	125.56	132.50	1,220.88	344.14	289.29	440.77
5 Cards	**8,423.99**	**840.98**	**885.85**	**884.10**	**25,415.27**	**2,509.56**	**2,564.71**	**2,512.03**
5.1 Credit Cards	619.41	66.53	69.90	70.22	1,922.63	210.27	214.69	188.88
5.1.1 Usage at ATMs	4.29	0.49	0.53	0.55	23.47	2.58	2.75	2.66
5.1.2 Usage at POS	615.12	66.04	69.37	69.68	1,899.16	207.69	211.94	186.22
5.2 Debit Cards	7,804.57	774.45	815.95	813.88	23,492.65	2,299.29	2,350.02	2,323.16
5.2.1 Usage at ATMs	6,996.48	674.88	707.87	704.04	22,279.16	2,151.14	2,204.23	2,177.12
5.2.2 Usage at POS	808.09	99.57	108.08	109.84	1,213.49	148.15	145.79	146.03
6 Prepaid Payment Instruments (PPIs)	**314.46**	**62.66**	**68.67**	**65.25**	**213.42**	**43.40**	**44.34**	**49.09**
6.1 m-Wallet	255.00	49.83	53.70	48.74	81.84	19.31	20.63	22.14
6.2 PPI Cards	58.91	12.78	14.93	16.46	105.35	21.80	21.28	24.62
6.3 Paper Vouchers	0.55	0.04	0.05	0.05	26.24	2.29	2.42	2.34
7 Mobile Banking	**171.92**	**40.45**	**39.49**	**42.75**	**1,035.30**	**334.71**	**490.29**	**464.73**
8 Cards Outstanding	**574.56**	**647.11**	**659.61**	**669.61**	–	–	–	–
8.1 Credit Card	21.11	22.48	22.75	23.78	–	–	–	–
8.2 Debit Card	553.45	624.63	636.86	645.83	–	–	–	–
9 Number of ATMs (in actuals)	**181398**	**192208**	**193580**	**195870**	–	–	–	–
10 Number of POS (in actuals)	**1126735**	**1270208**	**1245447**	**1337286**	–	–	–	–
11 Grand Total (1.1+1.2+2+3+4+5+6)	**11,718.19**	**1,250.44**	**1,355.89**	**1,335.57**	**1,682,461.11**	**124,040.11**	**156,463.25**	**148,872.96**

Note : Data for latest 12 month period is provisional.

Occasional Series

No. 44: Small Savings

(₹ Billion)

Scheme		2014-15	2014	2015		
			Aug.	Jun.	Jul.	Aug.
		1	2	3	4	5
1 Small Savings	**Receipts**	**2,411.58**	**193.28**	**262.63**	**284.91**	**280.12**
	Outstanding	**6,323.39**	**6,230.58**	**6,352.52**	**6,379.56**	**6,411.77**
1.1 Total Deposits	**Receipts**	**2,137.49**	**174.51**	**230.85**	**252.18**	**244.01**
	Outstanding	**3,961.81**	**3,923.71**	**3,996.94**	**4,018.44**	**4,040.92**
1.1.1 Post Office Saving Bank Deposits	Receipts	1,142.29	90.99	124.18	135.15	129.36
	Outstanding	474.28	446.10	497.13	508.47	517.28
1.1.2 MGNREG	Receipts	–	–	–	–	–
	Outstanding	–	–	–	–	–
1.1.3 National Saving Scheme, 1987	Receipts	0.44	0.05	–0.01	0.10	0.01
	Outstanding	36.89	37.26	35.77	35.49	35.86
1.1.4 National Saving Scheme, 1992	Receipts	0.03	0.02	–	–	–
	Outstanding	2.32	2.51	1.90	2.08	2.01
1.1.5 Monthly Income Scheme	Receipts	215.69	18.71	25.42	29.07	28.91
	Outstanding	2,005.57	2,016.36	1,989.80	1,983.97	1,979.07
1.1.6 Senior Citizen Scheme	Receipts	30.11	2.17	5.74	7.89	8.44
	Outstanding	179.75	211.26	171.61	170.09	172.45
1.1.7 Post Office Time Deposits	Receipts	330.69	28.28	39.23	41.77	40.74
	Outstanding	517.57	456.93	549.38	564.73	579.74
1.1.7.1 1 year Time Deposits	Outstanding	361.53	313.66	387.50	400.11	412.22
1.1.7.2 2 year Time Deposits	Outstanding	20.31	18.93	21.29	21.75	22.24
1.1.7.3 3 year Time Deposits	Outstanding	41.42	39.88	41.75	42.00	42.43
1.1.7.4 5 year Time Deposits	Outstanding	94.31	84.46	98.84	100.87	102.85
1.1.8 Post Office Recurring Deposits	Receipts	418.24	34.29	36.24	38.20	36.55
	Outstanding	745.13	753.01	751.00	753.26	754.16
1.1.9 Post Office Cumulative Time Deposits	Outstanding	0.08	0.06	0.08	0.08	0.08
1.1.10 Other Deposits	Outstanding	0.22	0.22	0.27	0.27	0.27
1.2 Saving Certificates	**Receipts**	**192.52**	**14.26**	**25.94**	**27.68**	**31.63**
	Outstanding	**1,834.10**	**1,839.66**	**1,834.01**	**1,837.99**	**1,845.99**
1.2.1 National Savings Certificate VIII issue	Receipts	165.84	14.28	10.12	10.05	8.83
	Outstanding	856.08	798.09	863.44	867.20	870.22
1.2.2 Indira Vikas Patras	Receipts	0.04	–	–	–	–
	Outstanding	8.87	8.91	8.87	8.86	8.87
1.2.3 Kisan Vikas Patras	Receipts	5.54	–0.02	0.47	0.37	–0.61
	Outstanding	848.41	958.06	794.76	774.77	754.94
1.2.4 Kisan Vikas Patras - 2014	Receipts	21.1	–	15.35	17.26	23.41
	Outstanding	26.71	–	65.68	83.22	106.63
1.2.5 National Saving Certificate VI issue	Outstanding	–0.82	–0.81	–0.84	–0.85	–0.86
1.2.6 National Saving Certificate VII issue	Outstanding	–0.53	–0.53	–0.54	–0.54	–0.55
1.2.7 Other Certificates	Outstanding	95.38	75.94	102.64	105.33	106.74
1.3 Public Provident Fund	**Receipts**	**81.57**	**4.51**	**5.84**	**5.05**	**4.48**
	Outstanding	**527.48**	**467.21**	**521.57**	**523.13**	**524.86**

Source: Accountant General, Post and Telegraphs.

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

(Per cent)

Category	2014	2015			
	Dec.	Mar.	Jun.	Sep.	Dec.
	1	2	3	4	5
1 Commercial Banks	42.77	43.30	43.14	43.03	43.59
2 Non-Bank PDs	0.34	0.31	0.35	0.54	0.35
3 Insurance Companies	21.02	20.87	21.37	22.09	21.90
4 Mutual Funds	1.68	1.89	2.37	2.69	2.52
5 Co-operative Banks	2.57	2.62	2.73	2.64	2.71
6 Financial Institutions	0.73	2.07	0.70	0.60	0.68
7 Corporates	1.12	1.25	1.12	0.84	0.86
8 Foreign Portfolio Investors	3.62	3.67	3.59	3.57	3.68
9 Provident Funds	7.47	7.58	7.08	7.17	7.11
10 RBI	14.50	13.48	13.06	12.08	12.07
11 Others	4.18	2.96	4.49	4.75	4.51

Explanatory Notes to the Current Statistics

Table No. 1
1.2 & 6: Annual data are averages of months.
3.5 & 3.7: Relate to ratios of increments over financial year so far.
4.1 to 4.4, 4.8, 4.12 & 5: Relate to the last day of the month/financial year.
4.5, 4.6 & 4.7: Relate to five major banks on the last Friday of the month/financial year.
4.9 to 4.11: Relate to the last auction day of the month/financial year.

Table No. 2
2.1.2: Include paid-up capital, reserve fund and Long-Term Operations Funds.
2.2.2: Include cash, fixed deposits and short-term securities/bonds, *e.g.*, issued by IIFC (UK).

Table No. 4
Maturity-wise position of outstanding forward contracts is available at http://nsdp.rbi.org.in under ''Reserves Template''.

Table No. 5
Special refinance facility to Others, i.e. to the EXIM Bank, is closed since March 31, 2013.

Table No. 6
For scheduled banks, March-end data pertain to the last reporting Friday.
2.2: Exclude balances held in IMF Account No.1, RBI employees' provident fund, pension fund, gratuity and superannuation fund.

Table Nos. 7 & 11
3.1 in Table 7 and 2.4 in Table 11: Include foreign currency denominated bonds issued by IIFC (UK).

Table No. 8
NM_2 and NM_3 do not include FCNR (B) deposits.
2.4: Consist of paid-up capital and reserves.
2.5: includes other demand and time liabilities of the banking system.

Table No. 9
Financial institutions comprise EXIM Bank, SIDBI, NABARD and NHB.
L_1 and L_2 are compiled monthly and L_3 quarterly.
Wherever data are not available, the last available data have been repeated.

Table No. 15 & 16
Data are provisional and relate to select banks which cover 95 per cent of total non-food credit extended by all scheduled commercial banks (excludes ING Vysya which has been merged with Kotak Mahindra since April 2015).
Export credit under priority sector relates to foreign banks only.
Micro & small under item 2.1 includes credit to micro & small industries in manufacturing sector.
Micro & small enterprises under item 5.2 includes credit to micro & small enterprises in manufacturing as well as services sector.
Priority Sector is as per old definition and does not conform to FIDD Circular FIDD.CO.Plan.BC.54/04.09.01/2014-15 dated April 23, 2015.

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), SDRs transferred by Government of India to RBI 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, Yen and Australian Dollar) held in reserves. Foreign exchange holdings are converted into rupees at rupee-US dollar RBI holding rates.

Table No. 34
1.1.1.1.2 & 1.1.1.1.1.4: Estimates.
1.1.1.2: Estimates for latest months.
'Other capital' pertains to debt transactions between parent and subsidiaries/branches of FDI enterprises.
Data may not tally with the BoP data due to lag in reporting.

Table No. 35
1.10: Include items such as subscription to journals, maintenance of investment abroad, student loan repayments and credit card payments.

Table No. 36
Increase in indices indicates appreciation of rupee and vice versa. For 6-Currency index, base year 2012-13 is a moving one, which gets updated every year. REER figures are based on Consumer Price Index (combined). Methodological details are available in December 2005 and April 2014 issues of the Bulletin.

Table No. 37
Based on applications for ECB/Foreign Currency Convertible Bonds (FCCBs) which have been allotted loan registration number during the period.

Table Nos. 38, 39, 40 & 41
Explanatory notes on these tables are available in December issue of RBI Bulletin, 2012.

Table No. 43
1.3: Pertain to multilateral net settlement batches.
3.1: Pertain to two centres - New Delhi and Chennai.
3.3: Pertain to clearing houses managed by 21 banks.
6: Available from December 2010.
7: Include IMPS transactions.

Table No. 45
The holdings of RBI have been revised since December 2014, based on the revised liquidity management framework.

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 2016	₹200 per copy (over the counter) ₹240 per copy (inclusive of postage) ₹2,800 (one year subscription - inclusive of postage)	US$ 11 per copy (inclusive of postage) US$ 130 (one-year subscription) (inclusive of air mail courier charges)
2. Handbook of Statistics on the Indian Economy 2014-15	₹400 (Normal) ₹450 (inclusive of postage) ₹300 (concessional) ₹375 (concessional with postage)	US$ 40 (inclusive of air mail courier charges)
3. Report on Currency and Finance 2009-12 Fiscal-Monetary Co-ordination	₹515 (normal) ₹555 (inclusive of postage)	US$ 16 per copy (inclusive air mail courier charges)
4. 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 (inclusive air mail courier charges)
5. State Finances - A Study of Budgets of 2014-15	₹390 per copy (over the counter) ₹430 per copy (including postal charges)	US$ 14 per copy (inclusive air mail courier charges)
6. Handbook of Statistics on State Government Finances 2010	CD-ROM ₹80 (normal) ₹105 (inclusive of postage) ₹60 (concessional) ₹85 (concessional inclusive of postage)	US$ 16 per CD (inclusive of air mail courier charges) US$ 4 per CD (inclusive of registered air mail charges)
7. 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 (inclusive of air mail book post charges)
8. Mint Road Milestones RBI at 75	₹1,650 per copy (over the counter)	US$ 50 per copy (inclusive of air mail courier charges)
9. India's Financial Sector, An Assessment Vol. I to VI 2009	₹2,000 per copy (over the counter) ₹2,300 per copy (inclusive postal charges) ₹1,500 per copy (concessional price) ₹1,800 per copy (concessional inclusive of postage)	US$ 40 per set and US$ 120 per set (inclusive of air mail courier charges)
10. 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 air mail courier charges)
11. 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 courier charges)
12. A Profile of Banks 2012-13	₹80 per copy (over the counter) ₹110 per copy (inclusive of postal charges)	US$ 7 per copy (inclusive of air mail courier charges)

Name of Publication	Price	
	India	Abroad
13. 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) (inclusive of air mail courier charges)
14. Statistical Tables Relating to Banks in India 2012-13	₹240 per copy (over the counter) ₹300 (inclusive of postage)	US$ 13 per copy (inclusive of air mail courier charges)
15. 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 US$ 55 per copy (inclusive of air mail courier charges)
16. Basic Statistical Returns of Scheduled Commercial Banks in India Vol. 41 March 2012	₹270 per copy (over the counter) ₹310 per copy (inclusive of postal charges)	US$ 10 per copy (inclusive of air mail courier charges)
17. Private Corporate Business Sector in India - Selected Financial Statistics from 1950-51 to 1997-98	₹500 per CD (over the counter)	US$ 100 per CD ROM (inclusive of air mail courier charges)
18. Banking Glossary (2012)	₹80 per copy (over the counter) ₹120 per copy (inclusive of postal charges)	
19. Anuvad Ke Vividh Aayam (Hindi)	₹165 per copy (over the counter) ₹205 per copy (inclusive of postal charges)	

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 1935-1997 (4 Volumes), Challenges to Central Banking in the Context of Financial Crisis and the Regional Economy of India: Growth and Finance are available at leading book stores in India.

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