

RESERVE BANK OF INDIA

B U L L E T I N



JULY 2014

VOLUME LXVIII NUMBER 7

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M. D. Patra
Brajamohan Misra
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A. K. Srimany

EDITOR

Sanjay Kumar Hansda

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*Financial Sector Legislative Reforms Committee Report (FSLRC): What to do and when?**

Raghuram G. Rajan

The Financial Sector Legislative Reforms Committee (FSLRC) Report is one of the most important, well researched, as well as well-publicised reports in Indian financial history. It not only lays out the functions of the financial sector and how it should be structured, but also how legislation and regulation governing it ought to look like. The authors of this report truly have to be commended for their national service. The report's influence will be felt for many years to come.

There is much to like and agree with in the report. In laying out the need for consumer protection, raising the issue of whether products sold are suitable for the target customer, and putting the onus on the financial institution to determine suitability, the report has forced regulators to review their consumer protection frameworks. We at the RBI are indeed engaged in such an exercise, informed by the valuable guidelines in the FSLRC report.

There is more of great value. The FSLRC's emphasis on the need for a clear monetary framework culminated in the Dr. Urjit Patel Committee report, which will guide our thinking in the years to come. Similarly, its focus on creating new institutions like the Financial Resolution Authority, which will help us resolve distressed financial institutions at minimum cost to the economy, is much needed.

I could go on. But I come here not to praise the FSLRC Report, but to debate some of it. I will argue that there are two fundamental areas of tension. One is the oversight of regulators. The FSLRC suggests laws that do not micromanage, giving regulators the freedom to

fill in the details in consonance with the changing needs of the economy. At the same time, the FSLRC wants to check and balance the activities of regulators through judicial oversight. Too much of checks and balances could completely vitiate the flexibility afforded by rewriting laws. We need to find a proper balance, and the balance may vary with our level of development. I worry we have not thought through this fully.

The second area of tension is the appropriate size and scope of regulators. The FSLRC's recommendations seem somewhat schizophrenic here. On the one hand, it emphasises synergies in bringing together some regulators into one entity. But in the process it suggests breaking up other regulators, with attendant loss of synergies. There is no discussion of the empirical magnitude of the synergies gained or synergies lost, which makes the recommendations seem faddish and impressionistic rather than based on deep analysis. Indeed, across the world, we see a variety of organisational structures in existence, suggesting that there is no one right structure. If so, there should be strong arguments for departing from the status quo, which the FSLRC does not provide.

Let me elaborate on these two issues.

The Logic for Regulation

The logic for regulation according to the FSLRC is to deal with market failure or, more colloquially, bad behaviour. The Commission talks about incomplete information or poor incentives as a reason for bad behaviour, but one of the most important reasons for the bad behaviour necessitating regulation is what economists call incomplete contracts; that is, the behaviour of the regulated entity (*vis-a-vis* customers, the public at large, the taxpayer, or the market) cannot be completely specified in contracts because it is too difficult to observe or verify in real time, or it can only be gauged across many contracts.

This means that while courts can enforce specific contracts, the regulator can sometimes do better. For instance, a bank may attract a lot of complaints from

* Talk by Dr. Raghuram G. Rajan, Governor, Reserve Bank of India at the First State Bank 'Banking and Economic Conclave' held at Mumbai on June 17, 2014.

its credit card customers. While no single customer may think the case worth taking to court, and while no customer may be able to prove the bank was in the wrong, the large number of complaints will suggest to the regulator that the bank needs to shape up. By comparing the nature of the complaints it gets from this bank's customers with the complaints it gets from other banks, the regulator can gauge whether something is wrong with the bank and act. Similarly, if a particular product attracts a lot more complaints than other products, the regulator can ask the industry to modify the product appropriately, or even ban it.

A regulator may also have to prevent certain forms of contracting – such as the Collateralised debt obligation (CDO) squared and CDO cubed that emerged before the financial crisis. If the regulator thinks a certain kind of security will impose undue risks on the system, it can ban the security, even though it would have traded amongst consenting adults. While the regulator has no proof that the security will behave as it thinks, the regulator cannot wait till the risks occur, for it may be too late.

The broader point is that a lot of regulatory action stems from the regulator exercising sound judgment based on years of experience. In doing so, it fills in the gaps in laws, contracts, and even regulations. Not everything the regulator does can be proven in a court of law. Courts do not interfere in the specific decisions of a corporate board – using the business judgment rule, they do not second guess business decisions, and only pull up boards when there is a violation of the legal process of arriving at a decision. In the same way, there are a range of regulatory decisions where regulatory judgment should not be second guessed.

The Danger of Excessive Legal Oversight

Yet one reading of the FSLRC is that almost everything the regulator does, not just the framing of regulation or the process by which decisions are reached but also the exercise of regulatory judgment as well as policy decisions, is to be subject to legal appeal. For

that, it wants to create a Financial Sector Appellate Tribunal. The intent is to place more checks and balances on regulatory actions. Note that the process by which the regulator reached a decision, as well as the conformity of the decision with basic principles such as natural justice, can already be challenged through a writ petition in High Court. Even now, some regulatory decisions can be appealed to the Central Government. But how much checking and balancing is enough? Do we want even policy decisions to be appealable? Can legal oversight become excessive?

There are three dangers we have to guard against. The first is to ask tribunals to make judgments that they simply do not have the capability, experience, or information to make, and where precise evidence may be lacking. If we attempt to do this, we will undermine the very purpose of a regulator. Of course, one could trust the good sense of the tribunal to follow a "regulatory judgment" rule and not intervene in a broad array of matters, but does this not imply a double standard – we trust the tribunal's judgment but not that of the regulator. More likely, though, past experience suggests that entities like to justify their existence, and if set up, a tribunal will intervene more than necessary.

The second danger is that easing the appellate process will invite appeal. In a developed country with well-established regulations, a case history of judgments, and speedy delivery of justice, this would not be a problem. In India, where the financial system is developing and many new regulations have to be framed (more so if we move to a principle based approach for legislation), and where the tribunals will have a significant amount of learning to do, the encouragement to appeal could paralyze the system and create distortions, as needed regulations are held up and participants exploit loopholes.

Finally, in every country, a healthy respect for the regulator serves to keep participants on the straight and narrow. In a developing country, where private behaviour is less constrained by norms or institutions, this is especially important. But to the extent that

private parties with their high priced lawyers can check the regulator, that healthy respect dissipates. So the final danger is that the regulator could become a paper tiger, and lose its power of influencing good behaviour, even in areas that are not subject to judicial review.

Am I arguing that no checks and balances are needed? Certainly not! But there are already checks and balances in place, including review by constitutional courts like high courts through writ petitions. Senior officers of the regulator are appointed, and can be removed, by the government. The FSLRC recommends an annual report to parliament, as well as regular discussions with parliamentarians. These are good suggestions, which would add to oversight.

Some could argue that SEBI is already under the Securities Appellate Tribunal, so why not bring other regulators under a tribunal? So long as the Tribunal only questions administrative decisions such as the size and proportionality of penalties, I do not see a problem. But if it goes beyond, and starts entertaining questions about policy, the functioning of a regulator like the RBI, which has to constantly make judgments intended to minimise systemic risk, will be greatly impaired. Indeed, because of the tendency of any new organisation to overreach to justify its existence, one should be careful about tying the financial regulator with further judicial oversight. Better to revisit these issues a few years from now when both regulation and oversight mechanisms are better developed.

Finally, we do understand that if the regulator wants to be trusted, it has to display the greatest competence and integrity. The RBI, despite the general deterioration in the probity of public institutions, has maintained a reputation for integrity. We cannot be complacent about this and have to work on maintaining a culture, as well as service conditions, that encourage integrity. We also have to work continuously on upgrading our capabilities so we match the fast pace of change in the financial sector.

Regulatory Architecture

Another area where there are tensions in the FSLRC's reasoning is on regulatory architecture. Let us take the suggestion to merge all regulation of trading under a new Unified Financial Agency. So the Forward Markets Commission, as well as the bond regulation activities currently undertaken by the RBI, would move under a new roof, as would SEBI. But this assumes that the central synergy is the fact that the instrument is traded. But could other synergies exist? And how important are they?

For instance, in forward trading where a real commodity is delivered, regulatory oversight over the real markets for the commodity where price is discovered, as well as over warehouses where the commodity is delivered, may be important sources of regulatory synergy. Should the FMC be subsumed under the Unified Financial Agency or would it be better off having stronger links to the ministries overseeing the real commodities? I think the answer needs more investigation.

Similarly, is the regulation of bond trading more synergistic with the regulation of other debt products such as bank loans and with the operation of monetary policy (which requires bond trading) than with other forms of trading? Once again, I am not sure we have a compelling answer in the FSLRC report. My personal view is that moving the regulation of bond trading at this time would severely hamper the development of the government bond market, including the process of making bonds more liquid across the spectrum, a process which the RBI is engaged in.

The FSLRC also seems to be inconsistent in its emphasis on synergies and regulatory uniformity. It proposes all regulation of trading should move under one roof, all regulation of consumer protection should move under another roof, but the regulation of credit should be balkanised – banks should continue to be regulated by the RBI but the regulation of the quasi-bank NBFCs should move to the Unified Financial Agency, a regulatory behemoth that would combine supervision

of trading as well as credit. This balkanisation would hamper regulatory uniformity, the supervision of credit growth, and the conduct of monetary policy.

More broadly, the FSLRC seems to have a somewhat idealistic view of the benefits of reorganisation. It seems to believe that once activities are combined in an organisation, synergies can be fully exploited while if they exist in separate organisations, synergies will not be exploited. I too shared such a view, but I now believe it is too extreme. Silos within a large bureaucratic regulator may prevent synergies from being exploited, while frequent inter-regulatory meetings can allow regulators to capture many of available synergies between their activities. Indeed, one particularly useful proposal by the FSLRC is to put the Financial Sector Development Council on a firmer footing. It is a good venue for inter-regulatory cooperation, and its benefits are further augmented by personal interactions. For instance, Chairman SEBI and I try to get together once every month to note and resolve issues.

At the same time, while negotiations and cooperation between regulators can overcome organisational barriers, it is not wise to give a regulator a responsibility and leave the tools for exercising that responsibility in other hands. The RBI has responsibility for managing the internal and external value of the rupee, and more broadly, for macroeconomic stability. As a number of multilateral agencies and academics have recognised, the ability to shape capital inflows is now a recognised part of the macro-prudential tool kit. But by taking away control over internal capital inflows from the RBI, isn't the FSLRC taking away an important tool from the RBI?

If it ain't broke...

Lest all this sound like an unthinking defence of regulatory turf, let me add that there are places where

the RBI could give up powers. For instance, if the government wants to manage its own debt, there is no reason for the RBI to stand in the way. I don't believe the government suffers any less from conflicts of interest in debt management (unlike the views of the FSLRC), but the RBI could well carry out the government's instructions without any loss in welfare. I imagine, however, that the government will depend on deputations from the RBI for a while for advice.

Instead, think of my remarks as an attempt to draw out the important and undoubted benefits of the FSLRC report, while eschewing grand schemes with dubious chances of success. Undoubtedly our laws need reform, but that is no reason to try entirely new approaches to legislation, overlaid on entirely new regulatory structures, complemented by entirely new oversight over regulation. Undoubtedly, we have had, and will have, periods when regulators have not gotten along with each other. But is that a reason to merge some organisations and break up others, perhaps ensuring dysfunctionality along many other dimensions? After all, there is no single regulatory architecture that has emerged with distinction from the crisis. Instead, different regulatory architectures have succeeded or failed based on the circumstances of the country and the quality of the regulator.

Undoubtedly, we have also had occasions when regulators have exceeded their remit or been high-handed. But is that a reason to subject their every action to judicial second-guessing? Is there a reason we need more checks and balances, or are we trying to solve a problem that does not exist.

As the Chinese would say, let us recognise the value of crossing the river by feeling each stone before we put our weight on it. Let us not take a blind jump hoping that a stone will be there to support us when we land. Or in American, if it ain't broke, don't fix it!

*Banks in India: Challenges & Opportunities**

Harun R. Khan

Smt. Arundhati Bhattacharya, Chairman, State Bank of India, Shri Deepak Parekh, Chairman HDFC, Shri V. G. Kannan, Chairman, SBI Cap Securities Ltd., Shri Mani Palivesan, Managing Director, SBICap Securities Ltd, distinguished panelists and participants. It is a pleasure to address the banking, financial services and insurance (BFSI) Conference 2014 which features panel discussions on topical issues in banking. The first panel discussion, interestingly, is on Disruptive Themes for Next Decade. The word disruptive is usually used with a negative connotation and therefore to be chosen as the theme for the panel discussion is a bold decision. On a careful rethinking, it seems disruptions can be used as synonym for challenges posed by paradigm shifts in the environment, thereby questioning the way things are done today. These challenges are opening the opportunities which banks should harness if they want to remain relevant in the financial service space in India. Therefore, in my address I intend to focus on some of these challenges & opportunities.

2. As at end-March 2013, there were 155 commercial banks including 151 scheduled commercial banks (SCBs) of which Regional Rural Banks were 64. The total number of bank offices at end-March 2014 is estimated to have reached 1,15,014 and the population per office, 1,10,052. In terms of the regional spread of the bank offices, while North Eastern region accounted for about 2 per cent (2,785 bank offices), Southern region accounted for about 28 per cent (30,925 bank offices). Despite such vast expansion of banking network, banking penetration still remains relatively low. According to the CRISIL's financial inclusion index,

* Keynote address delivered by Shri Harun R. Khan, Deputy Governor at the BFSI Conference 2014 organised by SBICap Securities on June 12, 2014 in Mumbai. The speaker gratefully acknowledges the contributions of Shri Prakash Baliarsingh, Smt. Nilima Ramteke and Shri Tulasi Gopinath of the Reserve Bank of India.

Inclusix, which covers three parameters of branch penetration, deposit penetration and credit penetration, at all India level, the index is placed (on a scale of 100) at 40.1 in 2011, reflecting under penetration of formal banking facilities in most part of the country. While the Southern region witnessed highest financial inclusion with index at 62.2, North-Eastern region registered lowest with 28.5. Under-penetration is evident in terms of number of ATMs and POS per million population also. In India, it stood at about 94 and 695 respectively as compared to, say, 1200 and 4853 respectively in Russia. The credit to GDP ratio is at around 53 per cent, which is low compared to the credit-GDP ratio of many advanced & developing economies. Hence, there is a need for much greater banking and credit penetration going forward. This is so because despite efforts to develop the corporate bond market, the Indian financial system remains bank-dominated with commercial banks accounting for over 60 per cent of the financial sector assets. It is, therefore, essential for the Indian economy, striving for an accelerating, sustainable and inclusive growth in the medium to long-term, to have a healthy and growing banking system.

3. Indian banking in future is, thus, expected to grow exponentially supported by technology intensive processes and customer friendly models with focus on convenience and cost effectiveness. A report titled *Indian Banking 2020: Making Decade's Promise come True* brought out by the Boston Consulting Group in 2010 had identified ten broad trends for the Indian banking. These and a few other areas which should receive the attention of banks seeking opportunities for sustainable growth are summarised below:-

- i. Retail banking will be immensely benefited from the Indian demographic dividend. It is important to note that the middle class population is expected to touch 200 million by 2020 and 475 million by 2027¹. This would imply mortgages would grow fast and likely to cross ₹40 trillion by 2020;

¹ Report of Ernst & Young : China and India: tomorrow's middle classes.

- ii. Another segment that will provide huge opportunities will be the financing of affordable housing for growing 'low' & 'middle' class;
- iii. Rapid accumulation of wealth in rich households will drive wealth management to 10X size;
- iv. '*The Next Billion*' consumer segment will emerge as the largest in terms of numbers and will accentuate the demand for low cost banking solutions and innovative operating models, throwing up a big market of small customers;
- v. Branches and ATMs will need to grow 2X and 5X respectively to serve the huge addition to bankable population. Low cost branch network with smaller sized branches will be adopted;
- vi. Mobile banking will come of age with widespread access to internet on mobile reaping the benefit of the high mobile density in the country;
- vii. Banks will adopt CRM and data warehousing in a major way to reduce customer acquisition costs and improve risk management. Banks will have to understand and adopt new technologies like, cloud computing and invest significantly in analytics based on big data;
- viii. Margins will see downward pressure both in retail and corporate banking, spurring banks to generate more fees and improve operating efficiency;
- ix. Banks will discover the importance of the SME segment for profitability and growth and new models to serve SME segment profitably will be found as more than three fourth of the segment is still waiting to be served;
- x. Investment banking will grow 10X, driven by demand from corporates for transaction support and capital market access; and
- xi. Infrastructure debt will surpass ₹45 trillion — half of which will be on bank's books. It will touch the ALM limits of banks and will require a significant upgrade of banks' risk management systems.
- xii. The focus of agricultural financing will be on areas like end-to-end supply chain management, various aggregation models of financing, organic and other niche areas of agriculture. Rural banking predominantly will have to harness branchless models and alternative channels of service.
- xiii. Although banks will continue to focus on domestic business, given the rising trend of globalisation, cross-border banking business will need more attention. As per a recent World Bank report, India retained its topmost position with US\$ 70 billion in remittances in 2013 followed by China (US\$ 60 billion), the Philippines (US\$ 25 billion), Mexico (US\$ 22 billion), Nigeria (US\$ 21 billion), Egypt (US\$ 17 billion), Pakistan (US\$ 15 billion) and Bangladesh (US\$ 14 billion). Apart from remittances and deposit & investment related transactions originating from the growing Indian diaspora, India has been witnessing a significant increase in trade finance and outward direct investments. In other words, banks will need to gear up to reap the benefits of increasing business arising out of globalization of India and resident and non-resident Indians;
- xiv. It has now been realized that manufacturing will have to be one of the key drivers of growth though in the recent past, with moderation in the growth rate, the sector also witnessed a slowdown. A recent report of the McKinsey Global Institute² observes that for making a substantial improvement in the standards of living of the Indian people and alleviating poverty, about 115 million new non-farm jobs will have to be created between 2012 and 2022 and of these, about 27 million new jobs need to be created in manufacturing. The required growth rate in manufacturing sector output needs to be at least 10 per cent a year, probably higher. The National

² From poverty to empowerment: India's imperative for jobs, growth, and effective basic services, February 2014.

Manufacturing Policy envisages share of manufacturing in GDP to 25 per cent by 2022. Achieving this rate of growth would require significant amount of financing by the banks.

4. Against this evolving milieu of opportunistic trends, I feel it is appropriate to take stock of the challenges facing banks going forward in terms of strategies and business models that they will need to adopt more specifically from the regulatory and payment system perspectives. I intend to highlight some of the major challenges.

Challenges from the regulatory perspective

Re-orientation of the Indian Banking Structure

5. As the economy expands, a greater quantum of resources will be needed for supporting the growth process. The Indian banking sector also needs to catch up the likely acceleration in the credit to GDP ratio as the economy expands. To support the economic growth as envisaged in the 12th Five Year Plan, the banking business needs to expand significantly to an estimated ₹ 288 trillion by 2020 from about ₹ 115 trillion in 2012.³ Given this, there is a need for reorienting the banking structure to make it more dynamic and flexible, while ensuring safety and systemic stability. There is enormous scope for increasing the size and capacity of the banking structure. Accordingly, the Reserve Bank came out with a set of guidelines for licensing of new banks in the private sector in February 2013. The process of licensing culminated with the granting of 'in-principle' approval to two applicants who would set up new banks in the private sector within a period of 18 months.

6. While announcing the decision to grant 'in-principle' approval to the two applicants, the Reserve Bank indicated that going forward, it would use the learning experience from this licensing exercise to revise the guidelines appropriately and move to grant licences more regularly on 'tap' basis. Further, the

Reserve Bank would work on a policy of having various categories of 'differentiated' bank licences which will allow a wider pool of entrants into banking leading to greater banking penetration and more competitive environment. The Reserve Bank has, accordingly, been working on the relevant guidelines for licensing payment banks and small banks.

7. Eventually, over the years, as visualized in the Discussion Paper, the reoriented the banking structure may comprise four tiers. The first tier may consist of three or four large universal Indian banks with domestic and international presence along with branches of foreign banks in India. The second tier is likely to comprise several mid-sized banking institutions including niche banks like Payment Banks with economy-wide presence. The third tier may encompass old private sector banks, Regional Rural Banks, and multi state Urban Cooperative Banks. The fourth tier may embrace many small privately owned local banks and cooperative banks.

Competition

8. W. Chan Kim & A. Renee Mauborgne in their '*Blue Ocean Strategy*' have shown that companies can succeed not by battling competitors, but rather by creating *Blue Oceans* of uncontested market space. These strategic moves create value for the company, its buyers and its employees, while unlocking new demand and making the competition irrelevant. Unlike the *Red Ocean Strategy*, the conventional approach to business of beating competition, the "*Blue Ocean Strategy*" tries to align innovation with utility, price and cost propositions. Similarly, financial sector reforms have brought about significant structural changes and created several *blue oceans*. A manifestation of this development is reflected in the increase in bank competitiveness. The share of public sector banks (PSBs) in total banking assets, which was 90 per cent on the eve of reforms in 1991 has since declined to around 72 per cent, a decline of roughly 1 percentage a year. In a move that is further expected to increase competition in the domestic banking

³ *Banking Structure in India-The Way Forward*, Discussion Paper, Reserve Bank of India, August 2013.

industry, the Reserve Bank released the framework for setting up of Wholly Owned Subsidiaries (WOS) by foreign banks to India in November 2013, besides the framework for new universal banks and differentiated banks, such as, small banks and payment banks, which is in the offing. As I mentioned above, new banks are set to enter banking sector. Further, banks are facing increasing competition from non-banks including NBFCs, MFIs and tech companies. Going ahead, there may be increase in the non-bank related financing activities through innovations like Peer-to-Peer (P2P) lending⁴, direct consumer lendings and social investing. With increasing competition, banks, will need to tap into untapped business opportunities. This would also call for harnessing resources at the bottom of the pyramid. Small customers are as important to their business growth as big business opportunities. The challenge before banks would be to make the best use of technology and innovation to bring down intermediation costs while protecting their bottom lines

Basel III implementation

9. The implementation of Basel III framework will throw various challenges for banks. In particular, the adoption of Basel III capital requirements by Indian banks would push down their return on equity (RoE) to an extent. Investors have a wider choice and the stocks of the manufacturing sector may be preferred to banking sector stocks and, as such, it may perhaps be difficult to convince the investor community to invest in Indian banks in the short-term. It is, however, expected that by looking at the benefits of implementation of Basel III capital requirements by

⁴ P2P lending also referred to as 'social investing', 'marketplace lending' or 'direct consumer lending' is the practice of borrowing and lending of money among unrelated individuals and business entities, on the online platforms, without any role of a traditional financial intermediary like a bank or a non-banking financial institution. Crowd funding is a common term where small amounts of money from large number of individuals/organizations is raised to fund an art work, social cause or start-up venture through web-based platform. The P2P lending is carried out through the websites of the P2P lending companies, using different lending 'platforms', which charge a relatively small commission for their services.

way of increasing resilience of the banking system, investors will get adjusted to the new reality. This issue also needs to be seen in a historical perspective to understand the fact that Indian banks have successfully transited in the past from the regime of no regulatory requirement for capital to progressively tighter capital requirements and it would be logical to expect that Indian banks would be able to navigate the current phase as well. Nevertheless, it needs to be recognised that while moderation of growth in RoE is inevitable, the key to cushion this impact is to optimise capital and augment efficiency.

10. On June 9, 2014, the Reserve Bank issued guidelines for the implementation of the Liquidity Converge Ratio (LCR), which is a part of the Basel III framework on Liquidity Standards. In India, the LCR will be introduced in a phased manner starting with a minimum requirement of 60 per cent from January 1, 2015 and reaching minimum 100 per cent on January 1, 2019. Further, Government securities in excess of minimum SLR requirements and the Government securities within the mandated SLR requirement to the extent allowed by the Reserve Bank under Marginal Standing Facility (MSF) are permitted to be treated as Level 1 assets for the computation of LCR. Adoption of liquidity standards under Basel III may induce changes in funding preferences of the Indian banks reflecting the fact that availability of and access to quality liquid assets may be a challenge going forward when the LCR requirement increases incrementally.

Capital mobilisation

11. In the process of phased adoption of Basel III capital norms, Indian banks in general have a relatively comfortable capital adequacy position to begin with. Rising required amount of capital going forward would be, however, a challenge, to which I turn now. The Reserve Bank issued final guidelines on implementation of Basel III capital regulations on May 2, 2012. The guidelines became effective from April 1, 2013 in phases and will be fully implemented as on March 31, 2019. Though there are various estimates about the

additional capital mobilisation by the PSBs arising out of the phased implementation of Basel III capital requirements, one thing is clear that the required magnitude of capital in the run up to the full implementation will be substantial. During the last four years, the Government has infused ₹ 586 billion in the PSBs. The Government has made a provision of ₹112 billion in the interim budget for 2014-15. PSBs hold more than 70 per cent of the banking assets. Therefore, capital infusion from the Government of this order may not be sufficient. It is also important to note that there has been over reliance on the Government to infuse equity despite headroom available for the management of the banks to raise equity from markets. There have not been concerted efforts made by PSBs to shore up their equity capital base from the markets, keeping in view the Basel III capital adequacy requirements. Their internal generation of capital has suffered mainly due to sharp deterioration in the asset quality possibly due to / adverse selection of assets. The growing pressure on asset quality of PSBs and the threat of rating downgrades will further add pressure on the equity of banks. Further, there would be further requirement of capital based on supervisory review and evaluation process under Basel Pillar II framework.

12. With higher additional capital requirements, as discussed above, recapitalisation of PSBs could exert significant stress on the government's fiscal position. There are, however, several potential options available to meet the challenges of mobilisation of additional capital. These would include:

- i. Divestment of Government's shares in PSBs. Given the present level of government shareholding in these banks which ranges from 58 per cent to 89 per cent, there is substantial ground for raising equity from the market without diluting the public sector character;
- ii. The roles and responsibilities of the Boards of PSBs could be reviewed. The effectiveness of the Board and senior management has a moderating

effect on the risk profiles, and consequently, overall capital requirements in a bank. The Government, being the owner of the PSBs, could address the governance aspects concerning PSBs;

- iii. In addition to the public and rights issues, banks have other routes available to raise equity in the form of qualified institutions' placement (QIP) and ESOP. Boards of PSBs need to explore all the feasible options to raise equity capital.
- iv. Providing tax incentive to investors' on investments in banks' Tier 1 bonds like tax exemption of interest income (in part or in full) with a view to promoting and deepening the market for these bonds may be useful at this stage;
- v. PSBs may issue non-voting equity shares to the public thereby while the Government can hold less than 51 per cent of the total equity shares, it can still maintain at least 51 per cent voting rights of the total voting equity;
- vi. Similarly, the option of issuance of differential voting equity could also be considered. These issuances will allow the Government to maintain their voting rights at the desired level even though there may be a dilution in the economic interest, i.e., in terms dividend income to the Government;
- vii. The Government's stake in PSBs can be diluted below 51 per cent in conjunction with certain protective rights given to the Government by amending the respective statutes governing PSBs;
- viii. In this connection, the proposals of the Committee to Review Governance of Boards of Banks in India (Nayak Committee) to transfer the Government's shares in PSBs to an investment company *viz.*, Bank Investment Company (BIC), reduce Government stakes in PSBs to less than 50 per cent and provide more autonomy and professionalism to PSBs which are expected to improve the returns on equity and attract more capital from the market apart from reducing provision requirements, *etc.* are worth serious consideration; and

- ix. As regards distressed banks in private sector, Nayak Committee has also recommended that private equity funds, including sovereign wealth funds be permitted to take a controlling stake of 40 per cent.

Asset quality

13. During the quarter ended December 2013, banks collectively held loan provisions of about Rupees one lakh crores, an increase of 13 per cent over the year, indicating that loan asset quality of banks in India deteriorated considerably. The trend of y-o-y growth in gross non-performing advances (GNPA) outstripping the y-o-y growth of advances, that started from the quarter ended September 2011, continues although the gap in the growth rates is narrowed⁵. The PSBs continued to register the highest level of stressed advances at 11.3 per cent of the total advances as at end March 2014, followed by the old private bank at 5.8 per cent. Though agriculture sector showed the highest GNPA ratio the industry sector showed distinctly high level of restructured standard advances, resulting in the stressed advances of the industry sector reaching 15.6 per cent followed by the services at 7.9 per cent as at December 2013. There are five sub-sectors, namely, infrastructure {which includes power generation, telecommunications, roads, ports, airports, railways (other than Indian Railways) and others infrastructure}, iron and steel, textiles, mining (including coal) and aviation services had significantly higher level of stress and thus these sub-sectors/segments were identified as 'stressed' sectors in the banks' lending portfolios. The share of these five

stressed sub-sectors to the total advances of the SCBs is around 24 per cent. Infrastructure has the highest share at 14.7 per cent in the total advances. Among the bank-groups, these five sub-sectors have the highest share at 27.3 per cent in the case of PSBs.

14. It is widely accepted that the economic slowdown has affected the asset quality of banks adversely though the impact is not similar across bank groups. Sector-wise and their size-wise analysis of asset quality shows that the GNPA ratio of PSBs across the sectors and their size are significantly higher than the other bank-groups. How do we face upto the challenge of deteriorating asset quality of banks? Though analysts have often pointed out that the poor asset quality of the banks, to a great extent, could be attributed to the not so encouraging macro-economic situation, it is expected that the implementation of the new initiatives by the Central Government would address these issues effectively. Skeptics, though may still point out at factors, such as, the threat of 'El Nino' which could result in poor monsoon, global developments, such as, quantitative easing, etc. and geopolitical risks, could threaten the performance of banks in India. It is also true that even when general economic outlook is healthy, the asset quality of banks could still suffer due to inadequacies in credit management. There are no short cuts for proper credit appraisals and monitoring. Recognising early warning signals and taking timely measures to take care of the weaknesses observed are very important.

15. The Reserve Bank, on January 30, 2014, has issued a 'Framework to Revitalise the Distressed Assets in the Economy', wherein banks would recognise at an early stage the stress in their assets and take prompt steps towards resolution/ recovery of distressed assets and detailed guidelines in this regard were issued on February 26, 2014. The Framework has identified certain structural impediments in the way of smooth resolution/recovery of stressed assets of banks and suggested steps, such as, revamping the SARFAESI Act, revitalising DRTs, etc. and rejuvenating Asset Reconstruction Companies, are also being mooted.

⁵ The system level gross non-performing advances (GNPA) of SCBs as percentage of total advances, declined to 3.9 per cent in March 2014 from 4.2 per cent in September 2013. The net non-performing advances (NNPA) as percentage of total advances, also declined to 2.0 per cent in March 2014 from 2.3 per cent in September 2013. This improvement in asset quality was due to the lower slippage of standard advances to non-performing and a seasonal pattern of higher recovery and write-offs that generally take place during the last quarter of financial year. The stressed advances of SCBs also declined to 9.6 per cent of total advances as at end March 2014 from 10.2 per cent of September 2013. This improvement in the asset quality was observed across all the bank-groups.

16. The Reserve Bank of India has set up the Central Repository of Information on Large Credits (CRILC) to collect, store and disseminate data on all borrowers' credit exposures including Special Mention Accounts (SMA 0, 1 & 2) with aggregate fund-based and non-fund based exposure of ₹50 million and above. The CRILC has started disseminating information on large credit which will reduce credit information asymmetry and improve informed credit decision making by banks. Banks will be able to know large common exposures and build-up of leverage in the system. Banks will have access to asset classification of individual large exposures by different banks. Banks are required to activate the Joint Lenders Forum for initiating corrective actions when a lender reports a borrower as SMA2 to CRILC. We have engaged with banks to avoid delay in submission of data and ensure quality and integrity of data. It is expected that once it stabilises, the CRILC framework would exert moral pressure/discipline on large borrowers to repay dues in time lest their names appear in SMA2 report and bank managements would be better equipped to assess the health of their high value credit portfolio for initiating timely action.

Governance

17. As mentioned earlier, Nayak Committee has made some major observations regarding governance aspects of banks in India, especially that of PSBs. According to the Committee, there is a need to upgrade the quality of board deliberation in PSBs to provide greater strategic focus. Further, there are seven themes which appear critical to their medium-term strengths comprising Business Strategy, Financial Reports and their Integrity, Risk, Compliance, Customer Protection, Financial Inclusion and Human Resources. All other items for discussion should be brought to the Boards by exception and should typically be discussed in committees of boards. It is added that, among these seven themes identified for detailed board scrutiny, predominant emphasis needs to be provided to Business Strategy and Risk dimensions. Further, the

Committee is of the view that as the quality of board deliberations is sensitive to the skills and independence of board members, it is imperative to upgrade these skills in boards of PSBs by reconfiguring the entire appointments process. Otherwise it is unlikely that these boards will be empowered and effective. For this, the Government has to move towards establishing fully empowered boards in PSBs, solely entrusted with the governance and oversight of the management of the banks. The proposed BIC, which is expected to hold the shares of the Government in PSBs, should commence the process of professionalising and empowering bank boards by reconstituting them and this in turn would help to improve the corporate governance in a big way. As per the recommendations of the Committee, eventually in phase III, all ownership functions would be transferred by BIC to the bank boards. The appointments of independent bank directors and whole-time directors (including the CEO) would become the responsibility of bank boards. Equally important from PSBs point of view would be the quality of the top management particularly from the points of view of experience, expertise & continuity. While professionalisation and effectiveness of boards of PSBs emerged as a major challenge, it is no less as issue with many private sector banks, say for example, when there is domination of prominent shareholders/CEOs. Private sector banks also need to focus on the skill-set and profile of their top management and the board of directors.

Risk Management System in Banks

18. The design of risk management functions should be based on size, complexity of business and the quality of MIS. The banks should have the necessary skill set available or develop it through proper in-house capacity building. Banks, therefore, will need to refine and re-orient their risk management skills for enterprise-wide risk management. In addition, banks need to have in place a fair and differentiated risk pricing of products and services since capital comes at a cost. This involves costing, a quantitative assessment

of revenue streams from each product and service and an efficient transfer-pricing mechanism that would determine capital allocation. Generally, it is observed that some banks put the risk management architecture in place to meet the regulatory requirements without using the risk inputs for taking business decisions. The risk is not properly priced for various products. The most challenging part is the integrity and reliability of data. It must be appreciated that Risk Based Supervision (RBS) under which all the banks will be covered by the Reserve Bank over a period of time (28 banks were under RBS last year) is highly data intensive. The risk profile of a bank, its rating, and most importantly, the computation of supervisory capital which are the outputs of RBS are determined on the basis of data and other qualitative information furnished by the banks. It may be remembered that supervisory findings also go towards formulation of regulatory guidelines and other macroeconomic policies. It is, therefore, the responsibility of the top managements/Boards of the banks to ensure that this area is given utmost attention.

HR Management

19. This is an area where most of our banks, especially the PSBs, are found lacking. In their eagerness to expand their core business they tend to forget the relevance of human expertise which drives their business in a sustainable manner. The complexities of modern banking and the dependence on IT makes it all the more important why the banks should have requisite manpower with right amount of knowledge and experience at appropriate places. Many of the present day ills in Indian banks, *e.g.*, weak appraisal standards, not being able to pick up the early warning signals in problem accounts which leads to fraudulent transactions or accounts becoming NPA, recurring customer grievances, *etc.* can be ascribed to skill gaps in the manpower of the banks. Near vacuum in the senior management over the next few years, lack of expertise in critical areas like IT, risk management, credit appraisal and treasury operations, absence of

succession planning for middle and senior management positions, attracting, retaining and nurturing fresh talent, ad hoc responses to capacity building and poor performance management system are some of the major HR challenges staring the PSBs. The proposal of universal and differentiated bank licenses being available on tap will make it tougher for PSBs to retain whatever skilled manpower is available with them. In respect of private sector banks, the problem in many cases relates to the work culture focussing unduly on achieving unrealistic targets by all means. This implies certain aversion towards employment in such banks and could have serious reputation risk implications for them.

Challenges from the payment systems perspective

Financial inclusion through the payments route

20. Leveraging technology enabled payment system for electronic transactions provides challenges and opportunities to the banks by expanding outreach in terms of expanding customer base, offering multiple product choices, achieving cost efficiency, providing assurance in terms of standardisation, safety and safety. Despite the impressive growth in the volume and value of electronic transactions the same is concentrated in metros and big cities, thus widening the digital divide. This imbalance is reflected along various parameters, be it the deployment of ATMs, or the POS infrastructure, mobile banking services, *etc.* Needless to state, the vision of financial inclusion, aided through the payments path, cannot be achieved unless the rural and semi-urban areas find an equal footing in the policy horizon for banks.

21. While the ultimate goal is to migrate most of the payments to electronic mode, we cannot lose sight of the reality that large segment of population is still dependent on cash for day-to-day requirements. The lop-sided development of infrastructure mentioned above also contributes to this challenge. Hence, from a perspective of achieving inclusive payment system, it is also necessary to facilitate remittance and cash-

handling requirements of a large segment of society, particularly the migrant population, The Reserve Bank has already put in place the policy framework under the Guidelines for Domestic Money Transfer (DMT) and now it is up to the banks to take this forward. Towards this end, experiments like "Cardless cash withdrawal" for the unbanked is gaining ground. We have recently given in-principle approval for two entities to take this service forward. Of course, for this to gain traction, active participation of and promotion by banks would be imperative as the delivery channels envisaged in these models are the ATMs and Business Correspondents (BCs).

Standardisation and capacity build-up

22. While any development in offering electronic services is welcome, stand-alone systems not only work in silos but also fragment the market to some extent. Hence, as the payments eco-system matures, inter-operability becomes essential, for which standardisation in processes and procedures is a pre-requisite. This not only facilitates uniformity in transaction handling but also enables uniform customer experiences. A related point is that of ensuring that systems are not just adequate to meet present needs but also the growing volumes. Hence, even as the Reserve Bank is building capacity in the systems operated by it (for instance, the RTGS or NEFT), it is equally important for banks to review and upgrade their own infrastructure as well in tune with their policy and expected growth in business.

Partnerships with non-banks

23. Even as we have adopted a bank led model for achieving the goal of financial inclusion, opportunities have been given to the non-banks to involve themselves in payments area – whether it is through the BC, White Label ATMs (WLAs) or pre-paid card routes. In many of these areas, non-banks need to work in close coordination with banks. It is imperative that banks also see the potential for synergetic growth by partnering with these non-banks and leveraging on

their strengths so as to reap efficiency gains for both the entities; a case in point is bank-MNO partnership for expanding mobile banking space. We have seen instances of such partnership, particularly with MNOs acting as BCs. Similar developments should occur in other areas too. A word of caution is, however, essential – banks cannot abdicate their responsibilities towards customers, in ensuring safe and secure services, particularly in scenarios where a large part of the activities involved in payments are outsourced. In some context, we have also observed concentration in a few service providers and banks should take cognizance of this.

Safety and security of payment transactions

24. Last but not the least is the consideration towards safety and security of payment transactions. This goes a long way in influencing customer behavior in the choice of payment methods. While the Reserve Bank has mandated many requirements to strengthen security and enhance risk mitigation standards for the electronic transactions, it is essential that these are implemented not only in letter but also in spirit. Further, with the increased volume of transactions, the need for Straight Through Processing (STP) becomes essential. Hence, while catering to large volumes, certain procedural changes would need to be made. For example, there is the requirement under NEFT and RTGS where the credit is afforded to the beneficiary customer's account solely on the basis of the account number given in the remittance request by the sender. While the intention behind this policy is to facilitate easier handling of growing volumes at banks through STP, the risk-based approach to handle customer grievance should not be lost sight of and banks should also seek to proactively address of the payee and redress customer issues emanating from such electronic transactions. Customer as well as frontline staff awareness and education is crucial in ensuring not only acceptability of the payment products but also their assurance in terms of safety and security.

Concluding Thoughts

25. Finally, let me conclude by highlighting that the challenges facing banks as they gear up to the task of funding an economy, aspiring to become a middle-income country in the years to come, are known knowns. But the known unknown is how the banks will be able to adapt to the evolving situation and come on top of it. What compounds the matter further is the fact that Indian banks have to operate in an increasingly globalised environment, because of which there will be many factors – regulatory, technological, cross-border financial flows impacting them over which they may not have any control. In particular,

- i. Will the banks be able to mobilise required amount of capital from the market for meeting their current and future business growth and prudential requirements?
- ii. Will banks be able to understand the varied and dynamic requirements of its diverse set of clientele and devise customised products?

- iii. Will banks be able to do so in a cost effective manner?
- iv. Will banking be able to attract and retain skilled manpower and leverage them for both for business growth and risk mitigation without sully their image as responsible and responsive employers?
- v. Will banks be able to enlarge their outreach in terms of customer base and product choices by leveraging technology enabled payment systems in affordable, accessible, acceptable and assured manner?

I am sanguine that in trying to respond to these and the related questions Indian banks will be able to find ways to convert the challenges into potential opportunities to redeem their mandate of serving the real economy in an efficient manner. The Reserve Bank, for its part, will continue to endeavour to ensure an enabling regulatory framework that can act as catalyst in the process. I wish the conference all success.

*New-Gen Urban Cooperative Banks - Some Musings**

R. Gandhi

Dear Shri Jyotindra Mehta, Chairman, Gujarat Urban Cooperative Banks Federation, Shri V. S. Das, Director, Centre for Banking Research, Development & Excellence, other dignitaries and delegates. I feel specially privileged to address this Conference of urban co-operative banks, which is very aptly titled 'Sahakar Setu-2014' focusing on the theme of 'Next-Gen Cooperative Banks'. I am also happy to note that a Centre for Banking Research, Development & Excellence is being set up here as a hub for training and capacity building in the urban banking sector and also to promote research relevant to the functioning of cooperative banks.

2. Talking to all of you in Gujarat is also of very special significance, not only because of the origin and proliferation of cooperative banks here but also it is the birth place of Shri M. K. Gandhi, father of the nation, who propounded the Theory of Trusteeship. Putting it in Gandhiji's words 'Supposing I have come by a fair amount of wealth – either by way of legacy, or by means of trade and industry – I must know that all that wealth does not belong to me; what belongs to me is the right to an honourable livelihood, no better than that enjoyed by millions of others. The rest of my wealth belongs to the community and must be used for the welfare of the community.'

3. If you notice, cooperatives are also based on the same principles of community camaraderie, - mutual help, democratic decision making and open membership. Cooperatives represent a new and alternative approach to organisation as against proprietary firms, partnership firms and joint stock companies, which represent the

dominant form of commercial organisation. As you may be aware, cooperatives around the world generally operate according to the seven core principles and values, adopted by the International Co-operative Alliance (ICA) in 1995. Cooperatives trace the roots of these principles to the first modern cooperative founded in Rochdale, England in 1844. The principles cover various aspects of cooperatives beginning from its membership to concern on community.

Evolution of the Urban Bank Sector

4. Urban Cooperative Banks (UCBs) started in India back in 1889¹ exactly a century and quarter ago here in Gujarat and India has one of the oldest community-banking movement in the world. However, the real growth and proliferation began after this sector was brought under the purview of Banking Regulation Act in 1966. The evolution thereafter may be broadly divided into three phases, Growth phase, Crisis phase and Consolidation phase.

Growth Phase (1966-2003)

5. In 1966, there were about 1100 UCBs with deposits and advances of ₹1.67 billion and ₹1.53 billion respectively. Since then there has been phenomenal growth in terms of their numbers, size and scale of operations. The Reserve Bank pursued a liberal licensing policy especially pursuant to the recommendations of the Marathe Committee, which had suggested dispensing the 'one-district, one-bank' approach and to shift the stance of the policy to assess the 'need and potential' in an area for mobilising deposits and purveying of credit for a new UCB. In the year 1993, before the liberalisation of bank licensing policy, there were 1,311 UCBs having deposits and advances amounting to ₹111.08 billion and ₹87.13 billion, respectively, which increased to 1926 UCBs with deposits and advances of ₹1,020.74 billion and ₹649.74 billion, respectively² by end-March 2004. This is because

* Address by Shri R. Gandhi, Deputy Governor, Reserve Bank of India at the Conference of Urban Co-operative Banks in Gujarat, Ahmedabad on June 8, 2014. Assistance by Shri Sushanta Kumar Kar, General Manager is gratefully acknowledged.

¹ Anyonya Sahkari Mandali in Gujarat 1889.

² ₹15,785 billion and ₹8,643 billion, respectively, for scheduled commercial banks.

after the liberalisation of licensing norms in May 1993, up to June 2001, 823 bank licences were issued.

Crisis Phase (2003-2008)

6. However, it was observed that nearly one-third of these newly licensed UCBs became financially unsound within a short period. The RBI, therefore, constituted a screening committee consisting of outside experts in June 2001 to examine the applications for licences. The Committee recommended that it should be made mandatory for all newly proposed UCBs to come through a process of graduation from a co-operative credit society on the strength of demonstrated and verifiable track record.

7. However, in the light of the experience and the prevailing financial health of the UCB sector after the Madhavpura Mercantile Cooperative Bank episode, it was announced in the Annual Policy Statement for the year 2004-05 that the Reserve Bank would consider issuance of fresh licences only after a comprehensive policy on UCBs, including an appropriate legal and regulatory framework for the sector, is put in place and no fresh licences have been issued thereafter for organising new UCBs.

8. The number of UCBs declined from 1926 as at end- March 2004 to 1,770 by end- March 2008. The deposits and advances of urban banks increased only marginally during the same period from ₹1,020.74 billion and ₹649.74 billion to ₹1,398.71 billion and ₹904.44 billion³, respectively, posting an average annual growth of 9 per cent in deposits and 10 per cent in advances⁴.

9. The Reserve Bank took several steps to strengthen the sector during this period. Most important among them is the Memoranda of Understanding (MoU) with all State Governments and the Central Government. In

order to improve the financial soundness of the UCB sector, The Reserve Bank of India entered into Memoranda of Understanding (MoU) with all State Governments and the Central Government since 2005. The MOUs facilitated coordination of regulatory policies and actions through the mechanism of TAFCUBs, a comprehensive set of capacity building initiatives and measures to bring in efficiency through adoption of technology. This phase also ushered in voluntary consolidation in the sector by merger of non-viable UCBs with financially sound and well-managed UCBs.

Consolidation Phase (2008 onwards)

10. As a result of the new initiatives and sustained efforts by the RBI, the number of financially weak banks in the UCB sector declined and consequently the total number of UCBs declined from 1,770 as end-March 2008 to 1,606 by end-March 2013. However, the deposits and advances of urban banks increased from ₹1,398.71 billion and ₹904.44 billion to ₹2,769.41 billion and ₹1,809.60 billion, respectively, during the same period⁵. Thus, there was an average annual growth of 20 percent⁶ in deposits and in advances, which is more than double of the previous phase growth. Further, the number of financially sound⁷ banks also increased from 248 as on March 31, 2010 to 684 as on March 31, 2013. Incidentally, mergers of as many as 116 UCBs have been effected till date after 2005.

11. Against this backdrop, with a view to increasing the coverage of banking services amongst local communities, the Malegam Committee was set up in 2010 for studying the advisability of granting new urban co-operative banking licences. After elaborate deliberations, the Committee recommended that UCBs play a useful role and there is need for a greater

³ In 2008 deposits and advances were ₹33,201 billion and ₹24,770 billion, respectively, for scheduled commercial banks

⁴ The average annual growth growth in deposits and advances of scheduled commercial banks during the period was 28 per cent and 47 per cent respectively.

⁵ In 2013 deposits and advances were ₹74,295 billion and ₹58,797 billion, respectively, for scheduled commercial banks.

⁶ Around 25 per cent average annual growth in deposits and advances for the scheduled commercial banks.

⁷ Broadly defined at CRAR of 10 per cent, net profit for last three years, Gross NPA < 7 per cent and Net NPA ≤ 3 per cent.

presence of UCBs in unbanked districts and in centers having population of less than 5 lakh. It is necessary to encourage new entrants to open banks and branches in States and Districts which are unbanked or inadequately banked. It is equally necessary to discourage new entrants from opening branches in Districts and population centers which are already adequately banked. Further, the Committee suggested that the existing well-managed co-operative credit societies meeting certain financial criteria should be given priority for granting licenses. The Committee's recommendations are under examination by the RBI.

Issues for discussion

12. As we have observed from the trend and pattern of growth in this sector so far, we have left Madhavpura long behind and moved ahead by fostering organic and inorganic growth. With higher degree of CRAR⁸ and less NPAs⁹, the system has more or less stabilised, while the process of consolidation is still on. The first question that rises now is what next. Where do we go from here? Have we reached a plateau where we need to maintain and strengthen the healthy consolidation achieved or should we allow further growth? Given the fact that UCBs are an important segment of the banking system, play a vital role in mobilising deposits and purveying credit to the people of small means thereby enhancing financial inclusion and facilitate payment and settlement, it will only be appropriate to support their growth and proliferation further.

13. That brings us to the second question. If we allow further growth, in what form should that be? It again can be addressed in two ways. We either allow them to grow in the existing set up or UCBs above a certain threshold may assume a new corporate identity.

14. As an implication of this, for large UCBs who have reached certain threshold in the size and complexity

of business, enabling their graduation into commercial banks can be thought of, so that their further growth is facilitated. It is important to mention here that once cooperative banks reach a certain threshold level, they are also expected to follow a regimen like large banks and standardised global practices, which may not be possible within the existing legal structure of cooperative banks. Thus, before we move forward, the existing legal and regulatory framework need to be revisited to enable smooth transition. Specifically, we need to debate the needed legal framework that will facilitate conversion of cooperatives into joint stock companies, conversion of deposit holders into share holders *etc.*

15. The other alternative could be to allow the UCBs to grow and sustain themselves in the existing set-up. In that event, the obvious question that comes to mind is what are the existing restrictions that can be liberalised and what further measures can be envisaged for the smooth non - disruptive growth of the sector? I hope the delegates will deliberate on these issues and suggest possible measures.

The Next Phase- Next Generation cooperative banks

16. Since the theme of the Seminar is 'Next-Gen Co-operative Banks' let me now briefly dwell on the subject. To begin with let us analyse some of the best global practices in cooperative banking and their implications for next- gen cooperative banks in India, before moving forward to what is our expectation from these banks.

European Co-operative Business Model

17. As you may be aware, the co-operative banking sector contributes significantly to the growth, stability and competitiveness of the European banking industry at a local and regional level. Ordinary citizens can become members/owners of co-operative banks with relatively small investments. As a result, they have a direct say in the business and are involved in the governance, strategy and risk management processes. The core business of co-operative banks is value creation for their members and a long term relationship

⁸ 88.2 per cent of the total UCBs have reported a CRAR of 9 per cent or more as on March 31, 2013.

⁹ The gross and net NPA ratios as on March 31, 2013 stood at 6.0 per cent and 1.4 per cent respectively.

of trust, opposed to the profit maximisation approach of mainstream banks.

18. It is worth mentioning that their performance is a result of their central focus on retail banking, solid capitalisation and their high-quality credit portfolios. In fact, in Italy, France, Germany and Netherlands where co-operative banks' market share in loans range between 25 per cent and 45 per cent, SMEs represent between 20 per cent and 50 per cent of the total client portfolio of co-operative banks. They are able to face the challenges of the new post crisis environment because their business model responds to the present needs and expectations.

19. Further, across Europe, Cooperative banks exceed the minimum legal capital ratio requirement of 8 per cent, with an average ratio of about 9 per cent. Credit ratings reflect this very well, ranging between AA and AAA for the largest co-operative banking groups in Western Europe.

20. With their roots in the Europe, the Rabobank Group, DZ Bank Group, Credit Agricole Group, *etc* have grown in recent decades into an international financial services provider that has activities in the field of banking, asset management, leasing, insurance and real estate. The strong points of the cooperative structure became evident during the financial crises of recent years. They did not have to ask for state aid and were able to keep financial results well up to standard. Measured according to Tier-I capital, these Groups are the world's largest financial institutions. All rating agencies continue to give them high ratings.

21. Their cooperative identity stems back to the early twentieth century. The local member cooperatives continue to be the collective owner of these groups to this day. The groups support the member cooperatives and oversee the subsidiaries and affiliated companies. The members not only benefit from banking and non-banking advantages, they also have the opportunity to join in the discussion and co-decide on the bank's

course. Local member banks serve millions of retail and wholesale customers with a comprehensive range of financial services. The groups are leaders in nearly all customer and product segments, from youth to start-ups and from mortgages to corporate enterprises.

22. I feel Indian cooperative banks can gain from the business matrix of their European counterparts to cope up with the competition and pressure from bigger commercial banks and maximise value creation while not undermining the importance of solid capitalisation and high-quality credit portfolio.

Asian Cooperative Business Models

23. If we look eastward, we observe a considerably large presence of co-operatives in Asia Pacific also. In Asia-Pacific alone there were 22,212 credit unions in 2012 which were more than double of the 10,051 figure of North America and Europe put together. In terms of the underlining focus also, it is observed that the co-operatives in Asia were basically formed to bring about socio-economic development, particularly with respect to agriculture and rural development.

24. In Asia itself, there have been many success stories to emulate. An exemplary initiative which the Co-operative Development Authority (CDA) of the Philippines has taken is the launch of the Co-operative Information System. The CDA in association with the US Agency for International Development and another technology partner developed this web-based database of cooperatives, to be accessed in real-time at any of the CDA's extension counters. The information on each cooperative's annual organisational and financial status through the Cooperative Annual Performance Report is also integrated with this database, thereby providing a platform for the co-operatives to exchange information readily. Further and more importantly, the main aim of the system is to help the Government in creating performance standards, policies, regulations and development programmes for the overall benefit of the sector. Perhaps, the creation of such technology information system will also help our cooperative

sector by providing a platform to them to exchange information readily for performance oriented and integrated development.

Cooperativeness among cooperative banks

25. Cooperatives also need cooperation among themselves to support and promote their growth and expansion. As you might be aware, the V. S. Das Working Group constituted by the RBI to study these umbrella organisation of cooperative banks internationally found that there are two broad approaches in this regard.

26. In European countries, the Umbrella Organisation is generally in the form of a strong apex level entity. All the local cooperative banks are generally members of the apex entity. Each member exercises its voting rights under the 'one member one vote' principle. The apex entity supports and advises the individual member banks in areas such as customer services, ALM, IT, Mutual Funds, product development, *etc.*

27. In the case of Australia, USA and, Canada, the Umbrella Organisation is not part of any group, but is a distinct entity where the credit unions are its members. In the US there is an 'Umbrella' of Umbrella Organisations. The Umbrella Organisation in US provides extensive investment, liquidity, and cash-management products and services; risk-management and analytic capabilities; settlement, funds transfer and payment services; and safekeeping and custody services. However, in Australia the emphasis has been on payment clearing services and emergency liquidity support.

28. These organisations are serving the sector well and have not only resulted in greater efficiency of operations of their members at the grassroots, but have also contributed significantly in augmenting financial stability and safeguarding depositors' interests. This has given comfort to the regulators. Notably, in Australia all credit unions adhere to the Basle II norms and their average CRAR is 16 per cent.

29. It is in this context I will like to touch upon the need for an umbrella organisation for the UCB sector

in India that will be the beginning of the next part of my address, *viz.*, our expectation from the next-gen UCB sector in India.

Expectation from next-gen UCBs

Umbrella Organisation for UCBs in India

30. UCB sector in India needs to have the benefit of an Umbrella Organisation of its own customised to the legal framework in India and the challenges of the sector. In India only scheduled UCBs have direct access to liquidity support from the RBI in the form of refinance. Other UCBs are dependent on District Cooperative Banks/State Cooperative Banks for their liquidity needs. Some District Cooperative Banks/State Cooperative Banks are themselves financially not well. There is also a need to provide the management, IT and training and other services which the UCB sector needs.

31. For our UCB sector, the V. S. Das Group had recommended the requirements of the provision of payment and settlement services; the provision of other services, which are mainly in the region of management or outsourced services; the provision of liquidity support through state level schemes; and the provision of solvency support through state level schemes. The Group further recommended that there should be two separate Umbrella Organisations. First one is a national level organisation which provides payment and settlement services and other services as also liquidity support to its members. The second could be state level organisations or outside agencies, which provide the management, IT and training and other services.

32. The proposals are being examined by RBI in consultation with urban bank federations and other stake holders. In this context, I feel that the Centre for Banking Research, Development & Excellence that is being set up here as a hub for training and capacity building in the UCB sector is a good initiative in that direction.

Technology-Savvy UCBs

33. It is heartening to note that leveraging on technology is being taken up for discussion in this

Conference. In today's technology driven world, one cannot ignore the role of technology in providing competitive banking services and all UCBs must exhibit the keenness to adopt technology in a time-bound framework. Presently, only 32 per cent (510 out of 1,589 as on March, 2014) of UCBs have adopted Core Banking Solution (CBS). Delay in adopting technology has resulted in UCBs losing their customers to commercial banks. They also become vulnerable to frauds due to use of applications that are outdated or lacking security features, *etc.* Also manual book-keeping system has led to arrears in reconciliation of accounts and made them vulnerable to frauds.

34. RBI has advised UCBs to adopt CBS in a graduated framework: large UCBs by Dec 31, 2013, tier-I banks by June 30, 2014 and unit banks by Dec 31, 2014. In future, Reserve Bank will definitely look forward to more technology-savvy UCBs competing with commercial banks for customer spaces.

Cooperative character of UCBs

35. Apart from the cooperativeness among cooperative banks, the next issue to ponder over is the cooperativeness inside a cooperative bank. We observe that over the years, many UCBs have lost their cooperative character and have been reduced to almost family run institutions. To ensure cooperative membership, RBI has prescribed that the proportion of borrowing nominal members should be limited to 20 per cent of regular members. Some large multi-state UCBs have aligned their business models and goals with those of commercial banks while availing the concessions to the sector.

36. In this context, a study was undertaken by the RBI on cooperativeness of cooperative banks. The study found that the cooperative business model has withstood the test of times in several countries in the world and also weathered the recent financial crisis in the most non-disruptive manner while commercial entities have struggled to stay afloat. What has seen them through is the cooperativeness in their character,

which is somehow getting diluted in the Indian UCBs. The assessment of the study establishes that 'Cooperativeness of Cooperative banks' in India is on the decline.

37. The RBI, therefore, conducted a Seminar on this subject in September last year to sensitize the cooperative banks on this crucial issue. Some of the steps to enhance the cooperativeness in UCBs in India could be increasing member awareness to strengthen the democratic character, focus on member education and rekindle members' interest in the principles of cooperation. Steps can be also taken to increase in the quorum requirement for Annual General Body meetings, make provision of electronic and secure remote voting facility and cap the tenure/term of the Directors of UCBs in the Board.

Strengthening Capital standards

38. In today's globalised world it is difficult to insulate our institutions from the best global regulatory practices.

39. In India UCBs can raise capital only from their members. Recognising this limitation, RBI has prescribed share-linking to borrowing. The matter was further examined by a Working Group appointed by RBI and based on their recommendations. UCBs were permitted in 2008 to raise capital through innovative instruments like Perpetual Non-Cumulative/Cumulative and Redeemable Preference Shares as also Long Term (Subordinated) Deposits. The RBI has issued several guidelines for financial restructuring of less capitalised UCBs such as conversion of deposits into equity, guidelines for merger including that with DICGC support, guidelines for transfer of asset & liabilities of weak UCBs to commercial Banks with DICGC support, *etc.*

40. The Reserve Bank of India has adopted a calibrated and gradual approach towards application of Basel standards for various regulated entities keeping in view their systemic importance and availability of skill sets. As of now, UCBs have been subjected to Basel-I

requirements for computation of capital. Certain elements of market risk management have been made applicable for bigger UCBs conducting forex transactions.

41. However, it may be worth mentioning in this context that keeping in view the risk management structure of cooperative banks, internationally Basel-II norms are applicable for Co-operative banks in many of the advanced countries. Although in view of the heterogeneity in size and sophistication of Indian UCBs the RBI has taken a considered view, the next-gen banks must gear up for adopting global best practices in prudential regulations.

Role of Financial Inclusion by UCBs

42. Our next issue for deliberation could be the important expectation from Government, RBI and people in general from the banks, *i.e.* promoting financial inclusion. I am happy to note that this issue is also included for discussion in this Conference. The organisational structure, local clientele and easy access are UCBs' strengths in this regard. The RBI has taken a number of measures in this direction for UCBs by prescribing introduction of No-frills account with nil or low minimum balance, relaxation of Know Your Customer (KYC) requirements for small accounts, liberalising norms for opening of new branches and off-site ATMs and permitting use of Business Correspondents (BCs) and Business Facilitators (BFs), *etc.*

43. UCBs are, to some extent, already into financial inclusion as their client profile mainly consists of priority sector segments *viz.*, small business establishments, SSI, retail traders, self-employed *etc.*, who do not get easy access to commercial banks. There still remains, however, a huge hidden potential to be tapped, given the large number of small urban co-operative banks¹⁰. UCBs need to capitalise on their advantage and reap the business opportunity. In semi-

urban and rural areas, there are a number of unbanked and under-banked districts inhabited by people like artisans, migrant labour, small businessmen and retailers, *etc.* These people find it difficult to join the formal financial sector. UCBs can take a lead in bringing these people into the ambit of banking.

44. UCBs should re-design their business model in this regard and integrate their financial inclusion plan into their annual business plans. UCBs should give wide publicity to their services to connect with large population segments. It is also important that the service provided should be at an affordable cost and here technology will play a big role.

Corporate Governance and Management structure

45. Before I conclude let me touch on the final issue of importance in the next-gen UCBs that is corporate governance. The concept of corporate governance is not much different than the internationally accepted principles of co-operation. One of the cardinal principles of co-operation as accepted by International Co-operative Alliance (ICA) is 'member economic participation' indicating contributing equitably to, and controlling democratically, the capital of co-operative by the members.

46. Many of the problems faced by the UCBs are due to governance issues and lack of professionalism.

47. The RBI has also prescribed that at least two directors with suitable banking experience or with relevant professional qualification in the fields of law, accountancy or finance are co-opted on the Board. The Malegam Committee has even recommended creation of a professional Board of Management structure in between the Board of Directors and the CEO as a pre-condition for licensing of new urban co-operative banks. However, there are still many governance gaps that need to be addressed for the UCBs of future. There can hardly be a debate on the desirability of a higher degree of professionalism in the governance structure of co-operative institutions. We will like to look forward

¹⁰ Out of total 1,589 banks as on date 1,167 are Tier-1 banks, *i.e.*, deposits below ₹100 crore.

to having a highly efficient and professional management structure in next-gen cooperative banks.

48. Another issue with regard to governance is that today it is typical of our cooperative banks where the creditors have a big say in the governance; depositors have very little stake and they need to be empowered appropriately. This will ensure that they have a direct bearing on how well their moneys are managed.

Conclusion

49. I am sure all these issues are being addressed by the distinguished panelists and participants during this two-day conference which has technical sessions in the form of panel discussions on important topics relevant to this theme and other important issues. I sincerely thank the Conference organisers for their efforts and wish this Conference all success.

50. I thank all of you for your patient attention.

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*Indian Banking Sector: Role in Triggering Future Growth**

R. Gandhi

Good evening, Ladies and Gentlemen!

2. It is both an honour and a privilege to attend this important Conference at the Indian Chamber of Commerce (ICC) in Kolkata. From humble beginnings in the early 1920s, the ICC has come a long way and has presently evolved into a leading national chamber operating from Kolkata. With banks being the mainstay of the financial system, I am sure that the deliberations in the Conference would have provided important insights to all attendees on how the banks' role is getting re-oriented in the new milieu. The Conference has a healthy mix of participants spanning not only representation from the Government and eminent commercial bankers, but also people from auditing firms and general audience. I am sure that this diversified representation would have provided a varied perspective to each of the issues being debated and thrown up possible solutions.

Financial Sector and Economic Growth

3. Banks' primary purpose is to mobilise otherwise idle savings for the purpose of lending to productive investments. A lot of research work has been undertaken to study the relationship between the financial sector and real sector economic growth. The old model of economic growth as a function of land *i.e.*, capital, labour, technology and entrepreneurship has been modified. The new paradigm of economic

growth is that it is a function of savings rate, return on investment and cost of intermediation. We can easily see the role and importance of the financial sector with regard to all of these three factors. Thus while there is consensus about finance having significant impact on the quantity, quality *i.e.*, productivity and the efficiency of capital, jury is still out in determining whether it is the banks or capital market which drives economic growth. Research opinions and conclusions are equally divided. Very often the examples of the United States of America and the United Kingdom are quoted to prove that it is the capital market which drives growth. To counter that, the examples of Germany and Japan are quoted to establish that it is the banks which drive the growth.

4. Banks constitute the backbone of a nation's financial system, performing manifold functions through liquidity, maturity and risk transformation. Indeed, it needs no gainsaying that the health of the economy is, in a way, the mirror reflection of the banking system, especially in bank-based financial systems such as ours. Of course, the reverse is also equally true. I am reminded of a saying that a bank is like heart of the human body and the capital it provides is akin to the blood in it. So long as the blood circulates seamlessly, the organs remain sound and healthy. However, if for any reason, the blood were not supplied to any organ, then that part would be rendered useless. Not surprisingly therefore, there is always a conscious attempt on the part of the Reserve Bank to provide adequate liquidity and credit to all productive sectors of the economy.

Indian Experience

5. India has the distinction of long history of both banks and capital market. Economic history of India narrates how both have been vibrant in many

* Valedictory address delivered by Shri R. Gandhi, Deputy Governor at 6th ICC Banking Summit on June 14, 2014 at Taj Bengal, Kolkata. Assistance provided by Ms Rekha Misra, Director, Dr. Saibal Ghosh, Assistant Adviser & Shri Radheshyam Verma, Research Officer is gratefully acknowledged.

important cities, though Mumbai did dominate all others. However, slowly and steadily, especially in the last twenty five years or so after the financial sector reforms, the banking sector has emerged as THE source for investment funding.

6. What has been the actual contribution of banks for engineering investments in the Indian economy? Bank credit increased from ₹5 billion as at end March 1951, to ₹13 billion by March 1961, ₹47 billion by March 1971, ₹254 billion by March 1981, ₹1164 billion by March 1991, ₹5114 billion by March 2001, ₹39420 billion by March 2011 and ₹52604 billion by March 2013. What has been the contribution of capital market in these years? During the 1970s, while capital market helped raising ₹10 billion worth of equity, bonds and debentures, banks extended credit worth ₹207 billion in that period. During the 1980s, the corresponding figures were ₹233 billion and ₹910 billion. In the 1990s, they were ₹ 1172 billion and ₹3950 billion respectively and in 2000s they were ₹2115 billion and ₹34206 billion respectively. In the fiscal 2011 and 2012, ₹318 billion by the capital market and ₹13,284 billion by banks.

7. Actually, banks do extend funds by way of investment in the bonds and debentures. As these are heavily in government bonds, rather than in those issued by corporates and the split figures are not readily available, I have not included them here.

8. While we can lament the lackluster performance of the capital market, a redeeming feature has been the growth of private placement market in the past twenty years. Though the issues thereat had been predominantly in the form of bonds and debentures, the growth in size has been very reassuring. It gained popularity from mid 1990s; from 1995-96 to 2000-01, this market raised ₹ 752 billion, in the next ten years,

it helped raise ₹7614 billion and in fiscal 2011-12 and 2012-13, this market raised ₹2,009 billion.

9. While we are happy that banks have been doing such a wonderful yeoman service for the growth of the economy, will we be happy to continue to depend on bank financing as the predominant mode? Are we compelling the banks take too much risk, thereby endangering the depositors' money?

10. However, taking note of the predominant position of banks in the Indian financial system and taking a realistic view, can we expect the bank finance to comprehensively cater to all types of investment needs? Irrespective of whether it is short, medium or long term, or whether it is loan, debt or equity financing, or it is with low, medium or higher risk propositions? Should we turn our banks like the universal banks in Germany, catering to every type of investment demand of the entire economy?

11. Or, alternatively, should we develop capital market so that it can cater the increasing need for investment and also risky investments? Like those in the USA?

12. These are sets of questions that we need to ponder over and take strategic decisions.

Twelfth Plan

13. 12th Five Year Plan aims to usher in faster, more inclusive and sustainable economic growth. It notes that today, India can sustain a GDP growth of 8 per cent a year. Increasing this to 9 or 10 per cent will need more mobilisation of investment resources; better allocation of these resources through more efficient capital markets; higher investment in infrastructure through both public and PPP routes; and more efficient use of public resources.

14. Twelfth Plan has ambitious target for investments to usher in high growth rate of 8 per cent during 2012-17. It aims to mobilise resources worth ₹ 5.4 trillion. The total public sector investment in infrastructure envisaged in the Twelfth Plan is ₹ 16 trillion by the Centre and ₹ 12.89 trillion by the States. Investment by the private sector, which includes PPP projects, makes up the balance of ₹ 26.83 trillion, which is 48.14 per cent of the required investment during the Twelfth Plan, a much higher share than the anticipated 36.61 per cent during the Eleventh Plan. Accordingly the Plan aims for an eclectic mix of development of capital market, more specifically debt market, besides exhorting bank finance.

15. Being from the Reserve Bank, let me ponder more over banks' role in the coming years.

Banking Sector Reforms

16. Leading economists most often cite the importance of sound financial sector reforms as being central to a healthy banking system that aids economic growth. India is the largest country in South Asia with an extensive financial system characterised by varied financial institutions, comprising of both banks and non-banks. Banks are the mainstay of the financial system with bank assets comprising, on average, around 70 per cent of GDP during the post-reform period. The commercial banking segment comprises of 26 public sector banks in which government has majority equity stake, 20 private sector, including 7 *de novo* (which became operational after initiation of economic reforms in 1991) private banks, although RBI has recently done away with this distinction and over 40 foreign banks, which operate as branches.

17. Prior to the inception of financial sector reforms in 1991, the Indian financial system can best be

characterised as highly regulated and financially repressed. The prevalence of high reserve requirements, interest rate controls and allocation of financial resources to pre-designated sectors adversely affected banks' resource mobilisation and allocation.

18. The period 1992-97 laid the foundations for reforms in the banking system. The reforms comprised of five major planks: cautious and proper sequencing, mutually reinforcing measures, complementarities between banking reforms and other associated policies (*e.g.*, monetary, external, *etc.*), developing financial infrastructure and nurturing and developing financial markets. Some of the salient reforms undertaken in the financial system, included, among others, lowering of statutory reserve requirements; liberalising the interest rate regime, first on the lending side and later, on the deposit side; infusing competition by allowing more liberal entry of foreign banks and permitting the establishment of *de novo* private banks; institution of prudential measures (capital adequacy requirements, income recognition, asset classification and provisioning norms for loans, exposure norms, accounting norms) and enhanced disclosures and levels of transparency in their annual audited statements to promote market discipline.

19. Over the period of reforms beginning 1992 through 2013, real bank assets have grown at a compound annual rate of about 10 per cent; the growth rate of deposits and credit both in real terms, during the same period has been roughly of the order of 10 per cent and 12 per cent, respectively.

20. I am happy to note that the issues deliberated today are those that are likely to shape the future of the industry, going forward. I would like to take this opportunity to share with you my views on some of these and other related concerns, which, as I see it,

will shape the contours of the industry in the years ahead.

Financing of infrastructure

21. The first issue, which immediately comes to my mind, is the issue of infrastructure financing. I am sure that this issue will also be uppermost in your minds as well. Inadequate infrastructure exerts a cascading impact on the economy, negatively affecting productivity, employment, personal income and international competitiveness and costs. The 12th Five Year Plan as mentioned earlier has estimated the infrastructure requirement at around ₹56 trillion, with a gradually increasing role for the private sector. Given the limited fiscal headroom and the long gestation lags involved in its fructification, there is a need to rope in long-term providers of funds.

Can banks chip in? Yes and in fact has already done so. As the capital market's significance has been waning, bank finance for infrastructure steadily grew. The outstanding bank credit to the infrastructure sector, which stood at ₹72 billion in 1999-2000, has increased to ₹7,860 billion in 2012-13, registering a compounded annual growth rate (CAGR) of over 40 per cent against an overall CAGR of bank finance to all industries at 20 per cent during the same period. However, this kind of growth and the general economic downturn and policy conundrum have resulted in concentration risk for banks (Infra funding is as high as 15 per cent in the banking books); banks are saddled with large scale stress assets in the infra segment. Further, there is the structural problem of using short term nature of the bank funds for very long term funding. Banks did evolve a midway solution, of medium tenor funding for 12 to 15 years. This, though solved the initial problems, is

fundamentally a weak arrangement and the recent stress period has brought the cracks into open. Banks will have to appropriately structure their infrastructure lending keeping in view their asset-liability mix; they also may have to raise long term resources. They should develop long-tenor fixed rate or floating rate products or develop appropriate hedging instruments to tackle counterparty and other risks. Takeout finance is another possible solution, as do Infrastructure Debt Funds (IDFs). These initiatives are presently at a nascent stage, but hold long-term promise.

22. Over the longer-term, an efficient and vibrant corporate bond market is a *sine qua non* for ensuring viable financing of infrastructure. By facilitating long-term funding for the sector, it can provide much-needed debt capital that will be beneficial to both borrowers and investors alike. This will also ensure deep and broad financial markets, one of the key pillars of RBI's financial sector policies.

Financing of SMEs

23. A second issue I would like to touch upon is the financing of micro, small and medium enterprises or MSMEs, as we call them. In 2011-12, the sector accounted for a significant proportion of manufactured output and over 12 per cent of our GDP. In addition to their strong export orientation, they also have a strong employment potential, providing bread and butter to nearly 100 million people, perhaps next only to the agricultural sector. With a big chunk of them being located in rural areas, it also offers tremendous potential for rural development. Given their forward and backward linkages with the corporate sector, I view them as 'silent' engines of growth, especially in slow economic cycles.

24. Numerous studies have documented that, given the lack of reputation and tangible collateral, debt financing, mostly from informal sources, comprises the primary source of external funds for these entities. Given the often onerous documentation requirements for banks, these entities tend to get a raw deal when it comes to bank finance. The Fourth Census of MSME revealed that only 5.2 per cent of the units (both registered and unregistered) had availed of finance through institutional sources; the majority of units - 93 per cent of them in fact - had either no finance or depended on self-finance. A World Bank Enterprise Survey in 2011 also reinforces these conclusions. The moot point is that the credit flow to MSMEs from institutional sources is not commensurate with the economic activity undertaken by them.

25. A RBI Discussion Paper in 2013 had propounded an innovative combination of banks and private equity, with a potential role of state in providing credit enhancement mechanisms/solutions as a way out of this credit constraint. It also put forth the proposal that small banks can provide a useful role by catering to the needs of this segment, for example, through relationship banking.

26. There is also an oft-heard complaint from bankers that MSMEs are often quite lackadaisical when it comes to settling their dues. It needs to be recognised that MSMEs often act as ancillaries to large industries, and their cash flows are lumpy. The business orientation of large industries often affects the MSMEs directly, in turn hampering the recycling of funds and business operation of MSME units. Banks need to take a proactive view, carefully analysing the linkages of the MSME units, when sanctioning funds. The existing provisions of the Interest on Delayed Payment

Act, 1998 for these entities have been suitably modified taking on board their unique characteristics. In addition, banks have been advised to sanction separate sub-limits within the overall limits sanctioned to the corporate borrowers for meeting payment obligations in respect of purchases from MSME sector. The Parliament has passed the Factoring Regulation Bill that is expected to address delays in payment and liquidity problems of micro and small enterprises. I am sure that these measures will contribute in no small measure towards alleviating the extant constraints that plague this sector.

Mobilising Resources

27. As we have seen, country needs enormous resources for its development. How do we raise them? Banking sector has a major role here, in mobilising the savings of the people. As at end March 2014, the scheduled commercial banks had mobilised deposits to the tune of ₹ 76 trillion. There are 146 scheduled commercial banks (including the Regional Rural Banks) in the country, with more than 1.2 lakh branches undertaking this activity. However, to support economic growth, we need to reach out more and hence there is a need for more banks to be functioning in India. Not just more banks, perhaps we need more variety of banks. I am not talking about public, private, foreign bank variety here. I am talking about the variety of functions that they will undertake, the niche in which they want to excel. Accordingly, the Reserve Bank has decided to license more banks. Two licenses we have given recently. We intend to offer this on tap basis. We are working on new set of guidelines for both full service commercial banks and differentially licensed banks. We hope that with more number of players, the banking sector will mobilise more

resources for funding faster economic growth, will bring in financial inclusion and thereby support inclusive growth in a sustainable way.

Conclusion

28. I have touched upon several issues that are of contemporary relevance and are expected to remain important for quite some time in the near future.

Conferences such as these offer a platform for interchange of views in a structured and systemic manner, whilst taking into consideration the regional-specific concerns as well. I hope that the organisers will not stop at this one-off Conference and instead, will arrange follow-up discussions to further brainstorm the issues and ensure that the discussions reach their logical conclusion.

29. Thank you.

*Role of NBFCs in Financial Sector: Regulatory Challenges**

R. Gandhi

Good evening Ladies and Gentlemen.

2. It is with a great feeling of pride that I stand before you to deliver this oration in memory of the legendary Frank Moraes. I congratulate the United Writers Association and Frank Moraes Foundation for regularly organising the distinguished Frank Moraes Oration lecture. I join everyone here in congratulating Chevalier Dr. K. Thiagarajan on being accorded with the prestigious Celebrity Champion Honour instituted by Community Welfare Foundation, in recognition of his pioneering initiatives relating to birth-control and outstanding community service rendered for over four decades.

3. Frank Moraes was an eminent journalist who was known for having extended the realm of journalism to socio-political dimensions of development, fearless comment of the highest in the land and a broader vision of India, both within and outside the country. He was fiercely independent, with full faith in his own convictions. He is rumored to have kept his resignation letter in his pocket. Basically a lawyer, Moraes became a journalist and later a writer with a passion for writing contemporary Indian history. My heartfelt thanks to the United Writers Association and to Chevalier Dr. Thiagarajan in particular for giving me this privilege to deliver this oration in Frank Moraes' memory.

4. I have chosen the Non-Banking Finance Companies (NBFCs): regulatory challenges as the subject for this oration.

* The Frank Moraes oration lecture delivered by Shri R. Gandhi, Deputy Governor, Reserve Bank of India on June 16, 2014 at Hotel Savera, Chennai. Assistance provided by Ms. Sindhu Pancholy is gratefully acknowledged.

5. If it looks like a duck, quacks like a duck, and acts like a duck, then it is a duck—or so the saying goes. What about an institution that looks like a bank, acts like a bank and behaves like a bank? Is it a bank? Often it is not a bank—it is a shadow bank.

Shadow Banks

6. The term 'shadow bank' was coined by economist Paul McCulley in a 2007 speech at the annual financial symposium hosted by the Kansas City Federal Reserve Bank in Jackson Hole, Wyoming. In McCulley's talk, shadow banking had a distinctly US focus though there were shadow banking institutions in the UK, Europe and even in China. He referred mainly to non-bank financial institutions that engaged in what economists call maturity transformation. Commercial banks engage in maturity transformation when they use deposits, which are normally short-term to fund loans that are longer term. Shadow banks do something similar. Further, they do much more. They are the hedge funds; they were the conduits for asset backed securities; they were the special purpose vehicles for highly leveraged activity with serious asset liability mismatch.

7. The Financial Stability Board (FSB), an organisation of financial and supervisory authorities from major economies and international financial institutions, developed a broader definition of shadow banks that includes all entities outside the regulated banking system that perform the core banking function of credit intermediation (*i.e.*, taking money from savers and lending it to borrowers).

8. Why are they called shadow banks? Because there was so little transparency, it often was unclear who owed (or would owe later) what to whom. Most of their liabilities were off balance sheet; so also most of their assets. As someone put it, the shadow banking entities were characterised by a lack of disclosure and information about the value of their assets (or

sometimes even what the assets were); opaque governance and ownership structures; little regulatory or supervisory oversight of the type associated with traditional banks; virtually no loss-absorbing capital or cash for redemptions; and a lack of access to formal liquidity support to help prevent fire sales.

9. How did they come on scene? Why nobody bothered about them? That was because they did not mobilise demand deposits and did not engage in payment services. Maturity transformation *i.e.*, raising funds and indulging in lending and investment activities is a legitimate economic activity. Since public funds were not to be called upon to rescue these institutions, they were not regulated.

10. However, during the financial crisis of 2007-08, these shadow banks received heightened attention, because of their role in precipitating the crisis. The world woke up rudely to the crisis and more specifically to the existence of shadow banks.

11. Demands for regulating them attained increasing crescendo. Economist Paul Krugman said that the shadow banking system was the core cause of the crisis. 'As the shadow banking system expanded to rival or even surpass conventional banking in importance, politicians and government officials should have realised that they were re-creating the kind of financial vulnerability that made the Great Depression possible—and they should have responded by extending regulations and the financial safety net to cover these new institutions. Influential figures should have proclaimed a simple rule: anything that does what a bank does, anything that has to be rescued in crises the way banks are, should be regulated like a bank.'

12. The International Monetary Fund (IMF) also voiced that the spillover effects of the shadow banking system onto systemic risk needs to be contained. The G-20, duly prodded by the FSB declared that the shadow banking system should be regulated. The US brought

them under regulation in 2010 under the Dodd Frank Act. The UK goes further to even accord them central bank liquidity.

Shadow Banks in India

13. Do we have shadow banks in India? The answer is yes. It is yes, because we have financial institutions which accept deposits and extend credit like banks, but we do not call them shadow banks; we call them the Non-Banking Finance Companies (NBFCs). Are they in fact shadow banks? No, because these institutions have been under the regulatory structure of the Reserve Bank of India, right from 1963 *i.e.*, 50 full years before the developed west is doing so.

Evolution of Regulation of NBFCs in India

14. In the wake of failure of several banks in the late 1950s and early 1960s in India, large number of ordinary depositors lost their money. This led to the formation of the Deposit Insurance Corporation by the Reserve Bank, to provide guarantee to the depositors. (Later by adding a credit guarantee element, it became the DICGC). While this provided the necessary safety net for the bank depositors, the Reserve Bank did note that there were deposit taking activities undertaken by non-banking companies. Though they were not systemically as important as the banks, the Reserve Bank initiated regulating them, as they had the potential to cause pain to their depositors.

15. Later in 1996, in the wake of the failure of a big NBFC, the Reserve Bank tightened the regulatory structure over the NBFCs, with rigorous registration requirements, enhanced reporting and supervision. The Reserve Bank also decided that no more NBFC will be permitted to raise deposits from the public. Later, when the NBFCs sourced their funding heavily from the banking system, it raised systemic risk issues. Sensing that it can cause financial instability, the Reserve Bank brought asset side prudential regulations onto the NBFCs.

NBFCs of India

16. The definition of the term 'NBFC' entails a very wide meaning. NBFCs include not just the finance companies that the general public is largely familiar with; the term also entails wider group of companies that are engaged in investment business, insurance, chit fund, nidhi, merchant banking, stock broking, alternative investments, *etc.* as their principal business. Today, I would be concentrating only on those NBFCs that are under the regulatory purview of the Reserve Bank.

17. Traditionally, India has had a bank-dominated financial sector. Even so, there have always been NBFCs. These were in early times small family run businesses for deposits acceptance and lending activities. Even today, the sector may be 'small' as compared to banking sector with a total asset size of just around 14 per cent of that of scheduled commercial banks (other than RRBs). However, there is no denying that the sector has grown tremendously over the years in size, form and complexity, with some of the NBFCs operating as conglomerates having business interests spread to sectors like insurance, broking, mutual fund and real estate. Concomitant with the above, interconnectedness and systemic importance of the NBFC sector also have increased.

18. NBFCs being financial intermediaries are engaged in the activity of bringing the saving and the investing community together. In this role they are perceived to be playing a complimentary role to banks rather than competitors, as it is a known fact that majority of the population in the country do not yet have access to mainstream financial products and services including a bank account and therefore the country needs institutions beyond banks for reaching out in areas where banks' presence may be lesser. Thus NBFCs especially those catering to the urban and rural poor namely NBFC-MFIs and Asset Finance Companies have

a complimentary role in the financial inclusion agenda of the country. Further, some of the big NBFCs *viz.*, infrastructure finance companies are engaged in lending exclusively to the infrastructure sector and some are into factoring business, thereby giving fillip to the growth and development of the respective sector of their operations. Thus NBFCs have also carved niche business areas for them within the financial sector space and are also popular for providing customised products like second hand vehicle financing, mostly at the doorstep of the customer. In short, NBFCs bring the much needed diversity to the financial sector thereby diversifying the risks, increasing liquidity in the markets thereby promoting financial stability and bringing efficiency to the financial sector.

19. At the same time, their growing size and interconnectedness also raise concerns on financial stability. The Reserve Bank's endeavour in this context has been to streamline NBFC regulation, address the risks posed by them to financial stability, address depositors' and customers' interests, address regulatory arbitrage and help the sector grow in a healthy and efficient manner. Some of the regulatory measures include identifying systemically important non-deposit taking NBFCs as those with asset size of ₹100 crore and above and bringing them under stricter prudential norms (CRAR and exposure norms), issuing guidelines on Fair Practices Code, aligning the guidelines on restructuring and securitisation with that of banks, permitting NBFCs-ND-SI to issue perpetual debt instruments *etc.*

NBFCs as components of the financial sector:

20. A broad picture of the role of NBFCs and the interconnectedness they have in the financial sector can be gauged from the details given below:

General:

21. The total number of NBFCs as on March 31, 2014 are 12,029 of which deposit taking NBFCs are 241 and

non-deposit taking NBFCs with asset size of ₹100 crore and above are 465, non-deposit taking NBFCs with asset size between ₹50 crore and ₹100 crore are 314 and those with asset size less than ₹50 crore are 11,009. As on March 31, 2014, the average leverage ratio (outside liabilities to owned fund) of the NBFCs-ND-SI stood at 2.94, return on assets (net profit as a percentage of total assets) stood at 2.3 per cent, Return on equity (net profit as a percentage of equity) stood at 9.22 per cent and the gross NPA as a percentage of total credit exposure (aggregate level) stood at 2.8 per cent.

Asset Liability composition

Liabilities* of the NBFC sector:

22. Owned funds (23% of total liabilities), debentures (32%), bank borrowings (21%), deposit (1%), borrowings from Financial Institutions (1%), Inter-corporate borrowings (2%), Commercial Paper (3%), other borrowings (12%), and current liabilities & provisions (5%).

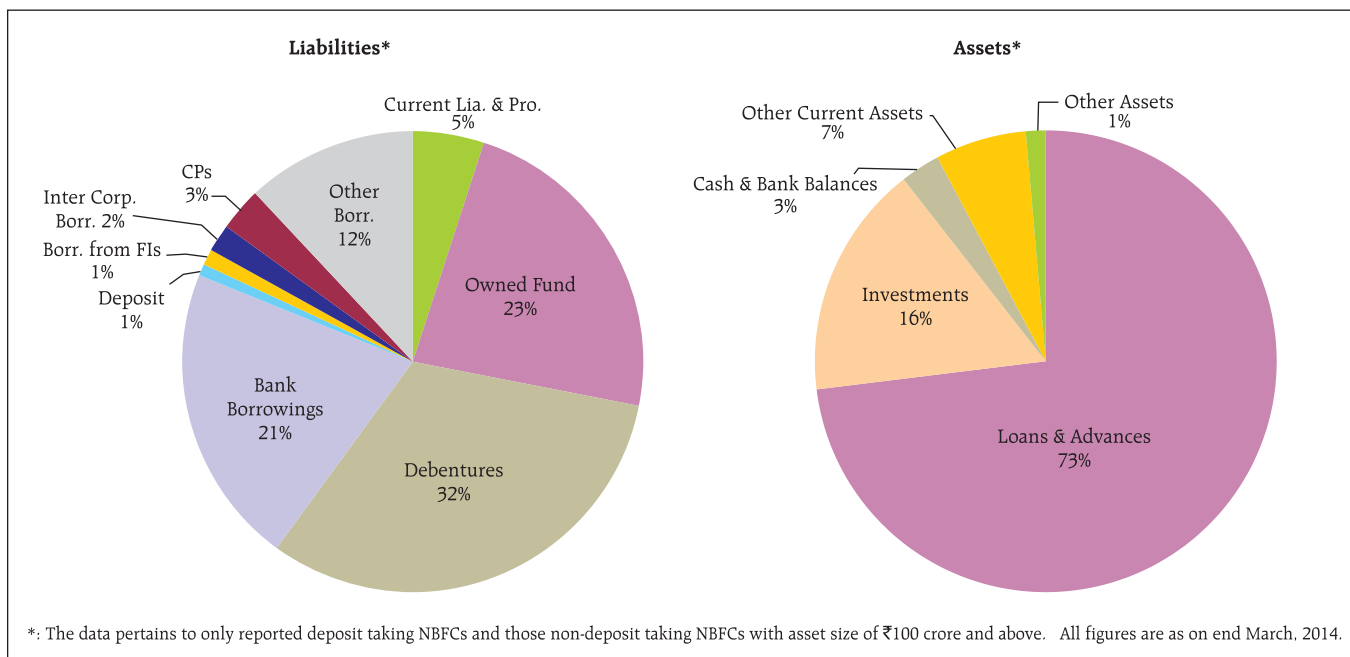
Assets* of the NBFC sector:

23. Loans & advances (73% of total assets), investments (16%), cash and bank balances (3%), other current assets (7%) and other assets (1%).

Role of NBFCs in financial inclusion

24. Financial inclusion has been defined as the 'provision of affordable financial services' to those who have been left unattended or under-attended by formal agencies of the financial system. These financial services include 'payments and remittance facilities, savings, loan and insurance services'. Micro finance has been looked upon as an important means of financial inclusion in India. Microfinance is not just provision of micro credit but also other services in small quantities to the poor *i.e.*, providing essential financial services to the poor in an affordable way. Financial Inclusion also is aiming at the same by providing the poor with not only deposit accounts or credit but also insurance and remittance facility.

25. As articulated by the Committee on Comprehensive Financial Services for Small Businesses and Low Income Households (Mor Committee) in its report, 'on both Financial Inclusion (defined as the spread of financial institutions and financial services across the country) and Financial Depth (defined as the percentage of credit to GDP at various levels of the economy) the overall situation remains very poor and, on a regional and sectoral basis, very uneven.



26. While the Reserve Bank's model for financial inclusion is essentially bank-led, we believe that non-bank entities do have space to partner banks in the financial inclusion initiatives. We have enabled non-bank entities as Business Correspondents of banks to achieve the larger goal of financial inclusion. Since September 2010, MFIs that are bank-SHG, Trusts, Societies or Section 25 companies have been permitted to become Banking Correspondents (BCs). At the same time several non-bank entities on their own are part and parcel of this greater goal, for *e.g.*, NBFC-MFIs that form the significant part of the MFI sector have deeper reach in the rural areas. NBFC-MFIs do not formally figure in the bank led model of financial inclusion but they by their wider and deeper reach can be catalysts in providing the necessary handhold to the poor borrowers to gain access to essential financial services.

27. While the new banks that are being envisaged would definitely give fillip to the country's financial inclusion initiatives, juxtaposing the humungous task of complete financial inclusion against it also brings to focus the need for exploring alternative ways to achieve the goal. The Mor Committee has observed that each of the channels, be they large National Banks, regional cooperative banks, or Non-Banking Financial Companies (NBFCs) have a great deal of continuing value to add by focusing on its own differentiated capabilities and accomplish the national goals of financial inclusion by partnering with others that bring complementary capabilities to bear on the problem.

Role of NBFCs in capital market

28. Investment activity of NBFC sector comprises around 16 per cent of their total assets. These constitute mainly investments in capital market. There are specialised NBFCs that are exclusively engaged in capital market investment *i.e.*, trading in securities. These NBFCs therefore help in giving liquidity to the

capital market. Further, NBFCs also lend to investors for investing in capital market. Regulatory challenges in this regard might come in the form of probable overheating of the market, which could be addressed through appropriate regulatory measures including enhanced disclosures.

Role of NBFCs in factoring

29. Factoring as defined in the Factoring Regulation Act, 2011 involves acquisition of receivables (by a Factor) thereby getting entitled to undivided interest on the receivables or financing against the security interest over any receivables but does not include credit facilities provided by a bank in its ordinary course of business against security of receivables. Subsequent to the notification of the Factoring Regulation Act by the Government, the Reserve Bank formed a new category of NBFCs called NBFC-Factors and issued directions to them. NBFC-Factors are almost exclusively engaged in providing factoring service. Factoring service which is perceived as complimentary to bank finance is expected to enable the availability of much needed working capital finance for the small and medium scale industries especially those that have good quality receivables but may not be in a position to obtain enough bank finance due to lack of collateral or credit profile. By having a continuous business relationship with the Factor in place, small traders, industries and exporters get the advantage of improving the cash flow and liquidity of their business as also availing ancillary services like sales ledger accounting, collection of receivables, credit protection *etc.* Factoring helps them to free their resources and have a one stop arrangement for various business needs enabling smooth running of their business.

30. The Reserve Bank has recently also taken the initiative of mooted a 'Trade Receivables and Credit Exchange' for financing of Micro, Small and Medium Enterprises (MSME), which is under development

stage. The exchange will bring together the MSMEs, the Factors and the corporate buyers under one platform whereby MSME's bills against large companies can be accepted electronically and auctioned so that MSMEs are paid promptly. The objective is to build a suitable institutional infrastructure which will not only enable an efficient and cost effective factoring/reverse factoring process to be put in place, but also ensure sufficient liquidity is created for all stakeholders through an active secondary market for the same.

Role of NBFCs in vehicle financing/second hand vehicle financing

31. Talking about the niche sectors that NBFCs cater to, vehicle financing especially second hand vehicles need special mention. Certain NBFCs that are classified as Asset Finance Companies have gained expertise in this segment and play a significant role in providing a livelihood to customers who are drivers. From the Reserve Bank's side, to encourage the productive activity that these NBFCs are engaged in, we have accorded certain additional dispensations to them in the form of enhanced bank credit, higher exposure norm ceiling and provision of ECB under automatic route for leasing related to infrastructure.

Role of NBFCs in infrastructure financing

32. Infrastructure Finance Companies (IFC) and Infrastructure Debt Funds are NBFCs exclusively into financing the infrastructure sector. Some of these companies have asset books running to lakhs of crores of rupees and are experts in long term project financing. Recognising their significance, the Reserve Bank has given special dispensations in the form of enhanced bank credit, higher exposure norm ceiling and provision of ECB under automatic route for on-lending to infrastructure sector. The asset liability pattern however, is a matter of concern in the case of IFCs as these are lending long term against comparatively shorter term liabilities.

The Regulatory Challenges

33. So, you may wonder, if the NBFCs are performing such a wonderful service to the economy, by being partners in financial inclusion, providing niche financing in the areas like infrastructure, factoring, asset financing, *etc.* what is the concern that the Reserve Bank can have? Why have you indicated in the title for this oration 'Regulatory Challenges', you may ask me. Let me explain.

34. The need for regulating the financial institutions arise primarily because of the high leverage with which they operate that can cause financial instability, the asset liability mismatch which can pose serious risks to the investors and depositors, and their capacity to engender havoc to the real sectors of the economy.

35. Traditionally, regulation of banks has assumed greater importance than that of their non-banking counterparts. One reason, of course, is that protection of depositors has been traditionally an important mandate of banking supervisors. Banks are at the centre of payment and settlement systems and monetary policy transmission takes place through them. Banks play a critical role in credit intermediation through maturity transformation, *i.e.*, acceptance of short term liabilities and converting them into long term assets *viz.*, loans and advances. Along with economic value, this function also creates potential liquidity risk. Moreover, banks also operate on a significantly higher leverage compared to any other type of organisations which could amplify their vulnerability. For all these reasons, banks are subject to a detailed and a rigorous regulatory framework.

36. Non-banks also have depositors; these depositors also need some assurance about the safety of their funds. Non-banks also lend their resources as loans and advances, thus carrying out credit intermediation through maturity transformation and thereby creating liquidity risk. Further non-banks also operate on a

significantly higher leverage than an ordinary commercial institution. Thus, when non - bank financial entities undertake bank-like functions, large risks are created which could potentially be destabilising for the entire system. Moreover, the global financial crisis demonstrated many ways in which shadow banking can have an impact on the global financial system, both directly and through its interconnectedness with the regular banking system, prompting the move to overhaul the regulation of shadow banking system. Like banks, a leveraged and maturity-transforming shadow banking system can also be vulnerable to 'runs' and generate contagion, thereby amplifying systemic risk. Shadow banking can also heighten pro-cyclicality by accelerating credit supply and asset price increases during upswings and exacerbating fall in asset prices during downswings. These effects were powerfully revealed during the global financial crisis in the form of dislocation of asset-backed commercial paper (ABCP) markets, the failure of an originate-to-distribute model employing structured investment vehicles (SIVs) and conduits, 'runs' on MMFs and a sudden reappraisal of the terms on which securities lending and repos were conducted.

37. Now you may say "Yes, we agree that the NBFCs need to be regulated. But, why are you saying that there are challenges? Don't you have the law enabling you to regulate them?"

38. Yes, we have the law. And it has evolved over the time. The challenges today are as follows:

39. First, there are law related challenges (i) there are a number of companies that are registered as finance companies, but are not regulated by the Reserve Bank, (ii) there are unincorporated bodies who undertake financial activities and remain unregulated, (iii) there are incorporated companies and unincorporated entities illegally accepting deposits, (iv) there are entities who camouflage deposits in some other names

and thus illegally accepting deposits. The law as it stands today is inadequate to deal with these issues. In order to correct these and initiate action against violations, we need to bring in suitable amendments to the statutory provisions. The Reserve Bank is working with the government for such improvements in the law.

40. Secondly, as the entities, especially the unincorporated ones, can sprang in any nook and corner of the country and can operate with impunity unnoticed, but endangering their customers' interest, we need arrangements and structured for effective market intelligence gathering. The Reserve Bank is restructuring its organisational setup, especially in its regional offices, for gathering market intelligence.

41. Thirdly, empowering law and gathering intelligence by themselves are not sufficient. Enforcement of the law is a challenge. This is primarily because of the various agencies involved in regulating the non-banking financial activities of entities. Right from the central government ministries like finance and corporate affairs, agencies like CBI and FIU-IND, regulatory agencies like the Reserve Bank, SEBI, the Registrar of Companies, the state government agencies like the police and others, all have to share information and coordinate and cooperate to bring in an effective, timely and unified enforcement of the law. The Reserve Bank's State Level Coordination Committees (SLCC) are being strengthened and a National level Coordination Committee is also being considered.

42. Fourthly, as was mentioned earlier, world over there is an increasing demand that the shadow banks be brought under tighter regulations. G-20 has already expressed it as a mission to be achieved by 2015. In our case, bringing them under regulation is not the issue, as they already are. The challenge for us is how differentially or how closely we should regulate the NBFCs? The demand from the NBFC sector is that they should be subjected to light touch regulation. As

mentioned earlier, NBFCs were brought under regulatory ambit of the Reserve Bank since 1963; we brought them under prudential regulatory framework since 1997. Nevertheless, the NBFC sector came under pressure during the 2008 crisis due to the funding inter-linkages among NBFCs, mutual funds and commercial banks. NBFCs-ND-SI relied significantly on short term funding sources such as debentures (largely non - convertible short term debentures), and CPs, which constituted around 56.8 per cent of the total borrowings of NBFCs-ND-SI as on September 30, 2008. These funds were used to finance assets which were reportedly largely a mix of long term assets, including hire purchase and lease assets, long term investments, investment in real estate by few companies, and loans and advances. These mismatches were created mainly as a business strategy for gaining from the higher spreads. However, there were no fall back alternatives in cases of potential liquidity constraints. The ripple effect of the turmoil in American and European markets led to liquidity issues and heavy redemption pressure on the mutual funds in India, as several investors, especially institutional investors, started pulling out their investments in liquid and money market funds. Mutual funds being the major subscribers to CPs and debentures issued by NBFCs, the redemption pressure on MFs translated into funding issues for NBFCs, as

they found raising fresh liabilities or rolling over of the maturing liabilities very difficult. Drying up of these sources of funds along with the fact that banks were increasingly becoming risk averse, heightened their funding problems, exacerbating the liquidity tightness. The Reserve Bank undertook many measures, both conventional as well as un-conventional, to enhance availability of liquidity to NBFCs'.

Conclusion

43. To conclude, I may say that the challenge, therefore, for the NBFC sector is to grow in a prudential manner while not stopping altogether on financial innovations. The key lies in having in place adequate risk management systems and procedures before entering into risky areas. As for the regulator, it is the constant endeavour of the Reserve Bank to enable prudential growth of the sector, keeping in view the multiple objectives of financial stability, consumer and depositor protection, and need for more players in the financial market, addressing regulatory arbitrage concerns while not forgetting the uniqueness of NBFC sector. The Reserve Bank presently is in the process of reviewing the regulatory framework for NBFCs in the context of recent developments including the Nachiket Mor Committee and others.

44. Thank you very much for your patient attention.

ARTICLES

Developments in India's Balance of Payments during 2013-14

International Banking Statistics of India: March, June,
September and December 2013

Industrial Outlook Survey: 2013-14

Developments in India's Balance of Payments during 2013-14*

The data on India's Balance of Payments (BoP) are published by the Reserve Bank on a quarterly basis. Accordingly, BoP statistics for the period January- March 2014 (Q4) and financial year 2013-14 were released on May 26, 2014. This article presents an analysis of major developments in India's BoP during 2013-14.

Balance of Payments during 2013-14

India's balance of payments position witnessed a significant improvement during 2013-14 over the preceding year. The improvement may be attributed to pick up in merchandise exports amidst some global recovery and a depreciating rupee, and decline in imports. Import moderation was primarily on account of sharp fall in gold imports following measures undertaken by the Government and the Reserve Bank to limit gold imports and also partly due to fall in international gold prices. India's current account deficit (CAD) improved to 1.7 per cent of GDP during the year and remained within the sustainable level. Despite a steep decline in net capital and financial flows, there has been larger accretion to foreign exchange reserves to the tune of US\$ 15.5 billion during 2013-14 as compared to US\$ 3.8 billion during 2012-13 (Table 1).

- During 2013-14, India's merchandise exports at US\$ 318.6 billion recorded a growth of 3.9 per cent as against a decline of 1.1 per cent in 2012-13. India's merchandise exports improved in Q2 and Q3 before contracting again in Q4. Slowdown in exports during Q4 of 2013-14 may be attributed to certain sector specific issues and decline in exports to EU economies, Switzerland, the OPEC region, Singapore and Hong Kong SAR.

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

- At a disaggregated level, the recovery in exports during 2013-14 can primarily be attributed to the turnaround in the exports of manufactured goods. Within the manufactured goods, exports of engineering goods, particularly transport equipments and iron & steel, showed significant improvement. Exports of petroleum products also grew but at a moderate pace reflecting fall in international prices and lower gross refinery margins.
- On a BoP basis, merchandise imports at US\$ 466.2 billion recorded a decline of 7.2 per cent in 2013-14 over the year as against a marginal increase of 0.5 per cent in 2012-13. The decline in

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

(US\$ Billion)

	Apr- Jun 2013 PR	Jul- Sep 2013 PR	Oct- Dec 2013 PR	Jan- Mar 2014 P	Apr- Mar 2013-14 P
1. Goods Exports	73.9	81.2	79.8	83.7	318.6
<i>Of which:</i>					
Oil	14.2	18.4	15.4	14.8	62.7
Gold	1.6	1.6	1.4	1.6	6.2
2. Goods Imports	124.4	114.5	112.9	114.3	466.2
<i>Of which:</i>					
Oil	39.2	41.1	42.2	42.7	165.2
Gold	16.5	3.9	3.1	5.3	28.8
3. Trade Balance(1-2)	-50.5	-33.3	-33.2	-30.7	-147.6
3.a Trade Balance (Non-oil non gold)	-10.5	-8.4	-4.6	1.0	-22.5
4. Services Exports	36.5	36.7	37.6	40.6	151.5
5. Services Imports	19.7	18.3	19.5	21.0	78.5
6. Net Services (4-5)	16.9	18.4	18.1	19.6	73.0
7. Goods & Services Balances (3+6)	-33.6	-14.9	-15.0	-11.1	-74.6
8. Primary Income, Net	-4.8	-6.3	-5.4	-6.4	-23.0
9. Secondary Income, Net (Private Transfers)	16.7	16.1	16.3	16.3	65.3
10. Net Income (8+9)	11.8	9.8	10.8	9.9	42.3
11. Current Account Balance (7+10)	-21.8	-5.2	-4.2	-1.2	-32.4
12. Capital and Financial Account Balance, Net (Excl. change in reserves)	20.5	-4.8	23.9	9.1	48.7
13. Change in Reserves (-) increase/(+)decrease	0.3	10.4	-19.1	-7.1	-15.5
14. Errors & Omissions (-) (11+12+13)	0.9	-0.4	-0.6	-0.7	-0.9

P: Preliminary; PR: Partially Revised.

imports was mainly attributed to sharp decline in gold imports by about 46 per cent in 2013-14 (a decline of 4.7 per cent in 2012-13). Gold imports which recorded a sharp rise in Q1 of 2013-14, started declining since July 2013 following a series of policy steps taken by the Reserve Bank and the Government to curb imports.

- Apart from the measures taken to curb gold imports (including a gradual increase in customs duty on gold imports), a sharp decline in the international price of gold by around 20 per cent to an average of US\$ 1,327 per troy ounce in 2013-14 also helped reduce India's gold imports during the year.
- Apart from gold, major commodity groups which witnessed decline in imports were 'bulk consumption goods' and 'capital goods'. While moderation in bulk consumption goods imports was mainly on account of decline in imports of edible oil and pulses; moderation in imports of capital goods, led by almost all subsectors, indicating a slower investment activity in the domestic economy.

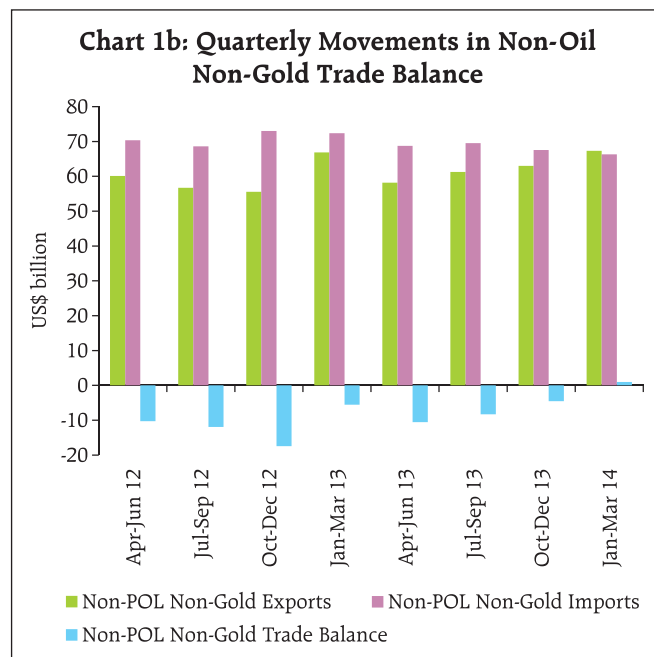
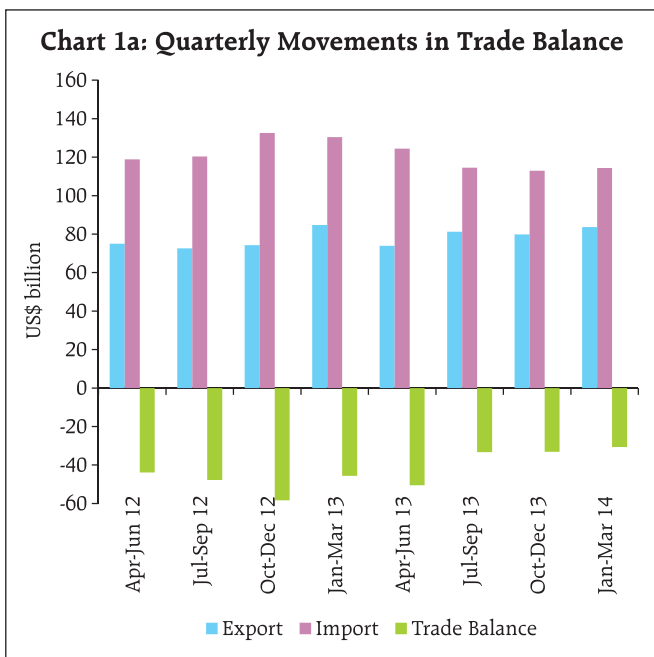
Trade Deficit

- With a rise in exports and slowdown in imports, trade deficit narrowed to US\$ 147.6 billion in

2013-14 from US\$ 195.7 billion in the previous year. Barring the first quarter, trade deficit was lower in all subsequent quarters of 2013-14 than that in the corresponding quarters of the previous year. Apart from fall in import of gold, exchange rate adjustment and recovery in global demand also helped narrowing India's trade deficit (Chart 1 a & b).

Services

- Net services receipts increased by 12.4 per cent in 2013-14 as compared with 1.4 per cent during 2012-13. The rise was led by both decline in services payments and a moderate growth in services receipts (Table 2).
- Services exports improved mainly on account of 'transport', 'telecommunication', 'computer & information services' and 'personal cultural & recreational services'. However, gross receipts under 'travel', 'insurance' and 'other business services' recorded a decline during the year.
- Services payments declined primarily in 'insurance and pension services', 'charges for intellectual property' and 'other business services' while payments for 'construction', 'financial services,



'telecommunication, computer & information services' and 'personal cultural & recreational services' increased during the period.

Income

Primary income

Primary income, comprising mainly investment income, compensation of employees and other primary receipts, continued to reflect net outflows in all the quarters of 2013-14 mainly on account of larger interest and dividend payments. Increase in primary income payments outweighed the rise in primary income receipts, resulting in higher net outflow of US\$ 23.0 billion during 2013-14 as compared with US\$ 21.5 billion in the preceding year (Table 2).

- Investment income receipts at US\$ 7.0 billion showed a rise of 12.7 per cent in 2013-14 as against a decline of 12.1 per cent in 2012-13 mainly on account of higher inward repatriation of profits and dividends by Indian FDI companies operating abroad during Q2 and Q3 of 2013-14. Receipts on

account of compensation of employees at US\$ 3.3 billion also showed a rise of 7.0 per cent in 2013-14.

- During 2013-14, investment income payments rose to US\$ 31.2 billion from US\$ 28.8 billion in 2012-13. Rise in payments primarily reflected dividend payments and higher outgo of interest on account of NRI deposits.

Secondary income

In contrast to primary income, net secondary income receipts at US\$ 65.3 billion comprising, mainly the workers' remittances and local withdrawal of NRI deposits for personal/family use, increased marginally by 1.5 per cent during 2013-14 from US\$ 64.4 billion during 2012-13. NRI deposits, when withdrawn domestically, form part of private transfers as they become unilateral transfers.

- Under private transfers, the inward remittances for family maintenance accounted for 54.4 per cent of total private transfer receipts, while local

Table 2: Disaggregated Items of Current Account (Net)

(US\$ Billion)

	Apr-Jun 2013 PR	Jul-Sep 2013 PR	Oct-Dec 2013 PR	Jan-Mar 2014 P	Apr-Mar 2013-14 P
1. Goods	-50.5	-33.3	-33.2	-30.7	-147.6
2. Services	16.9	18.4	18.1	19.5	73.0
2.a Transport	0.4	0.7	0.7	0.8	2.6
2.b Travel	0.8	0.9	2.3	2.1	6.1
2.c Construction	0.0	0.0	0.0	0.1	0.1
2.d Insurance and pension services	0.2	0.3	0.2	0.3	1.0
2.e Financial Services	-0.6	0.7	0.4	0.3	0.8
2.f Charges for the use of intellectual property	-1.0	-0.5	-0.8	-1.0	-3.4
2.g Telecommunications, computer and information services	16.2	16.6	17.1	18.1	68.1
2.h Personal, cultural and recreational services	0.2	0.1	0.1	0.1	0.5
2.i Government goods & services	-0.2	-0.2	-0.1	-0.1	-0.5
2.j Other Business services	0.6	0.4	0.2	0.1	1.3
2.k Others <i>n.i.e.</i>	0.1	-0.6	-2.0	-1.2	-3.7
3. Primary Income	-4.8	-6.3	-5.4	-6.4	-23.0
3.a Compensation of Employees	0.2	0.1	0.2	0.1	0.5
3.b Investment Income	-5.1	-6.6	-5.9	-6.7	-24.2
3.c Other Primary Income	0.1	0.2	0.3	0.2	0.7
4. Secondary Income	16.7	16.1	16.3	16.3	65.3
4.a Personal Transfers	16.2	15.7	15.7	15.5	63.2
4.b Other Transfers	0.5	0.4	0.6	0.8	2.1
5. Current Account (1+2+3+4)	-21.7	-5.2	-4.2	-1.2	-32.4

P: Preliminary; PR: Partially Revised.

Table 3: Details of Personal Transfers to India

(US\$ Billion)

Year	Total Private Transfers	Of Which:			
		Inward remittances for family maintenance		Local withdrawals/redemptions from NRI Deposits	
		Amount	Share in Total	Amount	Share in Total
2011-12(PR)	66.1	31.3	47.3	32.5	49.1
2012-13 (PR)	67.6	33.0	48.9	32.0	47.2
2013-14 (P)	69.6	37.9	54.4	29.2	41.9

P: Preliminary. PR: Partially Revised.

withdrawals accounted for 41.9 per cent during 2013-14 (Table 3).

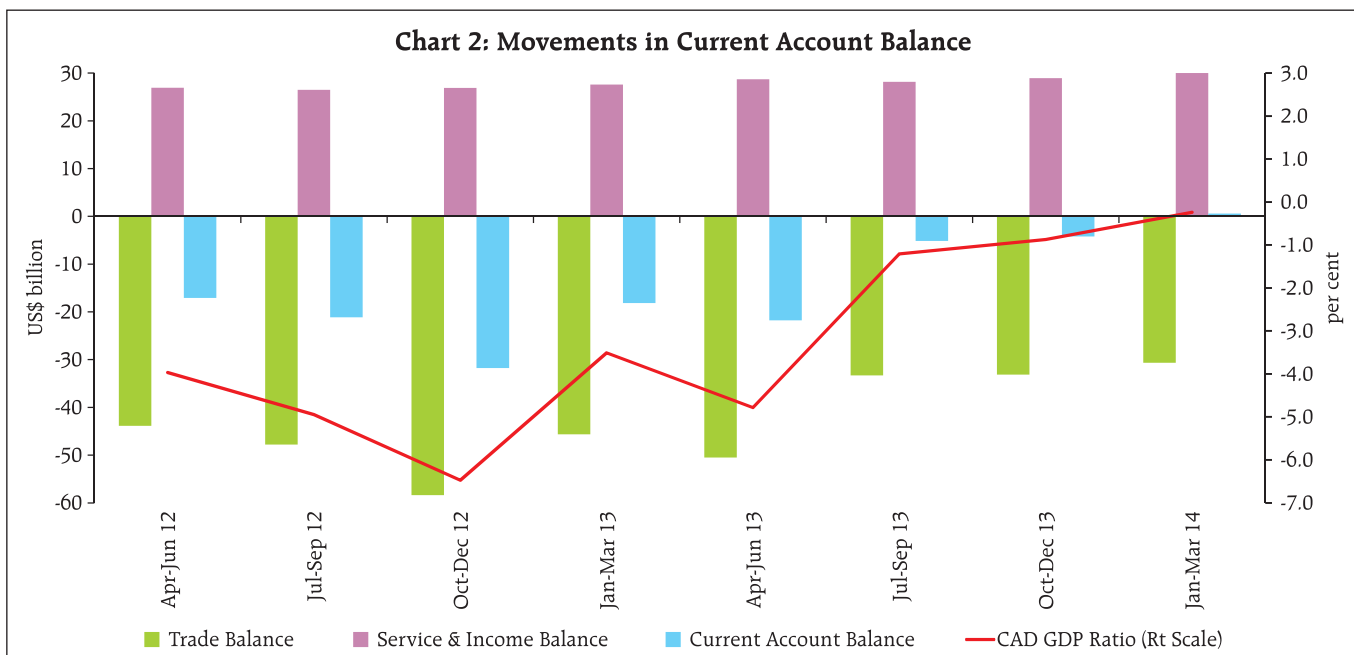
Current Account Balance

After worsening in Q1 of 2013-14, India's CAD narrowed sharply in subsequent quarters. The continuous improvement in CAD during Q2, Q3 and Q4 of 2013-14 was mainly led by significant improvement in merchandise trade balance coupled with improvement in net services receipts and secondary income. As a proportion to GDP, CAD improved from 4.8 per cent in Q1 to 1.2 per cent, 0.9 per cent and 0.2 per cent in Q2, Q3 and Q4 of 2013-14, respectively (Chart 2). For the year 2013-14 as a whole, CAD-GDP ratio stood at 1.7

per cent, much lower than 4.7 per cent recorded during 2012-13.

Capital and Financial Account

Net inflows under the capital and financial account (C&FA), excluding change in foreign exchange reserves, witnessed an uneven trend across quarters. During Q1 of 2013-14, net flows under C&FA (excluding change in reserves) stood at US\$ 20.5 billion. However, as CAD was high, flows were barely adequate for its financing. In Q2, amid concerns about the gradual withdrawal of the quantitative easing (QE) programme, as indicated by the US Fed on May 22, 2013, there was re-pricing of risk and concomitant capital outflows from emerging market and developing economies, including India. There was a net outflow of US\$ 4.8 billion during the quarter. Thus, despite lower CAD, forex reserves had to be drawn to the tune of US\$ 10.4 billion to finance CAD in Q2. Taking cognisance of domestic and external conditions, various policy measures were announced by the Reserve Bank and the Government in Q2 to facilitate capital inflows, including (i) liberalised FDI norms through review of limits and (or) routes for select sectors, viz., telecom, asset reconstruction companies, credit information companies, petroleum and natural gas, courier services, commodity exchanges,



infrastructure companies in the securities market and power exchanges, (ii) offering a window for the banks to swap the fresh FCNR(B) dollar funds with the Reserve Bank, (iii) increase in the overseas borrowing limit from 50 to 100 per cent of the unimpaired Tier I capital of banks (with the option of swap with the Reserve Bank), and (iv) permission to avail of ECB under the approval route from their foreign equity holder company for general corporate purposes. Under swap schemes, flows to the extent of US\$ 34.3 billion were mobilised and swapped with the Reserve Bank. Not only these measures helped building forex reserves, they boosted sentiment among foreign investors. With receding concerns on high CAD and growing confidence of foreign investors in Indian economy, FII flows revived since November 2014. As a result, there were net inflows under C&FA (excluding reserves) to the tune of US\$ 23.9 billion and US\$ 9.1 billion during Q3 and Q4 of 2013-14, respectively. With lower CAD and buoyant

flows under financial account, there was reserve accumulation of US\$ 19.1 billion and US\$ 7.1 billion in Q3 and Q4, respectively.

Notwithstanding revival of capital flows during Q3 and Q4, during the year as whole, net inflows under the C&FA, excluding change in foreign exchange reserves were lower at US\$ 48.7 billion in 2013-14 as compared with US\$ 89.0 billion in 2012-13. Lower net inflows in financial account were on account of portfolio investment, net repayment of loans and trade credit & advances (Table 4).

- Notwithstanding revival of FII flows in Q3 and Q4, on net basis, FII inflows at US\$ 5.0 billion during 2013-14 were much lower than US\$ 27.6 billion recorded in 2012-13.
- Net loans availed by deposit taking corporations, mainly comprising overseas borrowings by

Table 4: Disaggregated Items of Financial Account (Net)

(US\$ Billion)

	Apr-Jun 2013 PR	Jul-Sep 2013 PR	Oct-Dec 2013 PR	Jan-Mar 2014 P	Apr-Mar 2013-14 P
1. Direct Investment (net)	6.5	8.1	6.1	0.9	21.6
1.a Direct Investment to India	6.5	8.7	5.8	9.8	30.8
1.b Direct Investment by India	0.0	-0.6	0.3	-8.9	-9.2
2. Portfolio Investment	-0.2	-6.6	2.4	9.3	4.8
2.a Portfolio Investment in India	-0.5	-6.6	2.5	9.5	5.0
2.b Portfolio Investment by India	0.2	0.0	-0.1	-0.3	-0.2
3. Other investment	14.1	-4.6	14.6	-4.3	19.7
3.a Other equity (ADRs/GDRs)	0.0	0.0	0.0	0.0	0.0
3.b Currency and deposits (NRI Deposits)	5.7	8.2	21.6	3.9	39.4
3.c Loans	5.9	-5.6	-1.7	0.3	-1.1
3.c.i Loans to India	5.4	-5.8	-1.8	0.2	-2.0
Deposit-taking corporations	4.7	-7.0	-5.9	-5.7	-13.9
General government (External Assistance)	0.3	-0.1	0.0	1.0	1.2
Other sectors (External Commercial Borrowings)	0.4	1.3	4.1	4.9	10.7
3.c.ii Loans by India	0.4	0.2	0.1	0.2	0.9
General government (External Assistance)	-0.1	0.0	0.0	0.0	-0.2
Other sectors (External Commercial Borrowings)	0.5	0.2	0.1	0.2	1.1
3.d Insurance and Pension others	-0.1	0.1	-0.2	0.1	-0.1
3.e Trade credit and advances	2.5	-1.9	-1.2	-4.5	-5.0
3.f Other receivable/payable	0.2	-5.4	-4.0	-4.2	-13.4
4. Financial Derivatives	-0.5	-1.6	0.8	3.4	2.0
5. Reserve assets	0.3	10.4	-19.1	-7.1	-15.5
6. Financial Account (1+2+3+4+5)	20.1	5.7	4.7	2.1	32.6
7. Net Capital & Financial Account excluding change in reserves	20.5	-4.8	23.9	9.1	48.7

P: Preliminary; PR: Partially Revised.

Table 5: Sector-wise FDI: Inflows and Outflows

(US\$ Billion)

Gross FDI inflows to India#				Gross FDI outflows from India*			
Industry	2011-12	2012-13	2013-14	Industry	2011-12	2012-13	2013-14
Manufacturing	9.3	6.5	6.4	Agriculture , Hunting, Forestry Fishing and Mining	0.6	1.1	7.3
Electricity and others	1.4	1.7	1.3	Manufacturing	3.4	3.4	3.0
Construction	2.6	1.3	1.3	Financial, Insurance, Real Estate and Business Services	3.4	2.9	2.0
Communication Services	1.5	0.1	1.3	Transport, Storage and Communication Services	2.0	1.8	0.8
Retail & Wholesale Trade	0.6	0.6	1.1	Wholesale, Retail Trade, Restaurants and Hotels	1.2	0.8	0.8
Financial Services	2.6	2.8	1.0	Community, Social and Personal Services	0.4	0.3	0.5
Miscellaneous Services	0.8	0.6	0.9	Construction	0.4	0.6	0.2
Computer Services	0.7	0.2	0.9	Electricity, Gas and Water	0.0	0.1	0.0
Others	3.9	4.6	1.8	Miscellaneous	0.0	0.0	0.1
Total	23.5	18.3	16.1	Total	11.4	11.0	14.6

#: Includes equity FDI through SIA/FIPB and RBI routes only and hence are not comparable with data in other tables.

*: Includes equity (except that of individuals and banks), loans and guarantee invoked, and hence are not comparable with data in other tables.

commercial banks and their *Nostro Balances* held abroad, turned negative with an outflow of US\$ 13.9 billion during 2013-14 as against an inflow of US\$ 1.3 billion.

- Short term trade credit inflows, which slowed down significantly in Q1 of 2013-14 over the corresponding quarter of 2012-13, worsened further and turned negative in subsequent quarters largely reflecting subdued trend in imports. Thus, there has been net outflow of US\$ 5.0 billion under short-term trade credit in 2013-14 as against an inflow of US\$ 21.7 billion recorded a year ago.

Lower inflows under above categories were partly offset by higher net inflows under ECB, FDI and NRI deposits.

- Net loans availed by non-Government and non-banking sectors (net ECBs) witnessed an improvement across all the quarters of 2013-14 and stood at US\$ 10.7 billion during the year which was higher than the previous year level of US\$ 8.6 billion.
- Net FDI to India (Inward FDI minus outward FDI) at US\$ 21.6 billion stood higher during 2013-14 than the previous year's level of US\$ 19.8 billion. It was mainly due to higher level of fresh equity

flows during the period. Majority of fresh FDI inflows were recorded in sectors, *viz.*, manufacturing, electricity, construction and communications (Table 5). Source-wise, around half of FDI inflows originated from Singapore and Mauritius.

- Gross FDI by India (*i.e.*, outward FDI) increased by around 29 per cent to US\$ 14.6 billion during 2013-14 (US\$ 11.0 billion a year ago) due to higher outflows under equity investment. Sector-wise, FDI by India, however, moderated in almost all sectors except mining. Total FDI in sectors, *viz.*, mining and manufacturing accounted for almost 70 per cent of total outward FDI during 2013-14 (Table 5).
- Direction-wise (*i.e.*, in terms of recipient countries), investment routed through Mauritius constituted the largest component of gross outward FDI followed by Singapore (Table 6).
- During 2013-14, the outward FDI in joint ventures (JVs) and wholly owned subsidiaries (WOSs) at US\$ 14.6 billion was higher by 40 per cent than that during the preceding year. During this period, investment financed through equity recorded a surge of around 75 per cent compared to the loan

Table 6: Country-wise FDI: Inflows and Outflows

(US\$ Billion)

Gross FDI inflows to India#				Gross FDI outflows from India*			
Country	2011-12	2012-13	2013-14	Country	2011-12	2012-13	2013-14
Singapore	3.3	1.6	4.4	British Virgin Islands	0.6	0.4	3.2
Mauritius	8.1	8.1	3.7	Mozambique	0.0	0.0	3.0
Japan	2.1	1.3	1.8	Netherlands	1.3	1.0	2.1
Netherlands	1.3	1.7	1.2	Mauritius	2.6	1.8	1.5
Germany	0.4	0.5	0.7	Singapore	2.3	1.8	1.2
U.S.A	1.0	0.5	0.6	USA	1.0	1.4	1.1
Cyprus	1.6	0.4	0.5	UK	0.4	0.6	0.5
Luxembourg	0.1	0.0	0.5	Switzerland	0.2	0.5	0.5
Switzerland	0.2	0.3	0.4	UAE	0.5	0.8	0.3
Others	5.4	3.9	2.3	Others	2.7	2.8	1.3
Total	23.5	18.3	16.1	Total	11.4	11.0	14.6

#: Includes equity FDI through SIA/FIPB and RBI routes only and hence are not comparable with data in other tables.

*: Includes equity (except that of individuals and banks), loans and guarantees invoked, and hence are not comparable with data in other tables.

component which declined by around 30 per cent over a year ago. Accordingly, the share of equity in total outward FDI increased to 78.4 per cent as compared with 58.6 per cent in the preceding year (Table 7).

- Inflows under currency and deposits by banking sector (NRI deposits) increased significantly during 2013-14 and stood at US\$ 38.9 billion as compared with an inflow of US\$ 14.8 billion a year ago. Significant rise in NRI deposits was mainly due to swap scheme offered by the Reserve Bank for fresh FCNR(B) deposits. Under the scheme, introduced

on September 4, 2013, fresh FCNR(B) deposits mobilised for a minimum tenor of three years were eligible for swapping at a fixed rate of 3.5 per cent per annum for the tenor of the deposit.

- Net outflows under 'Other receivables/ payables' that include 'leads and lags in exports', 'SDR allocation', 'net funds held abroad', 'advances received pending issue of shares under FDI', 'rupee debt service' and 'other capital not included elsewhere' were higher than the level recorded in the corresponding period of preceding year (Table 8). 'Leads & lags' in exports' also include

Table 7: India's Outward FDI

(US\$ Billion)

Period	Equity*	Loan	Guarantees Invoked	Total
2013-14 (P)	11.4 (78.4)	3.2 (21.6)	0.1	14.6
2012-13 (PR)	6.5 (58.6)	4.5 (40.8)	0.1 (0.6)	11.0
2011-12 (PR)	5.5 (48.4)	5.9 (51.6)	0.0 (0.0)	11.4

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

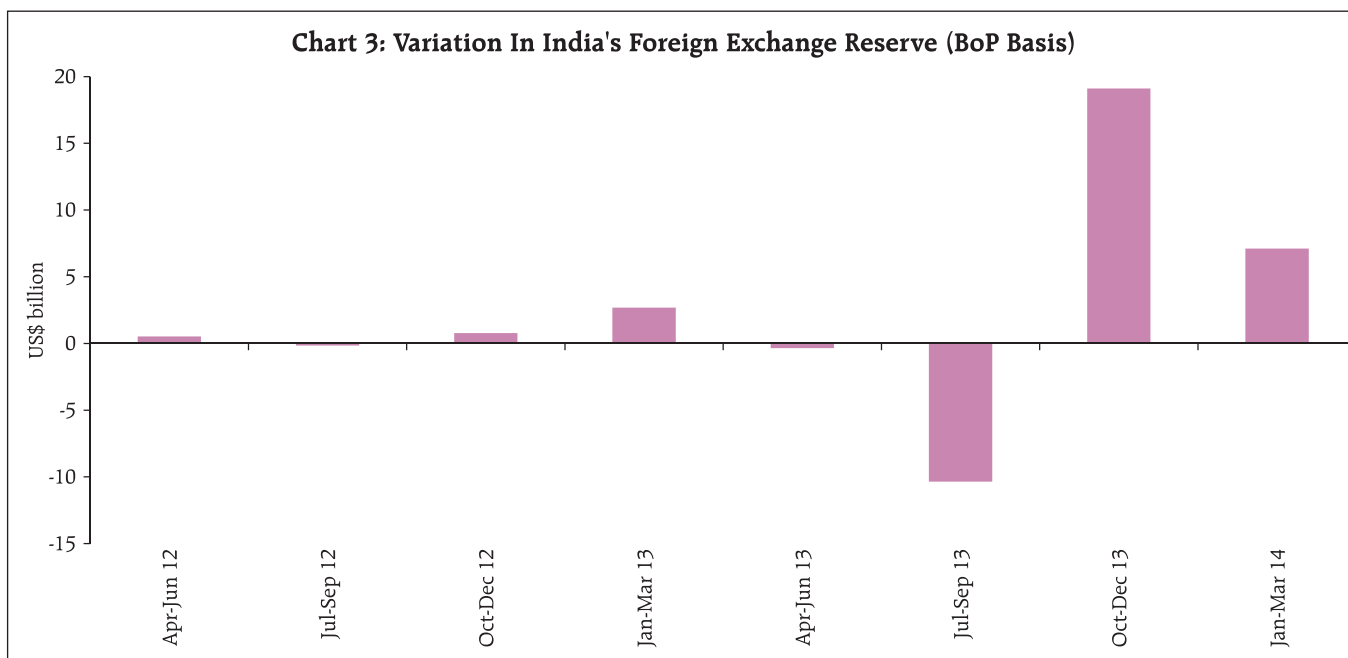
Note: Figures in brackets relate to percentage share in total outward FDI for the period.**Table 8: Details of Other Receivables / Payables (Net)**

(US \$ Billion)

Item	2011-12 (PR)	2012-13 (PR)	2013-14 (P)
Lead and Lags in Exports	-10.4	-10.8	-16.9
Net Funds Held Abroad	-2.8	-5.3	-6.5
Advances Received Pending Issue of Shares under FDI	2.7	9.2	7.5
Other capital not included elsewhere#	0	4.2	2.5
Total (1 to 5)	-6.9	-2.7	-13.4

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

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



trade credit extended by Indian exporters to non residents. Other receivables/payables, *i.e.*, other capital of earlier format of BOP recorded significant outflows mainly due to lags exports realisations.

- Capital account, which includes, *inter alia*, 'net acquisition of non-produced non-financial assets' and 'other capital receipts including migrant transfers', recorded a surplus of about 0.7 billion during 2013-14 as against a deficit of US\$ 0.3 billion during 2012-13.

Variation in Foreign Exchange Reserves

- After witnessing a decline to the extent of US\$ 0.3 billion and US\$ 10.4 billion in Q1 and Q2, respectively, foreign exchange reserves (on BoP basis) surged by US\$ 19.1 billion and US\$ 7.1 billion during Q3 and Q4 of 2013-14, respectively. Accretion to foreign exchange reserves in Q3 and Q4 was on the back of lower CAD and improvement in net inflows under C&FA. There was a net accretion of reserves to the tune of US\$ 15.5 billion during 2013-14 as compared with that of US\$ 3.8

billion in the preceding year. In nominal terms (including the valuation effects), foreign exchange reserves increased by US\$ 12.2 billion during 2013-14 as against a decline of US\$ 2.4 billion in the preceding year (Chart 3).

Difference between DGCI&S and Balance of Payments Imports

The data on imports based on DGCI&S (customs statistics) and the BoP (banking channel data) are given in Table 9. The discrepancy between the two data sets is likely to get reduced when both the data sets are revised later.

Table 9: DGCI&S and the BoP Import Data

(US\$ Billion)

Item	April-March		
	2011-12	2012-13	2013-14
1. BoP Imports	499.5	502.2	466.2
2. DGCI&S Imports	488.7	491.5	451.0
3. Difference (1-2)	10.8	10.7	15.2

*International Banking Statistics of India: March, June, September and December 2013**

This article presents an analysis of trends in international liabilities and assets of banks in India at quarterly intervals for the quarters ending March, June, September and December 2013¹. For this purpose, international banking statistics (IBS)² collected as per the reporting system of the Bank for International Settlements (BIS)³ is used. The article also gives a broad comparison of external debt with the international liabilities of banks in India. From a global perspective, the article provides a broad picture of foreign claims on the BRICS⁴ countries. The related data were released through RBI website on May 30, 2014. The analysis presented in the article refers to data in INR terms.

Highlights

- International liabilities (in ₹ terms), based on Locational Banking Statistics (LBS) of the banks located in India surged (y-o-y) by 35.8 per cent in December 2013, on account of accretion of capital

* Prepared in the Banking Statistics Division of the Department of Statistics and Information Management. Previous articles on the subject were published in various issues of the Reserve Bank of India Bulletin; the last one based on June, September and December 2012 data on IBS was published in July 2013 issue.

¹ Earlier article published in September 2012 issue, presents a brief on related data reporting for international banking statistics (IBS), purpose of IBS, BIS reporting area for IBS, the methodology of compilation of LBS/CBS and the distinction/relation between IBS *vis-à-vis* external debt of India, etc. as Annex.

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

³ The BIS has been collecting various sets of data on financial statistics (http://www.bis.org/statistics/about_banking_stats.htm) and aligning with the requirement from time to time. Among other financial statistics compiled by the BIS, the international banking statistics (IBS) presents a sketch of international exposure of banking system worldwide, covering role of banks in intermediating international flows, exposure of national banking system to country, liquidity and transfer risks, external debt owned by banks and importance of financial centres and offshore banking activity.

⁴ Brazil, Russia, India, China and South Africa, collectively.

flows through FCNR(B) deposits and foreign currency borrowings.

- The international assets (LBS) as well recorded substantial growth at 23.4 per cent over the previous year as compared with a decline of 1.4 per cent observed a year ago.
- Globally, international banking business of BIS reporting banks depicted sign of partial recovery although the international assets continued to contract.
- During 2013, increase in both international liabilities and assets (LBS) was contributed by increase in exposure towards the USA, UK, UAE, Singapore, Germany and Hong Kong.
- As at end-December 2013, the share of US Dollar in international liabilities (LBS) rose to 40.5 per cent from 34 per cent a year ago.
- The international claims of Indian banks, on immediate risk basis (based on Consolidated Banking Statistics (CBS)) on all other countries grew at a higher rate of 17.4 per cent as at end-December 2013 than 15 per cent for the previous year. However, the exposure towards banking sector grew at a lower rate (15.6 per cent) while that towards non-bank sector registered a higher growth (18.4 per cent).
- The consolidated foreign claims (CBS) of Indian banks on ultimate risk basis grew at 14 per cent at end-December 2013 compared to 11.2 per cent observed a year ago, reflected by claims towards Hong Kong, UAE and Canada.
- During 2013, the growth in foreign claims (CBS) towards India was lower than the growth towards BRICS nations together. Since Q3:2013 the foreign claims towards India declined and at end of Q4:2013 recorded a decline of 10.7 per cent.

Marginal recovery in international assets and liabilities of BIS reporting banking system

1. After continuous decline since March 2012 quarter, international liabilities of banks in all BIS reporting countries [based on LBS of the BIS] (Table 1)

recorded positive growth of 0.2 per cent as at end-December 2013. The international claims reported by the BIS reporting countries continued to register declining trend since Q1:2012 and decreased by 1.7 per cent as at end-December 2013. The partial recovery in the exposures of the banking system signals return of confidence in the global markets.

International liabilities of banks in India surged

2. The international liabilities recorded substantial growth of 35.8 per cent as at end-December 2013 which is highest observed since March 2009. The growth was at 25.5 per cent a year ago (Chart 1).

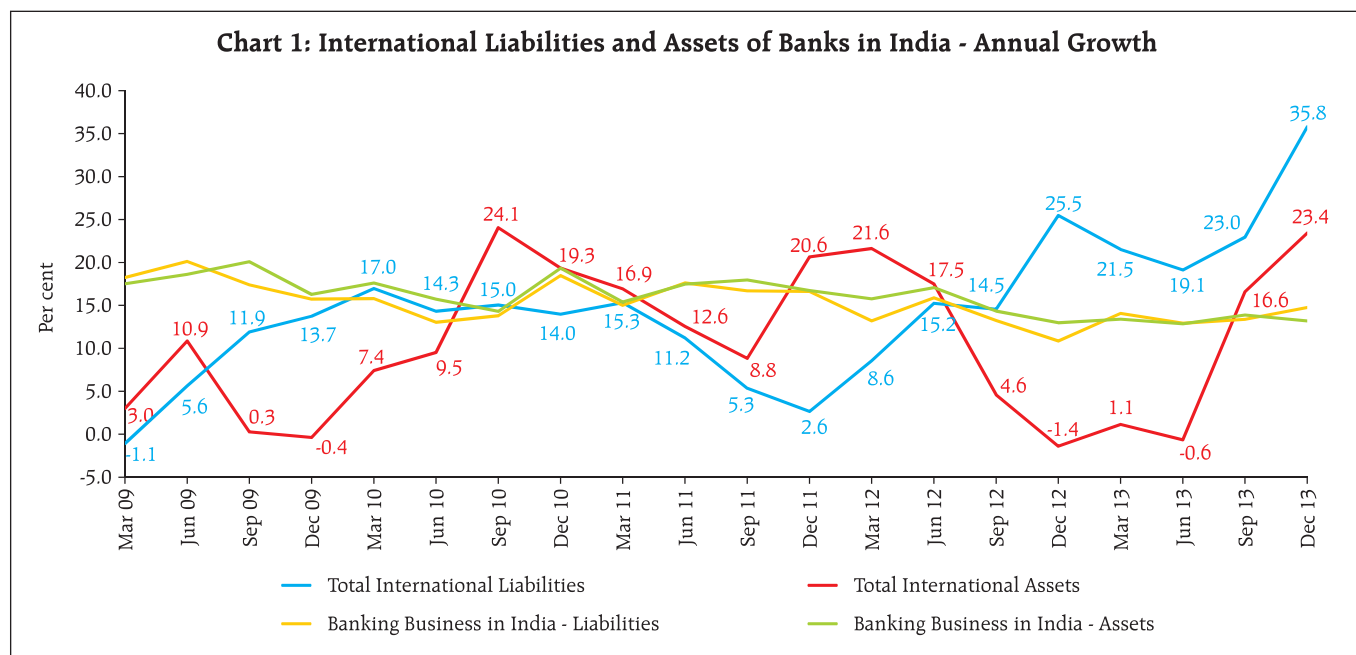
3. After the Reserve Bank of India announced, in August 2013, a special concessional dollar swap window to attract FCNR(B) deposits and foreign currency borrowings, banks raised enormous funds in the three-month period (September - November 2013). Such buildup in FCNR(B) Deposits, Foreign Currency borrowings and NRE Deposits during the period led to the substantial growth in international liabilities of the banks.

Table 1: International Liabilities and Assets of All Reporting Countries based on Nationality⁵

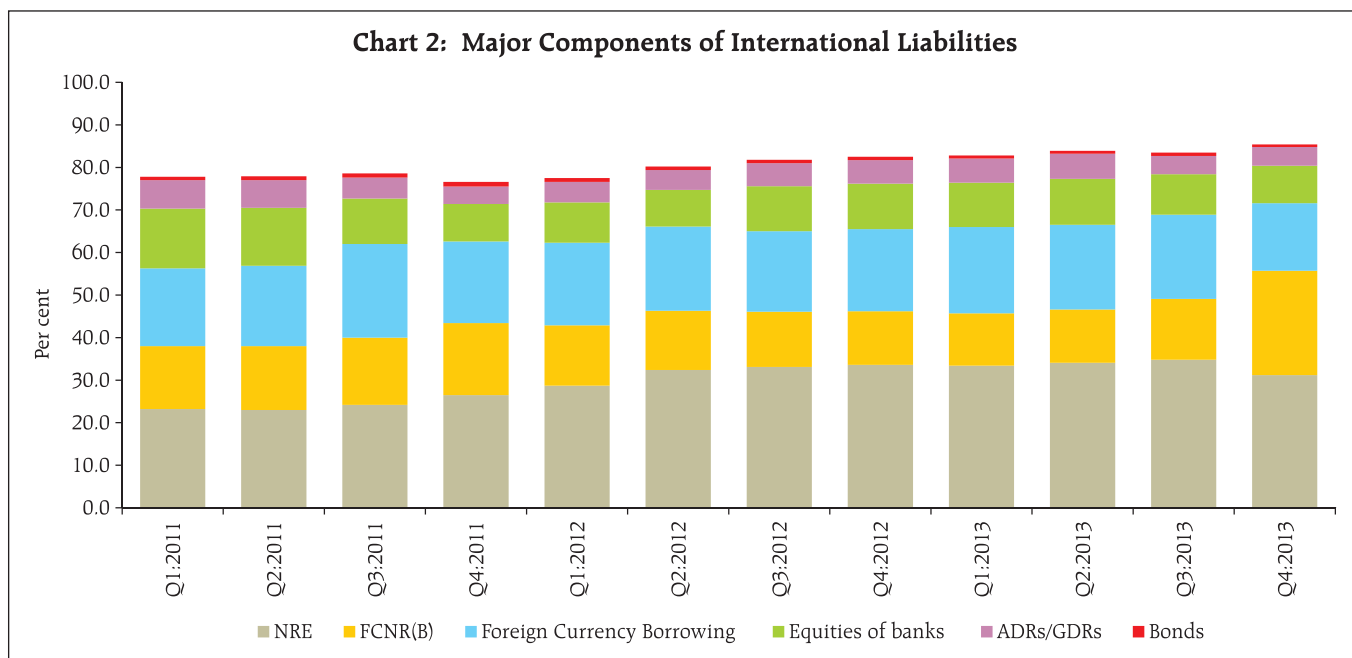
(Amount outstanding in US\$ Trillion)

Year-Qrt	Liabilities on all sectors		Claims/ assets to all sectors	
2009-Q1	32.26	(-20.0)	33.49	(-14.2)
2009-Q2	32.68	(-16.5)	34.16	(-9.5)
2009-Q3	32.98	(-12.1)	34.49	(-4.8)
2009-Q4	32.35	(-8.0)	33.81	(-0.5)
2010-Q1	31.85	(-1.3)	33.39	(-0.3)
2010-Q2	31.03	(-5.0)	32.35	(-5.3)
2010-Q3	33.42	(1.3)	34.84	(1.0)
2010-Q4	32.82	(1.4)	33.98	(0.5)
2011-Q1	34.29	(7.7)	35.36	(5.9)
2011-Q2	34.54	(11.3)	35.68	(10.3)
2011-Q3	34.70	(3.8)	35.79	(2.7)
2011-Q4	33.42	(1.8)	34.20	(0.7)
2012-Q1	34.07	(-0.6)	34.81	(-1.6)
2012-Q2	32.16	(-6.9)	33.35	(-6.5)
2012-Q3	32.57	(-6.1)	33.83	(-5.5)
2012-Q4	32.25	(-3.5)	33.46	(-2.2)
2013-Q1	31.71	(-6.9)	32.84	(-5.7)
2013-Q2	31.59	(-1.8)	32.53	(-2.4)
2013-Q3	31.79	(-2.4)	32.82	(-3.0)
2013-Q4	32.32	(0.2)	32.88	(-1.7)

Notes: i. Data as reported under Locational Banking Statistics to the BIS by all reporting countries, ii. The figures in brackets denote annual growth in per cent.



⁵ The data on total international assets and total international liabilities for the banks in all BIS reporting countries is based on the Locational Banking Statistics by Nationality as obtained from the BIS website www.bis.org.



4. International / cross border assets based on the LBS of the Indian banking system accelerated since September 2013 (Chart 1). The international assets increased by 23.4 per cent at end of December 2013 as compared to a decline of 1.4 per cent in December 2012.

FCNR(B) deposits surged, while NRE deposits registered a moderate increase

5. Due to dollar swap window to raise funds and increase in interest rates on FCNR(B) Deposits, at end-December 2013 the deposits recorded a historic growth of 163.4 per cent (y-o-y) and 101 per cent (q-o-q). The share of FCNR(B) deposits in the international liabilities increased from 12.6 per cent to 24.5 per cent over the year (Chart 2).

6. Outstanding Non-Resident External (NRE) Rupee deposits at end-December 2013 grew by 25.8 per cent from the position a year ago.

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

7. The surge in the FCNR(B) deposits and NRE deposits observed since December 2012 led to increase in the long-term external debt of India (Table 2).

8. The other major component of external debt *viz.*, external commercial borrowings which includes the foreign currency (FC) borrowings by the banking sector, also contributed towards overall increase. The total FC borrowings by the banking sector have seen an increase

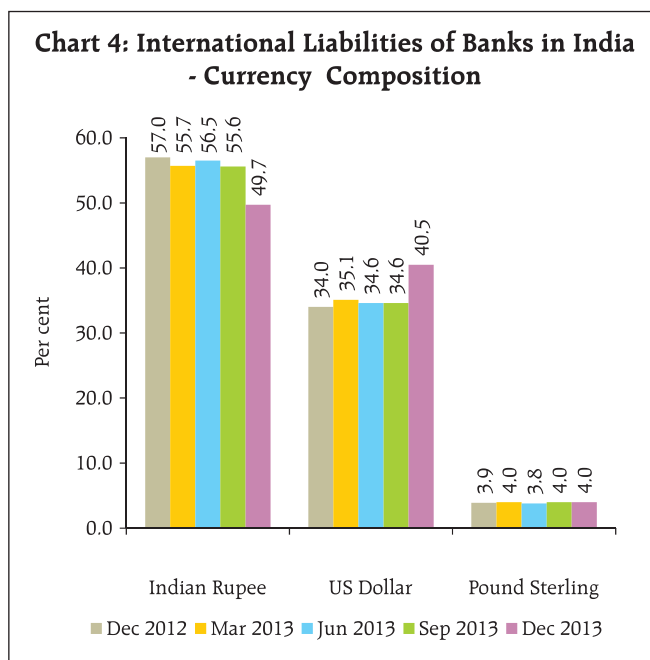
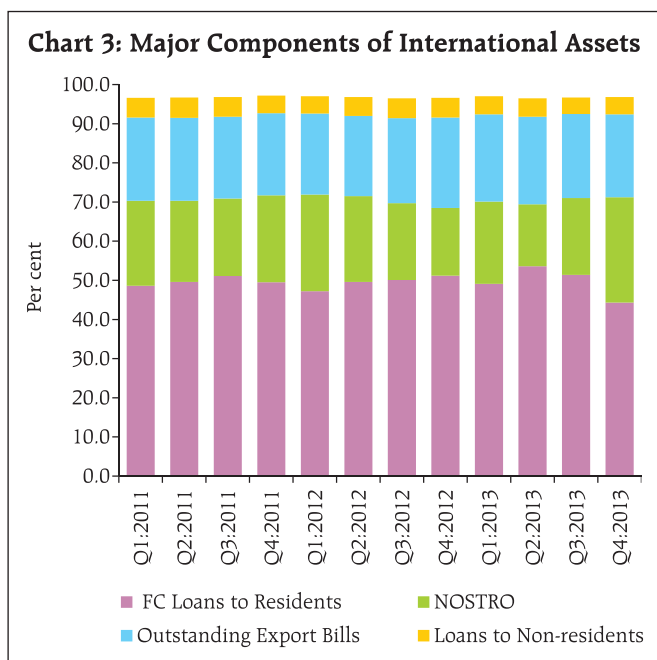
Table 2 : Composition of India's External debt

(US \$ Billion)

Components	Amount outstanding (As at end)							
	Mar-2012	Jun-2012	Sep-2012	Dec-2012	Mar-2013	Jun-2013	Sep-2013	Dec-2013
Long-term debt	282.59 (78.3)	283.51 (77.9)	296.78 (77.8)	300.76 (76.3)	308.20 (76.1)	306.01 (76.0)	307.63 (76.5)	333.26 (78.2)
Out of which								
External Commercial Borrowings	120.14 (33.3)	119.15 (32.7)	124.70 (32.7)	129.30 (32.8)	135.64 (33.5)	133.75 (33.2)	131.06 (32.6)	134.23 (31.5)
NRI Deposits	58.61 (16.2)	60.87 (16.7)	67.02 (17.6)	67.59 (17.2)	70.82 (17.5)	71.12 (17.7)	75.06 (18.7)	98.64 (23.2)
Short-term debt	78.18 (21.7)	80.45 (22.1)	84.66 (22.2)	93.35 (23.7)	96.70 (23.9)	96.76 (24.0)	94.76 (23.5)	92.71 (21.8)
Total External Debt	360.77 (100.0)	363.96 (100.0)	381.45 (100.0)	394.11 (100.0)	404.90 (100.0)	402.77 (100.0)	402.39 (100.0)	425.97 (100.0)

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

Note: Figures in brackets represent percentages to total external debt.



of 12 per cent at end-December 2013 after a decline of 5.3 per cent in the previous quarter.

Substantial increase in NOSTRO balances, moderate rise in foreign currency loans to residents

9. There was a surge of 91.9 per cent in the NOSTRO balances at end-December 2013 over December 2012 and this contributed to increase in the international assets. The other components which contributed to the increase were outstanding export bills (13.2 per cent) and FC loans to residents (6.7 per cent).

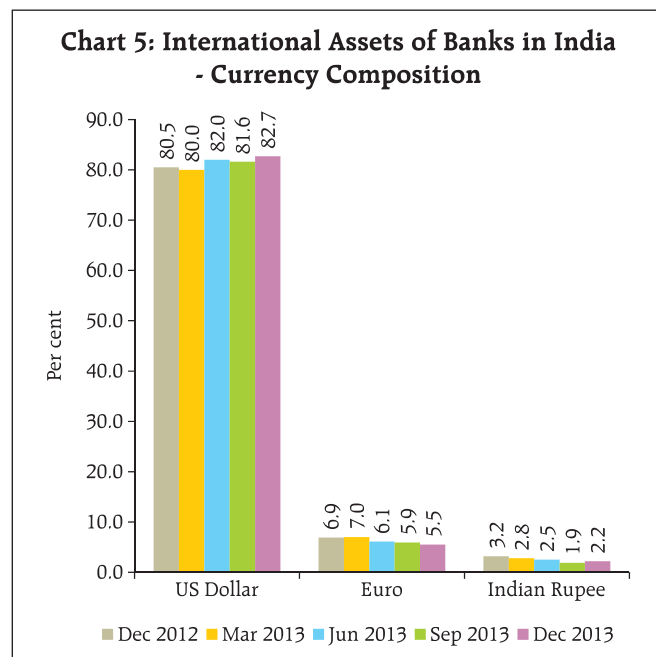
10. Consequent to substantial increase in the NOSTRO balances at end of December 2013, its share in the international assets increased to a high of 26.9 per cent from 17.3 per cent a year ago. Correspondingly, the share of the FC loans to residents, the largest component, dipped to 44.3 per cent at end of December 2013 from 51.2 per cent a year ago (Chart 3).

Currency composition for international assets remained unchanged while share of US Dollar increased in international liabilities

11. On account of huge increase in the FCNR(B) deposits at end-December 2013, the share of the US Dollar in the international liabilities went up to 40.5

per cent at end-December 2013 from 34 per cent a year ago (Chart 4).

12. The currency composition of the international assets has remained more or less unchanged (Chart 5) since June 2013. US Dollar being the major component had a share of 82.7 per cent at end-December 2013, which was marginally higher than that a year ago.



Growth in international liabilities towards non-bank sector accelerated while that in international assets decelerated

13. Owing to the increase in the non-resident deposits since early 2013, the exposure towards non-bank sector rose by 44.5 per cent at end-December 2013 against 26.6 per cent growth observed a year ago. Consequently, the share of the non-bank sector in the international liabilities went up to 79.4 per cent at end-December 2013 from 74.6 per cent a year ago.

14. At end-December 2013, the international assets towards the non-bank sector grew by 13.2 per cent as against an increase of 23.4 per cent in total international assets. Resultantly, the share of non-bank sector in the international assets declined to 63.8 per cent from 69.5 per cent a year ago.

Major countries exhibited upsurge in international liabilities

15. The overall increase in the international liabilities during 2013 is reflected in the exposures towards major countries (Chart 6). As at end-December 2013, the exposures towards the UK, UAE, Singapore, Germany

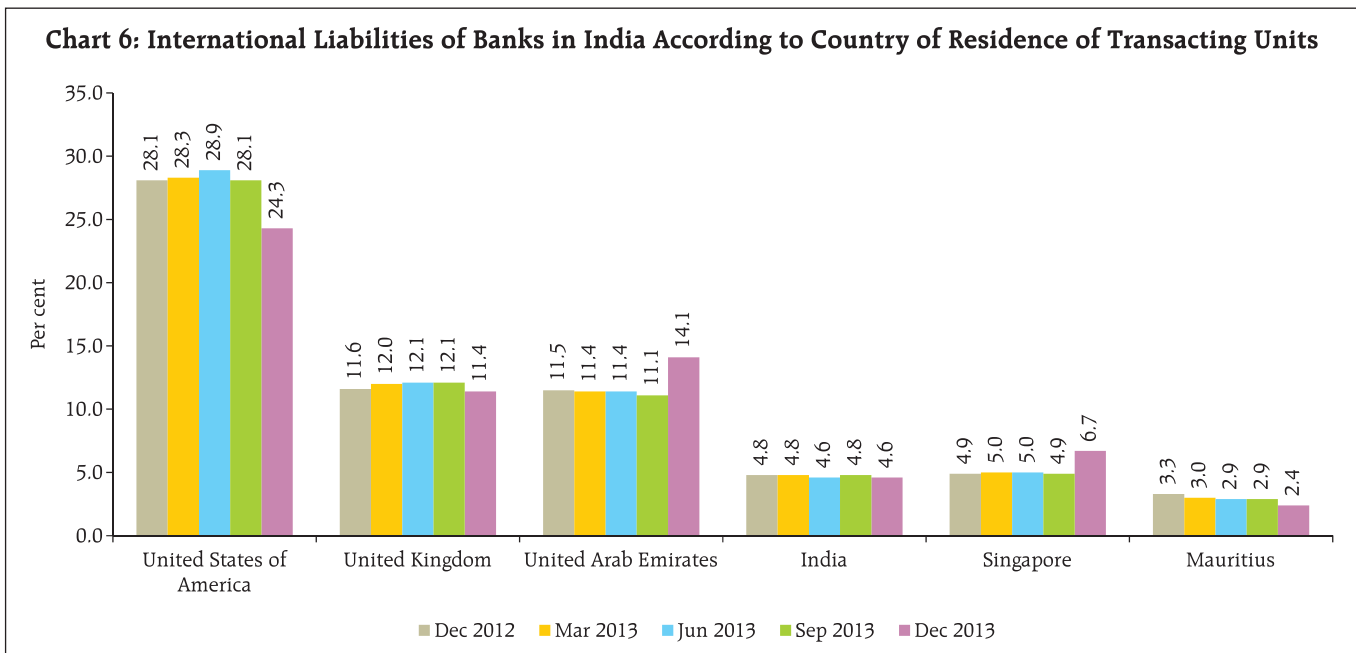
and Hong Kong registered significant increase over previous year level.

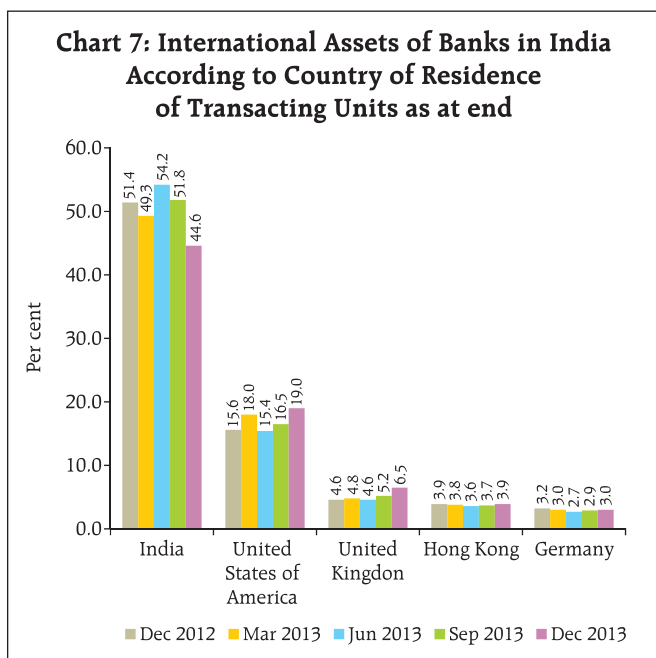
16. In contrast to the significant increase in the total international liabilities, the shares of exposure towards most of the countries have not changed significantly except for the USA, UAE and Singapore (Chart 6). At end-December 2013 the share of the exposure towards UAE rose to 14.1 per cent from 11.6 per cent a year ago and for Singapore it increased to 6.7 per cent from 4.9 per cent. The share of exposure of international liabilities towards the USA declined to 24.3 per cent from 28.1 per cent during the period.

Increase in the overall NOSTRO balances spread across countries

17. At end-December 2013, the overall growth in the international assets (23.4 per cent, y-o-y) was reflected in the exposures towards the USA (50.6 per cent), UK (73.9 per cent), Hong Kong (23.1 per cent), Germany (16.5 per cent), UAE (19.6 per cent) and Singapore (9.6 per cent).

18. The increase in the shares of exposures of international assets towards the USA and UK is on





account of the increase in the NOSTRO balances (Chart 7).

International claims on immediate risk basis grew at moderate pace

19. The international claims of Indian banks, on immediate risk basis, based on CBS, on all other

countries grew at 17.4 per cent at end-December 2013 compared to 15 per cent in the previous year.

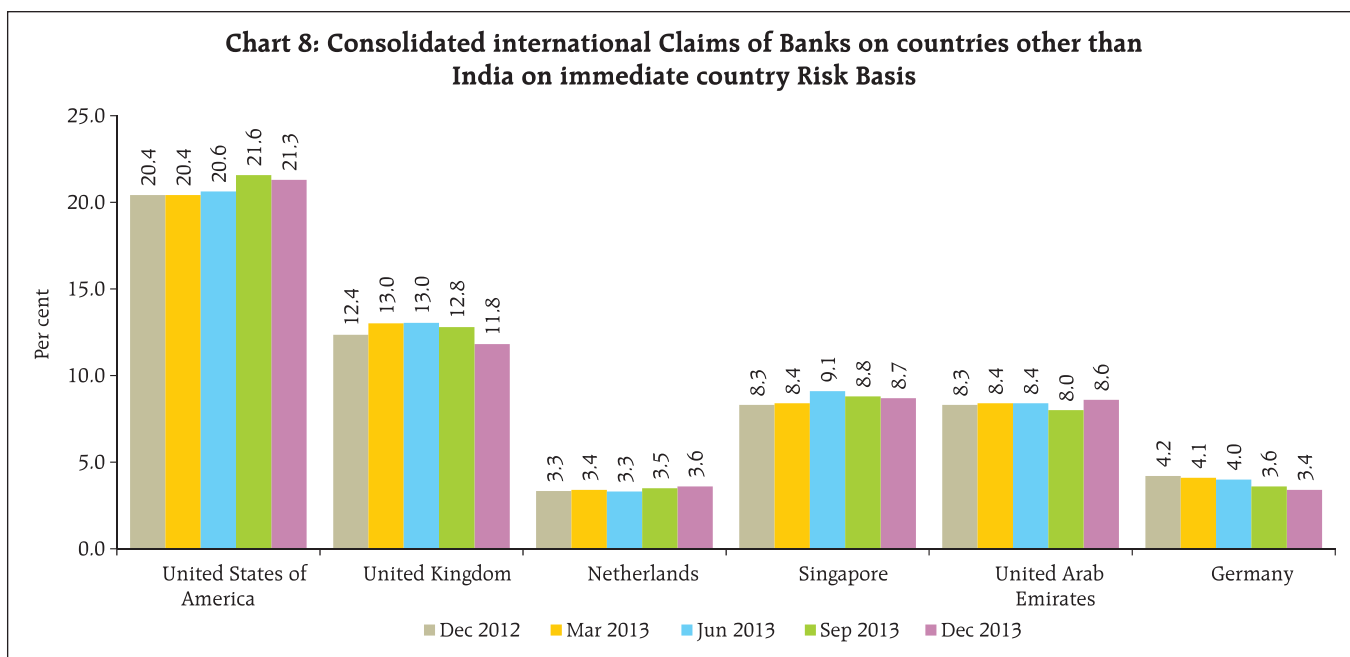
20. At end-December 2013, as compared with the growth in total international claims, growth of international claims on banking sector was lower at 15.6 per cent while that on non-bank private sector was higher at 18.4 per cent.

21. At end-December 2013, the share of the international claims towards Germany and UK declined while share towards the USA, Singapore and UAE increased (Chart 8).

22. The foreign claims of BIS reporting countries on India on immediate risk basis declined by 9.6 per cent at end-December 2013 as compared to a growth of 10 per cent observed in December 2012.

Higher consolidated foreign claims on ultimate risk basis for select countries

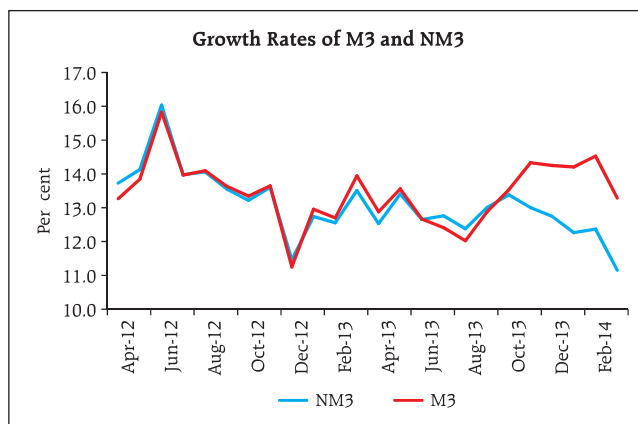
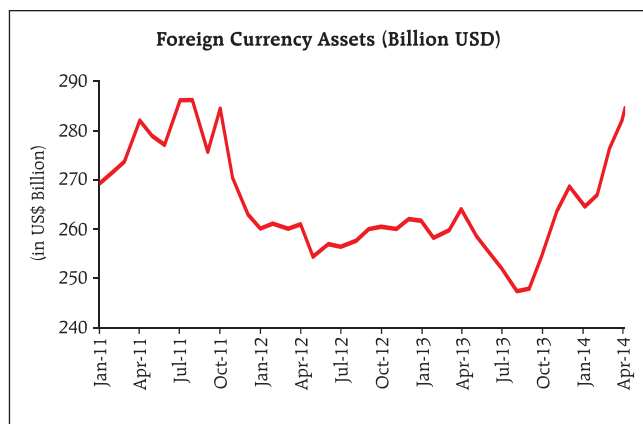
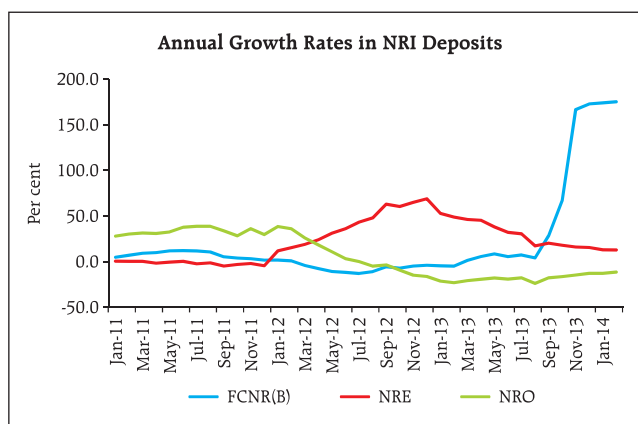
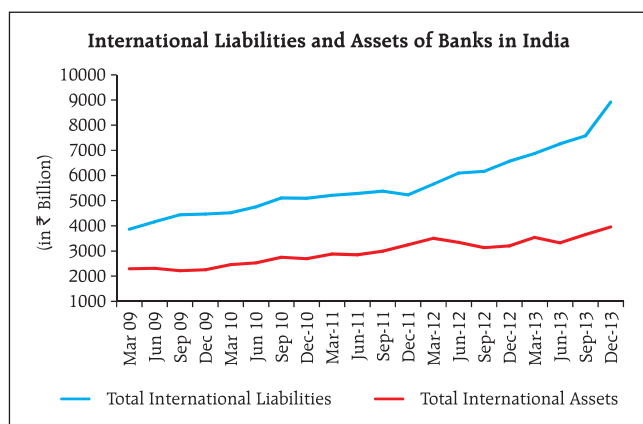
23. The consolidated foreign claims on ultimate risk basis grew at 14 per cent at end-December 2013 compared to 11.2 per cent growth observed a year ago. The foreign claims towards UK (25.4 per cent), UAE (17.2 per cent) and Canada (17.2) registered higher



BOX: International Asset-liability gap widened

The gap between international assets and liabilities of Banking System in India has been widening since 2012 and December 2013 quarter exhibited a historic jump. The buoyant capital inflows under the Reserve Bank's swap facilities for banks' overseas borrowings and non-resident deposit funds (which were operational till November 30, 2013) resulted in buildup of huge international liabilities during October-December 2013.

After depletion of Foreign Currency Assets (FCA) during May 2013 - September 2013, the accretion of FCNR(B) deposits, facilitated by the swap transactions by the Reserve Bank of India, helped build up the FCA almost to the high level reached in 2011. Thus, a part of the international liabilities of the commercial banks formed sources of accretion to the FCA of the Reserve Bank of India.



Note: NM3 is New Monetary aggregate and does not include FCNR(B) deposits.

Source: Locational Banking Statistics for Banks in India and Database on Indian Economy, Reserve Bank of India (<http://dbie.rbi.org.in>)

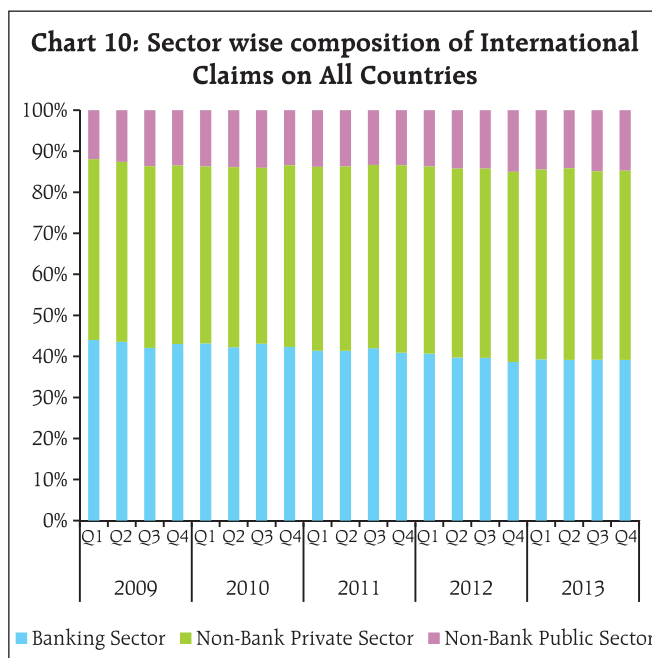
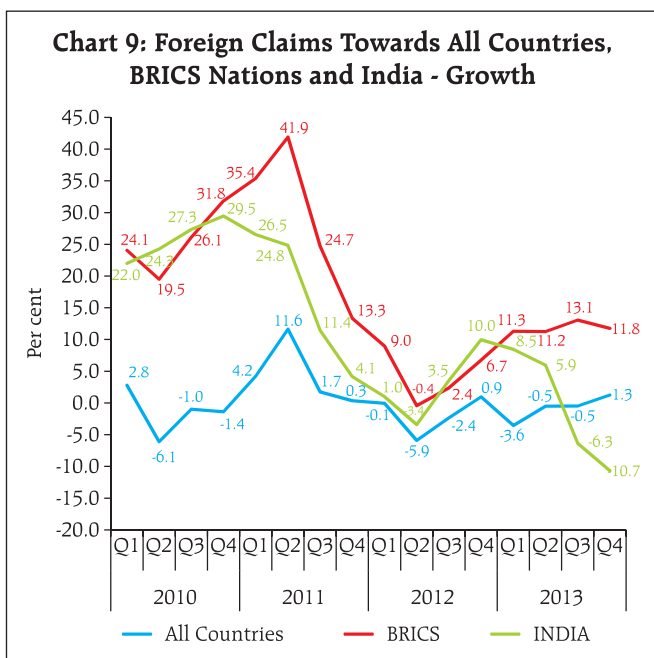
growth with corresponding increase in their relative shares. The foreign claims towards Hong Kong (9.2 per cent), the USA (6.8 per cent) and Germany (4.6 per cent) registered moderate increase, however their respective shares declined.

24. The contingent claims on ultimate risk basis arising from derivatives, at end-December 2013, surged to ₹1,133.8 billion which is more than five times the previous year level.

25. The contingent claims on ultimate risk basis, arising out of guarantees and credit commitments, grew at 22.1 per cent each over the previous year.

Foreign Claims on BRICS Nations – Position of India

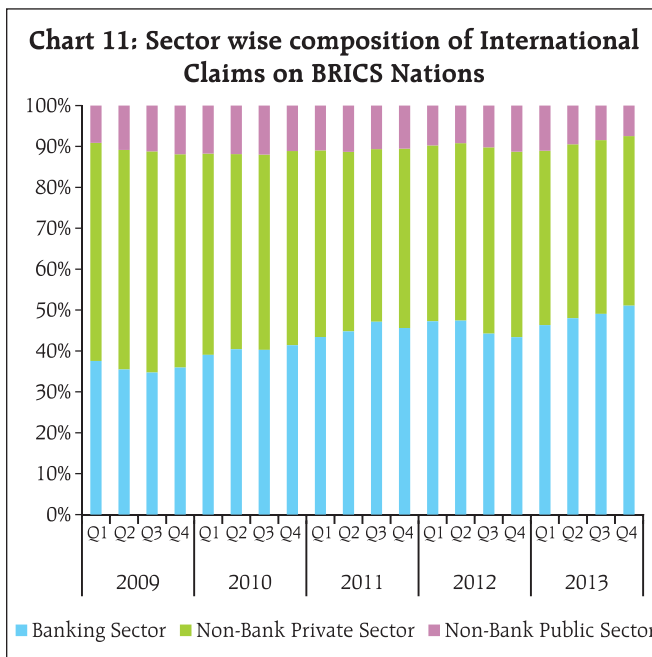
26. The consolidated foreign claims of BIS reporting countries towards all countries, after recording a declining trend from March 2013 to September 2013, grew at 1.3 per cent (y-o-y) at end-December 2013 (Chart 9).



27. The claims of all BIS reporting countries, on BRICS (Brazil, Russia, India, China and South Africa) nations, had a growth of around 11 per cent (y-o-y) for all quarters of 2013 except for September 2013 quarter when they had a higher growth (13.1 per cent).

2013. This share was lower than the corresponding exposure towards banking sector of BRICS nations.

28. During 2013, the growth in claims of BIS reporting countries towards India was below the corresponding growth for BRICS nations together. Since Q3:2013 the foreign claims towards India declined and at end of Q4:2013 recorded a decline of 10.7 per cent.



29. The International claims for all countries towards banking sector were around 40 per cent during 2013 (Chart 10). During 2013, the growth in foreign claims towards India was lower than the growth towards BRICS nations together. Since Q3:2013 the foreign claims towards India declined and at end of Q4:2013 recorded a decline of 10.7 per cent (Chart 11).

30. The share of International claims on India's banking sector was at 39.4 per cent at end-December

Industrial Outlook Survey: 2013-14*

This annual article, second in the series, presents the findings of Industrial Outlook Survey (IOS) conducted quarterly during FY:2013-14 (covering 62nd to 65th rounds of the survey). In the first three quarters, the business sentiments in the manufacturing sector reflected weaker conditions. However, the 4th quarter witnessed some reversal with business sentiments improving, which is partly due to the seasonality seen in 4th quarters.

I. Introduction

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

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

* Prepared in the Division of Enterprise Surveys, Department of Statistics and Information Management. The latest round of the survey data was released on April 1, 2014 on RBI Website. The survey results are those of the respondents and are not necessarily shared by the Reserve Bank of India.

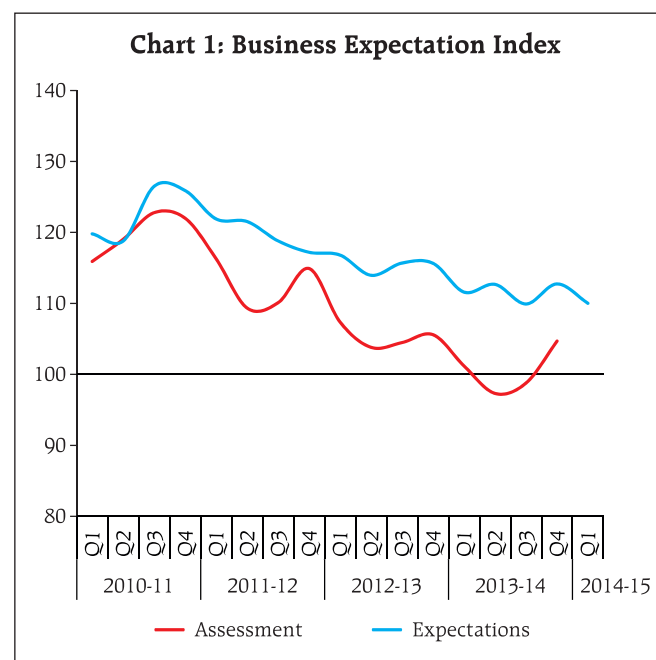
or deletion of closed/merged companies as and when felt necessary.

This article analyses the survey responses for four quarters from April-June 2013 to January-March 2014. The related data tables are presented in Annex.

II. Business sentiments remained weak

The Business Expectation Index (BEI), which is computed as a weighted average of the net responses on nine select performance parameter¹, gives a single snapshot of the industrial outlook in each quarter. For each of the survey round, two indices are computed - one based on assessment of current quarter and another based on expectations of next quarter.

During the year under study *i.e.*, FY:2013-14, BEI (based on assessment) reflected weaker condition. The index fell below the threshold level of 100, which signifies a contraction, during Q2 and Q3 of 2013-14. Similar scenario was observed in the first half of 2009, post global crisis. However, in Q4:2013-14 the declining trend got reversed with the index reaching above the threshold level. BEI (based on outlook) remained range bound in a lower trajectory and it did not indicate any



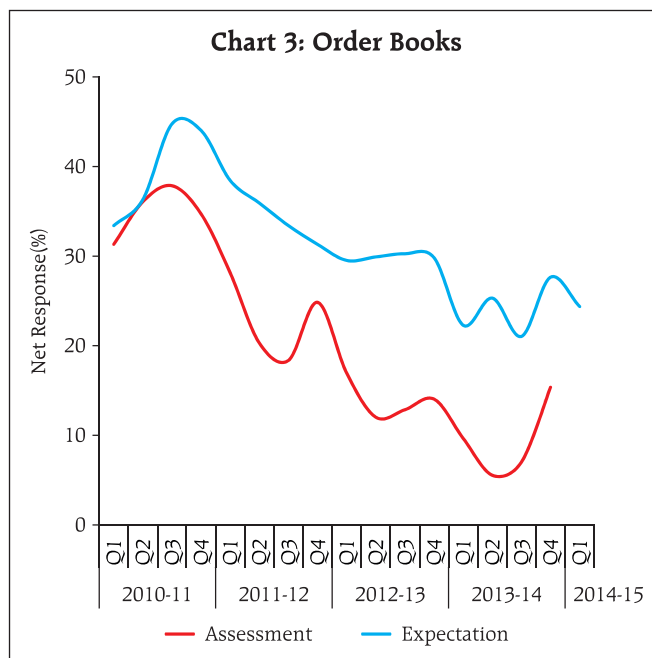
¹ The detailed methodology used for the analysis of survey data was published in the article 'Quarterly Industrial Outlook Survey: Trends since 2000-01' in the RBI Monthly Bulletin of October 2009.

improvement for Q1:2014-15 (Chart 1). However, business outlook still remained positive during the entire period.

III. Demand conditions indicate some recovery in Q4:2013-14

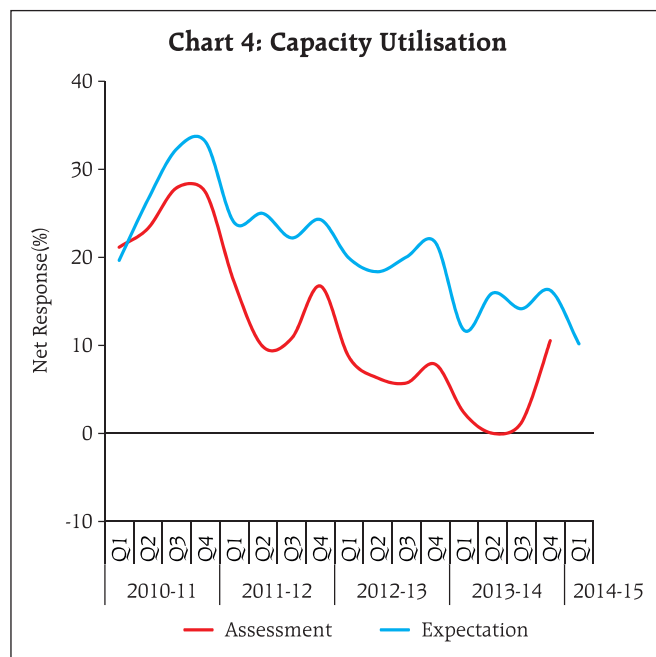
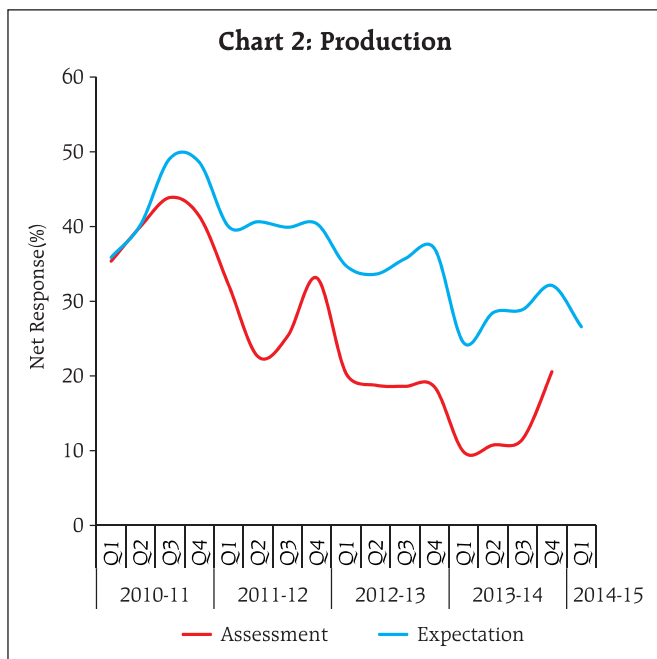
The survey collects perceptions of Indian manufacturers on the demand conditions through various parameters, namely, production, order books, capacity utilisation, level of inventory, exports and imports. In respect of most of the above parameters, outlook (expectation) during 2013-14 remained weak as compared to the corresponding position a year ago.

Outlook on production (based on the net response²) declined further in the quarter Q1:2013-14, partly reflecting seasonality but, it improved gradually during the subsequent quarters. The outlook broadly matched the assessment in the following quarter except that the optimism level improved sharply in Q4:2013-14. Outlook for Q1:2014-15, however, reflects moderation in the optimism (Chart 2). The movement in order books was also in tandem with the trend in production (Chart 3), which touched the lowest level

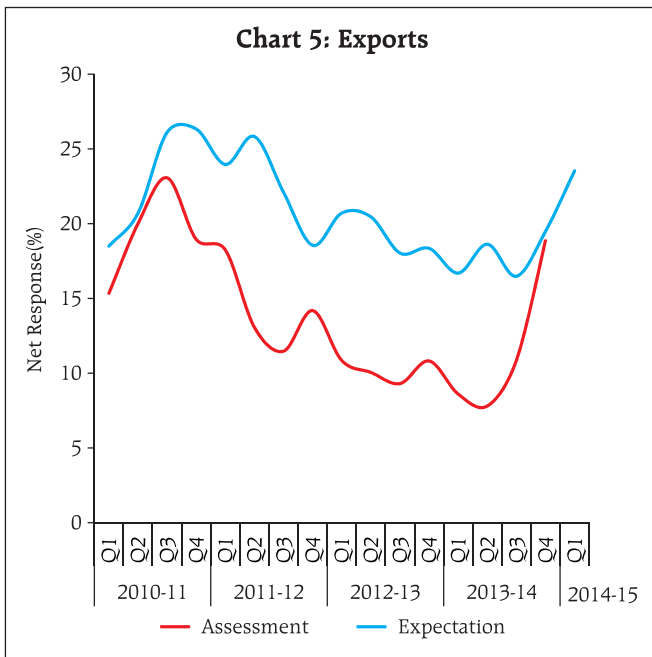


in Q2:2013-14. However, positive net response is indicative of continued growth.

The outlook on capacity utilisation (CU) reflected gradual fall in the optimism level since 2011-12 and it remained flat in 2013-14. The assessment for Q4:2013-14 indicated a sharp pick-up which however, may not sustain in Q1:2014-15, as net response of outlook in CU indicates moderation in Q1:2014-15 (Chart 4).

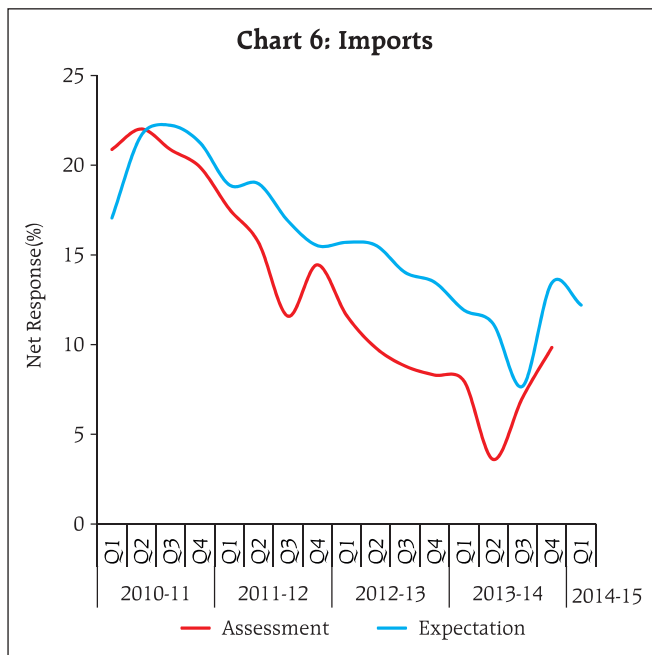


² Net response is the percentage difference between the optimistic (positive) and pessimistic (negative) responses; responses indicating status quo (no change) are not reckoned.



Outlook on exports showed some improvement since Q4:2013-14. Imports growth, which indicated continuous moderation till Q3:2013-14, also bounced back in Q4:2013-14 (Chart 5 and 6). However, lack of export demand was still considered to be a major constraint by many of the reporting companies (around 40 per cent).

According to the survey, most of the responding firms (about 80 per cent) reported 'no change' in the



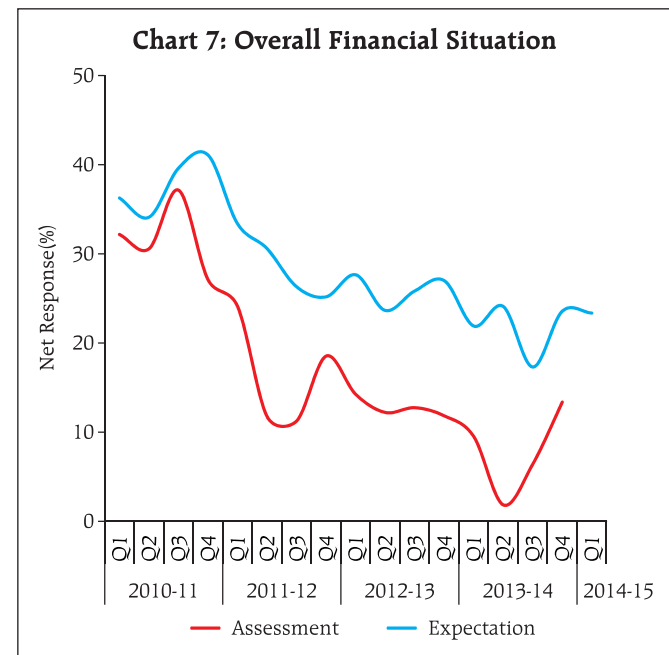
inventory levels of both raw materials and finished goods on a quarterly basis. Of the remaining, slightly higher percentage of respondents reported carrying above average level of inventory during the year.

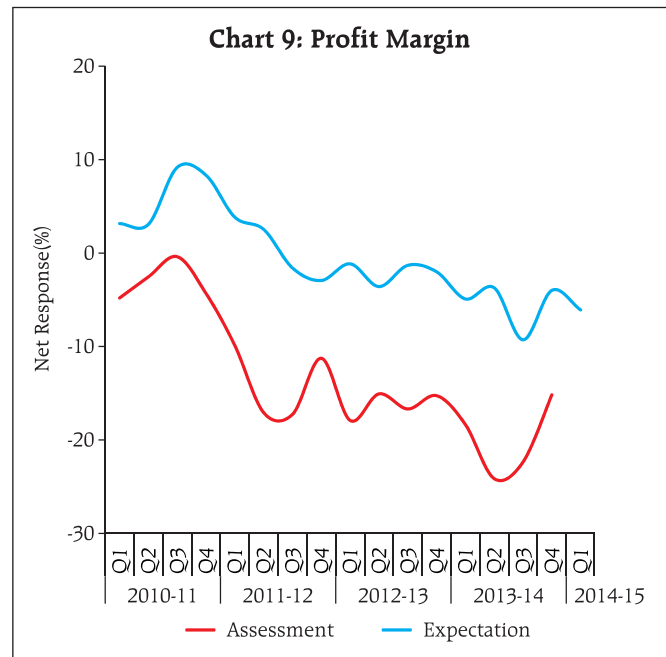
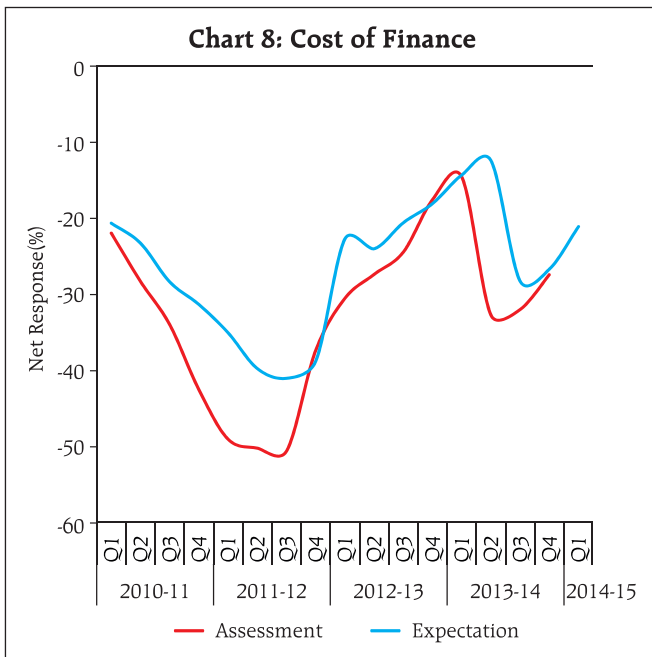
IV. Financial situation revival in modest pace

The survey assesses the financial situation based on several parameters. In addition to an evaluation of the overall financial situation, responses are specifically obtained on availability of finance, cost of external finance and profit margin.

The optimism level for overall financial situation remained low since 2011-12. However, the assessment indicated some improvement in the second half of 2013-14 (Chart 7). As regards availability of finance (from different sources like, internal accruals, banks, other financial institutions and overseas are covered separately), majority of companies (varying in the range of 60-90 per cent for different sources) reported 'no change' in the situation. Based on the remaining responses, the optimism level reached a low in Q2:2013-14 and improved thereafter.

The sentiments on cost of finance have remained negative for a long time and the lowest level was reached in Q3:2011-12. The percentage of respondents





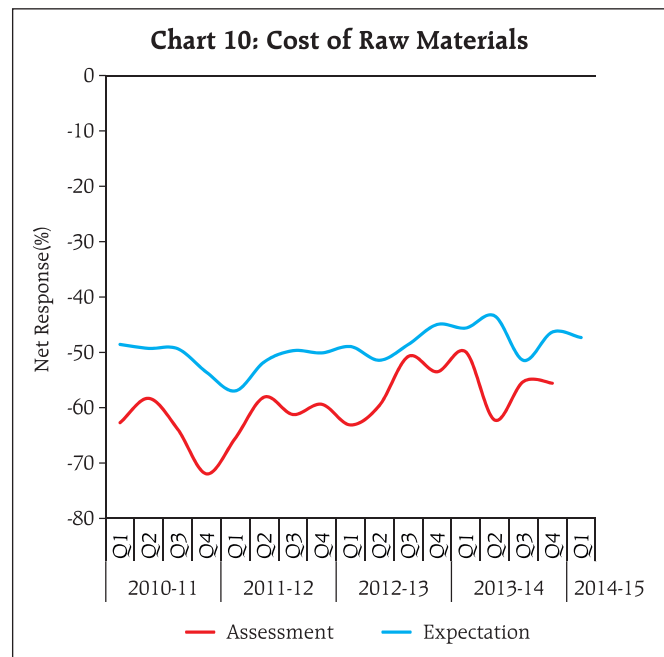
who experienced higher cost of finance has been declining thereafter and the net response improved gradually till Q1:2013-14. However, the subsequent quarters of the year witnessed a reversal in the trend with lower optimism level (Chart 8). Outlook for Q1:2014-15 indicates marginal improvement.

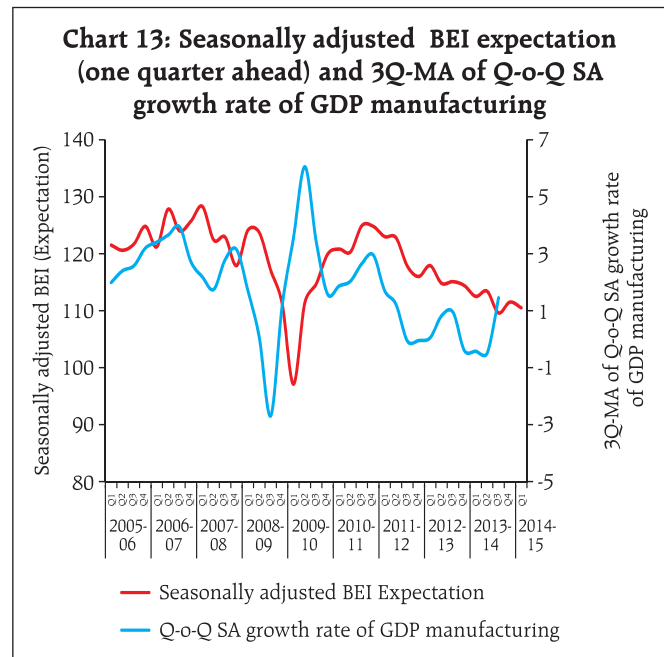
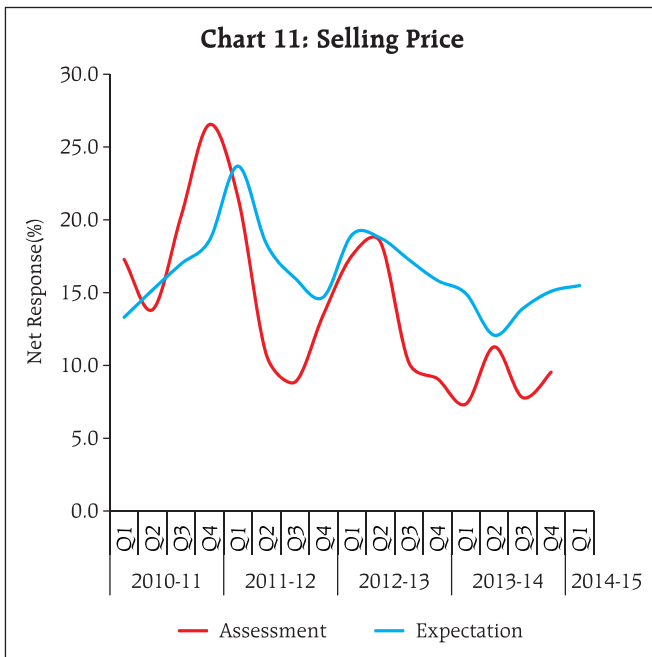
Profit margin is another indicator on which the net response continued to remain in the negative terrain. During the year, the respondents were most pessimistic in Q2:2013-14 (in outlook, for Q3:2013-14) with marginal improvement thereafter. However, the outlook for Q1:2014-15 does not indicate its sustenance (Chart 9).

V. Employment and Price Situation

The survey seeks perception of the companies on employment. Generally 70-75 per cent of companies report 'no change' in the employment level on a quarter-to-quarter basis and the remaining responses are more or less evenly balanced. Marginal improvement was noticed in the net response during Q4:2013-14 and also in outlook for Q1:2014-15. As regards the price situation, the survey elicits current assessment/ one-quarter ahead outlook on cost of raw material and selling prices from the respondent companies. The sentiment on cost of raw materials, remained negative

during the year. Some easing of raw material price pressure observed since Q2:2012:13 reversed in Q2:2013-14 and outlook for Q1:2014-15 does not suggest any improvement. On the other hand, weak demand condition led to lower pricing power which is reflected in low percentage of respondents reporting/ expecting rise in selling price in the recent period (Chart 10 and 11).

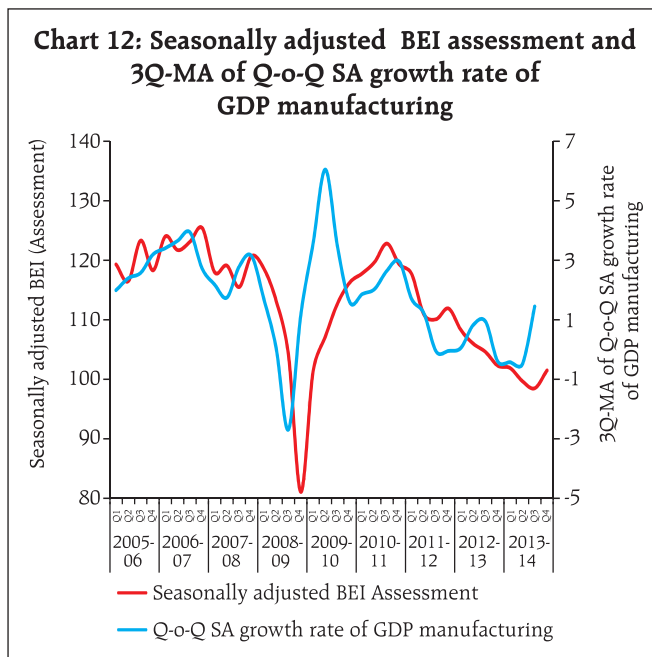




VI. BEI broadly tracks output growth

The results obtained from the survey on select key parameters were considered to examine their quarterly movement vis-à-vis the growth cycles in corresponding actual official statistics which are released subsequently. The Chart 12 and 13 show seasonally adjusted (SA) Business Expectation Index

(BEI) with the movements in GDP manufacturing. The 4-quarter moving average (4Q-MA) of seasonally adjusted q-o-q growth of GDP manufacturing is taken for this purpose. It is observed from Chart 12 that the seasonally adjusted BEI could capture broad directional changes in GDP manufacturing. Similar findings can be observed from Chart 13, wherein the BEI (Outlook) is plotted along with GDP-manufacturing.



VII. Conclusion

The BEI continued to dip in the first half of 2013-14, which appeared to be in conformity with the slowdown in the Indian economy. However, most of the related parameters showed marked improvement in Q4:2013-14, partly reflecting seasonality. Going forward, BEI (expectation) for Q1:2014-15 indicates moderation. Therefore, the improvement observed in BEI (assessment) in Q4:2013-14 may not be a turning point. Assessment of financial situation during the year was also not optimistic. Improved sentiment on cost of finance and cost of raw material observed during the last financial year (*viz.* 2012-13) reversed in 2013-14. This together with lower pricing power impacted the profit margin of corporates.

Annex

Table 1: Assessment & Expectations for Production

(Percentage responses) @

Quarter	Total response	Assessment				Expectation			
		Increase	Decrease	No change	Net response#	Increase	Decrease	No change	Net response#
Q1:2013-14	1321	32.0	22.2	45.7	9.8	38.3	13.8	47.9	24.4
Q2:2013-14	1207	31.8	21.0	47.2	10.8	40.6	12.1	47.3	28.5
Q3:2013-14	1223	31.7	20.2	48.1	11.5	40.8	12.0	47.2	28.9
Q4:2013-14	1114	36.6	16.6	46.7	20.0	42.3	10.2	47.5	32.1
Q1:2014-15						39.2	12.2	48.6	27.1

'Increase' in production is optimistic.

@Due to rounding off percentage may not add up to 100. This is applicable for all the tables from 1 to 17.

#Net Response (NR) is the difference of percentage of the respondents reporting optimism and that reporting pessimism.

Table 2: Assessment & Expectations for Order Books

(Percentage responses)

Quarter	Total response	Assessment				Expectation			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q1:2013-14	1321	30.5	20.9	48.6	9.7	35.5	13.2	51.2	22.3
Q2:2013-14	1207	27.9	22.3	49.8	5.5	36.8	11.5	51.8	25.3
Q3:2013-14	1223	28.2	21.2	50.6	7.0	34.7	13.7	51.5	21.0
Q4:2013-14	1114	32.1	17.3	50.6	14.8	38.1	10.5	51.4	27.6
Q1:2014-15						36.2	11.5	52.3	24.6

'Increase' in order books is optimistic.

Table 3: Assessment & Expectation for Pending Orders

(Percentage responses)

Quarter	Total response	Assessment				Expectation			
		Below Normal	Above Normal	Normal	Net response	Below Normal	Above Normal	Normal	Net response
Q1:2013-14	1321	19.9	3.6	76.5	16.3	16.9	5.3	77.7	11.6
Q2:2013-14	1207	21.3	3.9	74.8	17.3	15.9	4.4	79.6	11.5
Q3:2013-14	1223	19.2	5.1	75.7	14.1	17.5	3.8	78.8	13.7
Q4:2013-14	1114	16.1	5.4	78.5	10.7	14.2	6.0	79.8	8.1
Q1:2014-15						14.0	5.8	80.1	8.2

'Below Normal' in pending orders is optimistic.

Table 4: Assessment & Expectation for Capacity Utilisation

(Percentage responses)

Parameter	Options	Assessment				Expectation			
		Q1:2013-14	Q2:2013-14	Q3:2013-14	Q4:2013-14	Q2:2013-14	Q3:2013-14	Q4:2013-14	Q1:2014-15
Capacity Utilisation (CU)-(main product)	Increase	22.6	20.7	20.7	24.9	27.5	26.8	27.2	23.8
	No Change	57.1	58.6	59.9	60.1	60.9	60.6	61.9	63.6
	Decrease	20.3	20.7	19.4	15.0	11.6	12.6	10.9	12.6
	Net Response	2.3	0.0	1.3	9.9	15.9	14.2	16.3	11.2
Level of CU (compared to the average in last 4 quarters)	Above normal	8.7	8.9	8.5	10.1	9.8	9.8	11.1	9.7
	Normal	71.0	70.7	69.7	72.2	76.2	75.0	73.4	75.4
	Below Normal	20.3	20.4	21.8	17.6	13.9	15.2	15.5	14.9
	Net Response	-11.6	-11.5	-13.3	-7.5	-4.1	-5.3	-4.4	-5.2
Assessment of Prod. Capacity (with regard to expected demand in next 6 months)	More than adequate	14.6	15.0	14.7	13.9	13.7	14.8	15.7	13.4
	Adequate	76.4	77.0	76.6	77.9	78.4	78.0	77.6	79.5
	Less than adequate	9.0	8.1	8.7	8.2	7.9	7.1	6.8	7.1
	Net Response	5.7	6.9	5.9	5.7	5.8	7.7	8.9	6.3

'Increase' in capacity utilisation is optimistic.

Table 5: Assessment & Expectation for Exports

(Percentage responses)

Quarter	Total response	Assessment				Expectation			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q1:2013-14	1321	23.8	15.2	61.0	8.6	27.1	10.4	62.5	16.7
Q2:2013-14	1207	24.9	17.1	58.0	7.8	28.6	10.0	61.5	18.6
Q3:2013-14	1223	24.2	13.4	62.4	10.9	27.4	10.9	61.7	16.5
Q4:2013-14	1114	29.3	12.9	57.9	16.4	28.3	8.9	62.8	19.5
Q1:2014-15						31.7	10.0	58.3	21.6

'Increase' in exports is optimistic.

Table 6: Assessment & Expectation for Imports

(Percentage responses)

Quarter	Total response	Assessment				Expectation			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q1:2013-14	1321	18.7	10.7	70.6	8.0	20.4	8.5	71.1	11.9
Q2:2013-14	1207	18.3	14.7	67.0	3.6	19.9	8.7	71.4	11.2
Q3:2013-14	1223	19.1	12.0	68.9	7.0	19.0	11.3	69.7	7.7
Q4:2013-14	1114	19.3	10.0	70.7	9.3	20.8	7.3	71.9	13.4
Q1:2014-15						18.3	7.8	73.9	10.5

'Increase' in imports is optimistic.

Table 7: Assessment & Expectations for level of Inventory (Raw Material and Finished Goods)

(Percentage responses)

Parameter	Options	Assessment				Expectation			
		Q1:2013-14	Q2:2013-14	Q3:2013-14	Q4:2013-14	Q2:2013-14	Q3:2013-14	Q4:2013-14	Q1:2014-15
Inventory of raw material	Below average	8.0	8.7	8.3	7.7	6.3	6.3	5.3	6.7
	Average	78.7	78.7	78.9	79.2	83.6	83.6	83.7	83.6
	Above average	13.3	12.6	12.8	13.2	10.2	10.1	11.0	9.7
	Net Response	-5.3	-3.8	-4.6	-5.5	-3.9	-3.9	-5.8	-3.1
Inventory of finished goods	Below average	8.1	7.5	7.3	7.7	7.0	6.2	6.6	7.6
	Average	77.3	77.0	75.3	76.9	82.7	82.5	80.8	81.8
	Above average	14.7	15.5	17.4	15.4	10.3	11.3	12.6	10.6
	Net Response	-6.6	-8.1	-10.2	-7.6	-3.3	-5.0	-6.0	-3.0

'Below average' in inventory of raw material and finished goods is optimistic.

Table 8: Assessment & Expectations for Employment Outlook

(Percentage responses)

Quarter	Total response	Assessment				Expectation			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q1:2013-14	1321	14.4	11.2	74.4	3.2	16.0	8.0	76.1	8.0
Q2:2013-14	1207	11.3	11.5	77.3	-0.2	16.0	8.4	75.6	7.7
Q3:2013-14	1223	13.1	12.7	74.2	0.4	13.3	8.8	77.9	4.5
Q4:2013-14	1114	16.1	10.7	73.2	5.4	14.3	7.4	78.3	7.0
Q1:2014-15						15.7	8.4	75.9	7.2

'Increase' in employment is optimistic.

Table 9: Assessment & Expectation for Overall Financial Situation

(Percentage responses)

Quarter	Total response	Assessment				Expectation			
		Better	Worsen	No change	Net response	Better	Worsen	No change	Net response
Q1:2013-14	1321	23.3	13.8	63.0	9.5	31.5	9.6	58.9	21.9
Q2:2013-14	1207	21.4	19.5	59.1	1.8	33.2	9.1	57.7	24.1
Q3:2013-14	1223	23.7	17.3	58.9	6.4	29.7	12.4	57.9	17.3
Q4:2013-14	1114	25.0	13.1	61.9	11.9	33.0	9.5	57.5	23.5
Q1:2014-15						30.7	8.4	60.8	22.3

'Better' overall financial situation is optimistic

Table 10: Assessment & Expectation for Working Capital Finance Requirement

(Percentage responses)

Quarter	Total response	Assessment				Expectation			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q1:2013-14	1321	32.1	7.3	60.5	24.8	33.0	6.5	60.4	26.5
Q2:2013-14	1207	32.9	8.1	59.0	24.8	31.0	6.5	62.5	24.5
Q3:2013-14	1223	33.5	7.2	59.3	26.3	32.7	5.3	61.9	27.4
Q4:2013-14	1114	34.9	6.2	58.8	28.7	35.3	4.7	60.0	30.6
Q1:2014-15						33.1	5.0	61.9	28.1

'Increase' in working capital finance is optimistic.

Table 11: Assessment & Expectation for Availability of Finance

(Percentage responses)

Parameter	Options	Assessment				Expectation			
		Q1:2013-14	Q2:2013-14	Q3:2013-14	Q4:2013-14	Q2:2013-14	Q3:2013-14	Q4:2013-14	Q1:2014-15
Availability of finance (from internal accruals)	Improve	21.2	18.3	20.3	21.9	24.6	23.2	25.0	23.4
	No Change	68.4	66.4	66.9	67.1	67.9	67.6	68.5	69.2
	Worsen	10.4	15.2	12.7	11.0	7.4	9.2	6.6	7.4
	Net Response	10.8	3.1	7.6	10.8	17.2	14.0	18.4	16.0
Availability of Finance (from banks & other sources)	Improve	18.8	14.2	17.1	18.2	20.0	18.2	19.0	20.5
	No Change	74.4	75.6	74.5	72.4	75.2	75.6	76.2	73.6
	Worsen	6.7	10.3	8.4	9.3	4.8	6.2	4.8	5.9
	Net Response	12.1	3.9	8.7	8.9	15.2	12.0	14.2	14.6
Availability of Finance (from overseas, if applicable)	Improve	10.1	7.6	10.4	10.9	11.6	8.9	11.9	11.8
	No Change	84.7	84.6	83.1	83.4	83.7	85.0	84.2	83.6
	Worsen	5.2	7.8	6.5	5.7	4.6	6.0	3.9	4.6
	Net Response	5.0	-0.1	3.9	5.2	7.0	2.9	8.1	7.2

'Improvement' in availability of finance is optimistic.

Table 12: Assessment & Expectation for Cost of External Finance

(Percentage responses)

Quarter	Total response	Assessment				Expectation			
		Decrease	Increase	No change	Net response	Decrease	Increase	No change	Net response
Q1:2013-14	1321	10.1	24.6	65.3	-14.5	9.7	24.0	66.3	-14.3
Q2:2013-14	1207	5.0	37.6	57.4	-32.7	9.1	21.5	69.5	-12.4
Q3:2013-14	1223	5.6	37.5	56.9	-32.0	4.9	33.2	61.9	-28.3
Q4:2013-14	1114	5.0	32.9	62.0	-27.9	4.4	31.1	64.6	-26.7
Q1:2014-15						5.4	27.7	66.9	-22.2

'Decrease' in cost of external finance is optimistic.

Table 13: Assessment & Expectation for Cost of Raw Material

(Percentage responses)

Quarter	Total response	Assessment				Expectation			
		Decrease	Increase	No change	Net response	Decrease	Increase	No change	Net response
Q1:2013-14	1321	4.6	54.5	40.9	-49.9	3.6	49.2	47.1	-45.6
Q2:2013-14	1207	2.8	65.0	32.2	-62.2	3.5	46.9	49.6	-43.4
Q3:2013-14	1223	4.2	59.5	36.3	-55.3	3.2	54.6	42.2	-51.5
Q4:2013-14	1114	2.6	56.7	40.7	-54.1	2.8	49.1	48.0	-46.3
Q1:2014-15						2.9	49.7	47.4	-46.9

'Decrease' in cost of raw material is optimistic.

Table 14: Assessment & Expectation for Selling Price

(Percentage responses)

Quarter	Total response	Assessment				Expectation			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q1:2013-14	1321	21.4	14.1	64.5	7.3	23.1	8.1	68.8	14.9
Q2:2013-14	1207	25.1	13.8	61.1	11.3	21.2	9.1	69.7	12.1
Q3:2013-14	1223	22.3	14.5	63.2	7.8	23.4	9.5	67.0	13.9
Q4:2013-14	1114	22.0	12.4	65.6	9.6	23.3	8.2	68.5	15.1
Q1:2014-15						23.4	8.4	68.2	15.1

'Increase' in selling price is optimistic

Table 15: Assessment & Expectation for Profit Margin

(Percentage responses)

Quarter	Total response	Assessment				Expectation			
		Increase	Decrease	No change	Net response	Increase	Decrease	No change	Net response
Q1:2013-14	1321	13.5	31.9	54.6	-18.4	17.7	22.7	59.6	-4.9
Q2:2013-14	1207	12.3	36.4	51.3	-24.1	18.6	22.3	59.1	-3.7
Q3:2013-14	1223	12.8	35.2	52.0	-22.4	16.5	25.7	57.8	-9.3
Q4:2013-14	1114	14.1	30.6	55.3	-16.5	18.2	22.2	59.7	-4.0
Q1:2014-15						16.8	22.2	61.0	-5.4

'Increase' in profit margin is optimistic.

Table 16: Assessment & Expectation for Overall Business Situation

(Percentage responses)

Quarter	Total response	Assessment				Expectation			
		Better	Worsen	No change	Net response	Better	Worsen	No change	Net response
Q1:2013-14	1321	29.3	16.5	54.2	12.8	39.3	9.7	51.1	29.6
Q2:2013-14	1207	28.2	20.8	51.0	7.4	39.2	9.2	51.6	30.0
Q3:2013-14	1223	28.7	19.0	52.3	9.6	37.4	11.7	50.8	25.7
Q4:2013-14	1114	30.9	13.5	55.7	17.4	40.6	9.1	50.3	31.5
Q1:2014-15						36.5	9.1	54.4	27.4

'Better' Overall Business Situation is optimistic.

Table 17: Assessment & Expectation for Salary/Other Remuneration

(Percentage responses)

Parameter	Options	Assessment			Expectation		
		Q2:2013-14	Q3:2013-14	Q4:2013-14	Q3:2013-14	Q4:2013-14	Q1:2014-15
Salary/other remuneration to employees	Increase	30.3	29.7	28.7	22.5	25.3	31.8
	Decrease	3.4	3.6	3.5	2.7	3.2	2.8
	No Change	66.3	66.8	67.9	74.8	71.5	65.4
	Net Response	26.8	26.1	25.2	19.8	22.1	28.9

'Increase in Salary / other remuneration' is optimistic.

Table 18: Business Expectation Index (BEI)

Quarter	BEI-Assessment	BEI-Expectation
Q1:2013-14	101.2	111.6
Q2:2013-14	97.3	112.7
Q3:2013-14	98.8	109.9
Q4:2013-14	104.3	112.7
Q1:2014-15		111.1

CURRENT STATISTICS

Select Economic Indicators

Reserve Bank of India

Money and Banking

Prices and Production

Government Accounts and Treasury Bills

Financial Markets

External Sector

Payment and Settlement Systems

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

No. 1: Select Economic Indicators

Item	2013-14	2012-13		2013-14	
		Q3	Q4	Q3	Q4
	1	2	3	4	5
1 Real Sector (% Change)					
1.1 GDP	4.7	4.4	4.4	4.6	4.6
1.1.1 Agriculture	4.7	0.8	1.6	3.7	6.3
1.1.2 Industry	-0.1	2.0	2.0	-0.9	-0.5
1.1.3 Services	6.2	6.1	5.8	6.4	5.8
1.1a Final Consumption Expenditure	4.7	5.0	4.6	2.9	6.8
1.1b Gross Fixed Capital Formation	-0.1	4.4	3.3	0.2	-0.9
	2013-14	2013		2014	
		Apr.	May	Apr.	May
	1	2	3	4	5
1.2 Index of Industrial Production	-0.1	1.5	-2.5	3.4	..
2 Money and Banking (% Change)					
2.1 Scheduled Commercial Banks					
2.1.1 Deposits	14.1	12.8	14.2	14.7	14.1
2.1.2 Credit	13.9	14.6	15.1	13.8	13.0
2.1.2.1 Non-food Credit	14.2	14.5	15.3	14.2	13.3
2.1.3 Investment in Govt. Securities	10.3	11.1	14.7	12.6	10.6
2.2 Money Stock Measures					
2.2.1 Reserve Money (M0)	14.4	7.6	6.0	8.9	11.9
2.2.2 Broad Money (M3)	12.9	12.9	13.6	13.9	13.2
3 Ratios (%)					
3.1 Cash Reserve Ratio	4.00	4.00	4.00	4.00	4.00
3.2 Statutory Liquidity Ratio	23.00	23.00	23.00	23.00	23.00
3.3 Cash-Deposit Ratio	4.7	5.2	4.8	4.9	4.8
3.4 Credit-Deposit Ratio	77.8	77.4	77.3	76.8	76.5
3.5 Incremental Credit-Deposit Ratio	76.8	32.3	54.4	15.2	32.8
3.6 Investment-Deposit Ratio	28.7	29.5	30.0	28.9	29.1
3.7 Incremental Investment-Deposit Ratio	21.6	6.7	38.4	41.1	40.7
4 Interest Rates (%)					
4.1 Policy Repo Rate	8.00	7.50	7.25	8.00	8.00
4.2 Reverse Repo Rate	7.00	6.50	6.25	7.00	7.00
4.3 Marginal Standing Facility (MSF) Rate	9.00	8.50	8.25	9.00	9.00
4.4 Bank Rate	9.00	8.50	8.25	9.00	9.00
4.5 Base Rate	10.00/10.25	9.70/10.25	9.70/10.25	10.00/10.25	10.00/10.25
4.6 Term Deposit Rate >1 Year	8.00/9.25	7.50/9.00	7.50/9.00	8.00/9.25	8.00/9.05
4.7 Savings Deposit Rate	4.00	4.00	4.00	4.00	4.00
4.8 Call Money Rate (Weighted Average)	8.59	7.76	7.15	8.46	7.78
4.9 91-Day Treasury Bill (Primary) Yield	8.86	7.56	7.31	8.86	8.65
4.10 182-Day Treasury Bill (Primary) Yield	8.86	7.64	7.30	8.90	8.71
4.11 364-Day Treasury Bill (Primary) Yield	8.96	7.48	7.29	8.92	8.70
4.12 10-Year Government Securities Yield	8.84	7.73	7.44	8.89	8.67
5 RBI Reference Rate and Forward Premia					
5.1 INR-US\$ Spot Rate (₹ Per Foreign Currency)	60.10	54.22	56.50	60.34	59.03
5.2 INR-Euro Spot Rate (₹ Per Foreign Currency)	82.58	70.98	73.68	83.31	80.34
5.3 Forward Premia of US\$ 1-month (%)	9.78	7.30	7.01	8.34	8.13
3-month (%)	8.79	7.23	6.58	8.38	8.54
6-month (%)	8.95	6.79	6.16	8.21	8.54
6 Inflation (%)					
6.1 All India Consumer Price Index	9.5	9.4	9.3	8.6	8.3
6.2 Consumer Price Index for Industrial Workers	9.7	10.2	10.7	7.1	7.0
6.3 Wholesale Price Index	6.0	4.8	4.6	5.2	6.0
6.3.1 Primary Articles	9.8	5.1	5.7	7.1	8.6
6.3.2 Fuel and Power	10.1	8.3	7.3	8.9	10.5
6.3.3 Manufactured Products	3.0	3.7	3.3	3.2	3.6
7 Foreign Trade (% Change)					
7.1 Imports	-8.2	6.9	5.0	-12.3	-11.4
7.2 Exports	4.1	-1.8	0.4	9.6	12.4

Reserve Bank of India

No. 2: RBI - Liabilities and Assets

(₹ Billion)

Item	As on the Last Friday/ Friday						
	2013-14	2013	2014				
		Jun.	May 30	Jun. 6	Jun. 13	Jun. 20	Jun. 27
	1	2	3	4	5	6	7
1 Issue Department							
1.1 Liabilities							
1.1.1 Notes in Circulation	12,835.11	12,017.78	13,480.32	13,607.29	13,657.28	13,569.61	13,414.06
1.1.2 Notes held in Banking Department	0.17	0.08	0.12	0.12	0.13	0.13	0.13
1.1/1.2 Total Liabilities (Total Notes Issued) or Assets	12,835.28	12,017.86	13,480.45	13,607.41	13,657.41	13,569.74	13,414.19
1.2 Assets							
1.2.1 Gold Coin and Bullion	682.33	675.97	662.88	643.12	643.12	643.12	643.12
1.2.2 Foreign Securities	12,141.07	11,328.97	12,805.27	12,952.46	13,000.93	12,913.75	12,758.72
1.2.3 Rupee Coin	1.41	2.46	1.84	1.36	2.89	2.41	1.89
1.2.4 Government of India Rupee Securities	10.46	10.46	10.46	10.46	10.46	10.46	10.46
2 Banking Department							
2.1 Liabilities							
2.1.1 Deposits	4,721.36	3,592.80	3,712.07	3,669.27	3,797.96	3,624.60	3,744.77
2.1.1.1 Central Government	534.25	1.01	1.01	1.01	1.01	1.01	1.01
2.1.1.2 Market Stabilisation Scheme	–	–	–	–	–	–	–
2.1.1.3 State Governments	0.42	0.42	0.43	0.42	0.42	0.42	0.42
2.1.1.4 Scheduled Commercial Banks	3,805.71	3,287.72	3,344.67	3,307.62	3,433.92	3,269.17	3,384.90
2.1.1.5 Scheduled State Co-operative Banks	39.04	34.28	34.82	37.16	37.65	34.38	35.02
2.1.1.6 Non-Scheduled State Co-operative Banks	5.50	2.50	4.98	5.00	5.29	5.04	4.98
2.1.1.7 Other Banks	174.92	141.41	168.81	167.52	167.49	164.82	167.50
2.1.1.8 Others	161.52	125.47	157.36	150.54	152.17	149.76	150.95
2.1.2 Other Liabilities	8,567.95	8,114.62	8,278.70	8,302.60	8,411.24	8,672.62	8,661.19
2.1/2.2 Total Liabilities or Assets	13,289.32	11,707.42	11,990.77	11,971.87	12,209.19	12,297.22	12,405.96
2.2 Assets							
2.2.1 Notes and Coins	0.17	0.08	0.12	0.12	0.13	0.13	0.13
2.2.2 Balances held Abroad	4,588.34	3,970.47	4,151.78	4,071.64	4,161.02	4,561.93	4,715.18
2.2.3 Loans and Advances							
2.2.3.1 Central Government	–	15.72	147.04	348.49	248.30	–	–
2.2.3.2 State Governments	14.88	12.45	4.10	12.48	8.33	16.47	5.81
2.2.3.3 Scheduled Commercial Banks	421.78	221.24	312.50	122.34	190.44	198.23	229.49
2.2.3.4 Scheduled State Co-op.Banks	–	–	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	77.15	9.89	71.63	44.84	66.16	66.05	69.44
2.2.4 Bills Purchased and Discounted							
2.2.4.1 Internal	–	–	–	–	–	–	–
2.2.4.2 Government Treasury Bills	–	–	–	–	–	–	–
2.2.5 Investments	7,387.75	6,760.80	6,553.39	6,619.51	6,785.46	6,712.26	6,644.47
2.2.6 Other Assets	799.25	716.78	749.86	752.44	749.34	742.14	741.43
2.2.6.1 Gold	619.82	614.04	602.14	584.20	584.20	584.20	584.20

No. 3: Liquidity Operations by RBI

(₹ Billion)

Date	Liquidity Adjustment Facility			MSF	Standing Liquidity Facilities	OMO (Outright)		Net Injection (+)/ Absorption (-) (1+3+4+5+7-2-6)
	Repo	Reverse Repo	Term Repo			Sale	Purchase	
	1	2	3			4	5	
May 2, 2014	82.29	116.20	750.00	20.05	-101.26	-	-	634.88
May 5, 2014	160.50	167.31	-	6.45	-52.42	-	-	-52.78
May 6, 2014	108.62	63.65	-	7.50	-93.26	-	-	-40.79
May 7, 2014	117.68	6.42	-	71.05	-31.19	-	-	151.12
May 8, 2014	196.18	66.52	-	10.00	65.00	-	-	204.66
May 9, 2014	209.23	3.58	-	19.50	25.54	-	-	250.69
May 12, 2014	215.23	20.74	-	31.70	127.24	-	-	353.43
May 13, 2014	213.07	3.32	-	186.35	15.54	-	-	411.64
May 15, 2014	208.91	132.61	-	-	-83.00	-	-	-6.70
May 16, 2014	89.14	132.93	610.05	0.45	-7.20	-	-	559.51
May 19, 2014	201.61	82.45	-	0.86	-10.25	-	-	109.77
May 20, 2014	144.80	77.08	-	-	-97.63	-	-	-29.91
May 21, 2014	95.12	13.73	-	2.00	57.21	-	-	140.60
May 22, 2014	115.19	54.16	-	8.00	34.20	-	-	103.23
May 23, 2014	117.01	7.45	-	19.12	-58.01	-	-	70.67
May 26, 2014	159.69	66.87	-	-	40.40	-	-	133.22
May 27, 2014	122.16	63.71	-	-	-62.66	-	-	-4.21
May 28, 2014	104.39	36.74	-	0.37	-40.88	-	-	27.14
May 29, 2014	98.57	27.78	-	17.08	-8.18	0.35	-	79.34
May 30, 2014	61.59	65.02	600.04	0.40	69.97	3.90	-	663.08

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

Item	2013-14	2013	2014	
		May	Apr.	May
	1	2	3	4
1 Net Purchase/ Sale of Foreign Currency (US\$ Million) (1.1-1.2)	8,992.00	-107.00	5,870.00	1,786.00
1.1 Purchase (+)	52,394.00	3,003	7,850	7,981
1.2 Sale (-)	43,402.00	3,110.00	1,980.00	6,195.00
2 ₹ equivalent at contract rate (₹ Billion)	586.19	-15.59	366.41	112.09
3 Cumulative (over end-March) (US \$ Million)	8,992.00	411.00	5,870.00	7,656.00
(₹ Billion)	586.19	65.50	366.41	478.50
4 Outstanding Net Forward Sales (-)/ Purchase (+) at the end of month (US\$ Million)	-31,030.00	-5,800.00	-32,062.00	-11,463.00

No. 5: RBI's Standing Facilities

(₹ Billion)

Item	As on the Last Reporting Friday							
	2013-14	2013		2014				
		May 31	Dec. 27	Jan. 24	Feb. 21	Mar. 21	Apr. 18	May 30
	1	2	3	4	5	6	7	8
1 MSF	176.3	0.1	385.4	105.6	56.0	176.3	15.7	0.4
2.1 Limit	568.0	405.4	488.1	533.7	542.8	568.0	572.4	549.5
2.2 Outstanding	410.4	57.9	418.1	297.9	400.2	410.4	312.9	308.2
3.1 Limit	28.0	28.0	28.0	28.0	28.0	28.0	28.0	28.0
3.2 Outstanding	22.2	10.9	23.6	25.5	15.7	22.2	26.7	19.7
4.1 Limit	–	–	–	–	–	–	–	–
4.2 Outstanding	–	–	–	–	–	–	–	–
5 Total Outstanding (1+2.2+3.2+4.2)	608.9	68.9	827.1	428.9	471.9	608.9	355.3	328.3

Money and Banking

No. 6: Money Stock Measures

(₹ Billion)

Item	Outstanding as on March 31/last reporting Fridays of the month/reporting Fridays				
	2013-14	2013	2014		
		May 31	Apr. 18	May 16	May 30
	1	2	3	4	5
1 Currency with the Public (1.1 + 1.2 + 1.3 – 1.4)	12,482.9	11,763.8	12,913.6	13,219.7	13,092.9
1.1 Notes in Circulation	12,837.4	12,127.3	13,276.1	13,615.1	13,480.3
1.2 Circulation of Rupee Coin	164.3	149.8	164.3	164.3	164.3
1.3 Circulation of Small Coins	7.4	7.4	7.4	7.4	7.4
1.4 Cash on Hand with Banks	526.1	520.6	534.2	567.1	559.1
2 Deposit Money of the Public	8,081.8	7,465.4	8,144.1	8,142.8	8,458.9
2.1 Demand Deposits with Banks	8,062.8	7,421.8	8,122.0	8,117.9	8,439.8
2.2 'Other' Deposits with Reserve Bank	19.1	43.6	22.1	24.9	19.1
3 M ₁ (1 + 2)	20,564.7	19,229.2	21,057.7	21,362.5	21,551.9
4 Post Office Saving Bank Deposits	50.4	50.4	50.4	50.4	50.4
5 M ₂ (3 + 4)	20,615.1	19,279.6	21,108.2	21,412.9	21,602.3
6 Time Deposits with Banks	74,501.7	67,021.8	75,775.9	75,658.5	76,070.7
7 M ₃ (3 + 6)	95,066.4	86,251.0	96,833.7	97,021.0	97,622.6
8 Total Post Office Deposits	259.7	259.7	259.7	259.7	259.7
9 M ₄ (7 + 8)	95,326.1	86,510.7	97,093.4	97,280.7	97,882.3

No. 7: Sources of Money Stock (M₃)

(₹ Billion)

Sources	Outstanding as on March 31/last reporting Fridays of the month/reporting Fridays				
	2013-14	2013	2014		
		May 31	Apr. 18	May 16	May 30
	1	2	3	4	5
1 Net Bank Credit to Government	30,504.6	28,429.4	30,513.9	30,743.7	30,957.1
1.1 RBI's net credit to Government (1.1.1-1.1.2)	7,077.5	6,456.1	6,568.8	6,502.9	6,699.5
1.1.1 Claims on Government	7,862.3	6,457.6	6,570.6	6,504.3	6,700.9
1.1.1.1 Central Government	7,844.1	6,453.9	6,551.1	6,497.6	6,696.8
1.1.1.2 State Governments	18.2	3.7	19.4	6.6	4.1
1.1.2 Government deposits with RBI	784.8	1.4	1.8	1.4	1.4
1.1.2.1 Central Government	784.4	1.0	1.0	1.0	1.0
1.1.2.2 State Governments	0.4	0.4	0.8	0.4	0.4
1.2 Other Banks' Credit to Government	23,427.1	21,973.3	23,945.1	24,240.9	24,257.6
2 Bank Credit to Commercial Sector	64,497.0	57,858.6	64,738.2	64,798.8	65,045.1
2.1 RBI's credit to commercial sector	88.4	24.1	89.9	79.0	82.9
2.2 Other banks' credit to commercial sector	64,408.6	57,834.6	64,648.3	64,719.8	64,962.2
2.2.1 Bank credit by commercial banks	60,130.9	53,687.8	60,360.8	60,431.6	60,673.7
2.2.2 Bank credit by co-operative banks	4,241.8	4,098.4	4,249.2	4,250.7	4,251.1
2.2.3 Investments by commercial and co-operative banks in other securities	35.9	48.3	38.2	37.5	37.4
3 Net Foreign Exchange Assets of Banking Sector (3.1 + 3.2)	18,998.4	16,735.5	19,389.2	19,296.7	19,197.6
3.1 RBI's net foreign exchange assets (3.1.1-3.1.2)	18,025.3	15,949.5	18,416.1	18,323.6	18,224.4
3.1.1 Gross foreign assets	18,025.6	15,953.8	18,416.4	18,324.0	18,224.8
3.1.2 Foreign liabilities	0.3	4.2	0.3	0.3	0.3
3.2 Other banks' net foreign exchange assets	973.1	786.0	973.1	973.1	973.1
4 Government's Currency Liabilities to the Public	171.7	157.2	171.7	171.7	171.7
5 Banking Sector's Net Non-monetary Liabilities	19,105.2	16,929.8	17,979.2	17,990.0	17,748.8
5.1 Net non-monetary liabilities of RBI	8,524.2	7,348.9	8,626.5	8,214.2	8,268.7
5.2 Net non-monetary liabilities of other banks (residual)	10,581.0	9,580.9	9,352.7	9,775.7	9,480.1
M₃ (1+2+3+4-5)	95,066.4	86,251.0	96,833.7	97,021.0	97,622.6

No. 8: Monetary Survey

(₹ Billion)

Item	Outstanding as on March 31/last reporting Fridays of the month/reporting Fridays				
	2013-14	2013	2014		
		May 31	Apr. 18	May 16	May 30
	1	2	3	4	5
Monetary Aggregates					
NM ₁ (1.1 + 1.2.1+1.3)	20,452.3	19,127.4	20,944.5	21,245.0	21,434.2
NM ₂ (NM ₁ + 1.2.2.1)	52,102.0	48,194.9	53,144.3	53,373.4	53,740.6
NM ₃ (NM ₂ + 1.2.2.2 + 1.4 = 2.1 + 2.2 + 2.3 – 2.4 – 2.5)	92,995.3	85,885.7	94,661.7	94,768.6	95,273.2
1 Components					
1.1 Currency with the Public	12,497.3	11,776.5	12,928.0	13,234.6	13,107.5
1.2 Aggregate Deposits of Residents	78,268.6	71,901.8	79,549.6	79,381.9	80,099.5
1.2.1 Demand Deposits	7,935.9	7,307.2	7,994.4	7,985.6	8,307.6
1.2.2 Time Deposits of Residents	70,332.7	64,594.5	71,555.2	71,396.4	71,791.9
1.2.2.1 Short-term Time Deposits	31,649.7	29,067.5	32,199.8	32,128.4	32,306.4
1.2.2.1.1 Certificates of Deposit (CDs)	3,741.3	3,562.4	3,865.2	3,532.2	3,586.0
1.2.2.2 Long-term Time Deposits	38,683.0	35,527.0	39,355.4	39,268.0	39,485.6
1.3 'Other' Deposits with RBI	19.1	43.6	22.1	24.9	19.1
1.4 Call/Term Funding from Financial Institutions	2,210.3	2,163.8	2,162.0	2,127.2	2,047.1
2 Sources					
2.1 Domestic Credit	97,269.3	88,440.7	97,700.9	98,026.3	98,449.6
2.1.1 Net Bank Credit to the Government	29,932.4	27,907.1	29,937.1	30,170.0	30,383.2
2.1.1.1 Net RBI credit to the Government	7,077.5	6,456.1	6,568.8	6,502.9	6,699.5
2.1.1.2 Credit to the Government by the Banking System	22,854.9	21,451.0	23,368.4	23,667.1	23,683.7
2.1.2 Bank Credit to the Commercial Sector	67,336.9	60,533.6	67,763.8	67,856.4	68,066.4
2.1.2.1 RBI Credit to the Commercial Sector	88.4	24.1	89.9	79.0	82.9
2.1.2.2 Credit to the Commercial Sector by the Banking System	67,248.5	60,509.5	67,673.9	67,777.4	67,983.5
2.1.2.2.1 Other Investments (Non-SLR Securities)	4,052.2	3,820.2	4,240.2	4,261.7	4,216.1
2.2 Government's Currency Liabilities to the Public	171.7	157.2	171.7	171.7	171.7
2.3 Net Foreign Exchange Assets of the Banking Sector	16,132.5	14,955.7	16,375.8	16,150.4	16,274.1
2.3.1 Net Foreign Exchange Assets of the RBI	18,025.3	15,949.5	18,416.1	18,323.6	18,224.4
2.3.2 Net Foreign Currency Assets of the Banking System	-1,892.7	-993.8	-2,040.3	-2,173.2	-1,950.3
2.4 Capital Account	15,821.2	13,979.2	16,025.5	16,230.2	16,336.5
2.5 Other items (net)	4,757.1	3,688.7	3,561.3	3,349.6	3,285.7

No. 9: Liquidity Aggregates

(₹ Billion)

Aggregates	2013-14	2013	2014		
	1	May	Mar.	Apr.	May
		2	3	4	5
1 NM₃	92,995.3	85,885.7	92,995.3	94,661.7	95,273.2
2 Postal Deposits	1,572.0	1,405.1	1,572.0	1,572.0	1,572.0
3 L₁ (1 + 2)	94,567.3	87,290.8	94,567.3	96,233.7	96,845.3
4 Liabilities of Financial Institutions	26.6	26.6	26.6	26.6	26.6
4.1 Term Money Borrowings	0.3	0.3	0.3	0.3	0.3
4.2 Certificates of Deposit	2.5	2.5	2.5	2.5	2.5
4.3 Term Deposits	29.3	29.3	29.3	29.3	29.3
5 L₂ (3 + 4)	94,596.6	87,320.1	94,596.6	96,263.0	96,874.6
6 Public Deposits with Non-Banking Financial Companies	140.8	..	140.8
7 L₃ (5 + 6)	94,737.5	..	94,737.5

No. 10: Reserve Bank of India Survey

(₹ Billion)

Item	Outstanding as on March 31/last reporting Fridays of the month/reporting Fridays				
	2013-14	2013	2014		
		May 31	Apr. 18	May 16	May 30
	1	2	3	4	5
1 Components					
1.1 Currency in Circulation	13009.0	12284.4	13447.8	13786.8	13652.0
1.2 Bankers' Deposits with the RBI	4297.0	3074.3	3470.4	3445.6	3553.3
1.2.1 Scheduled Commercial Banks	4070.8	2896.9	3266.2	3237.8	3344.7
1.3 'Other' Deposits with the RBI	19.1	43.6	22.1	24.9	19.1
Reserve Money (1.1 + 1.2 + 1.3 = 2.1 + 2.2 + 2.3 - 2.4 - 2.5)	17325.1	15402.3	16940.4	17257.3	17224.4
2 Sources					
2.1 RBI's Domestic Credit	7652.4	6644.4	6979.1	6976.2	7097.0
2.1.1 Net RBI credit to the Government	7077.5	6456.1	6568.8	6502.9	6699.5
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)	7059.7	6452.9	6550.1	6496.6	6695.8
2.1.1.1.1 Loans and Advances to the Central Government	-	-	-	-	147.0
2.1.1.1.2 Investments in Treasury Bills	-	-	-	-	-
2.1.1.1.3 Investments in dated Government Securities	7842.9	6451.8	6548.6	6494.8	6547.9
2.1.1.1.3.1 Central Government Securities	7832.4	6441.3	6538.1	6484.4	6537.5
2.1.1.1.4 Rupee Coins	1.3	2.1	2.5	2.8	1.8
2.1.1.1.5 Deposits of the Central Government	784.4	1.0	1.0	1.0	1.0
2.1.1.2 Net RBI credit to State Governments	17.8	3.2	18.6	6.2	3.7
2.1.2 RBI's Claims on Banks	486.5	164.2	320.4	394.3	314.6
2.1.2.1 Loans and Advances to Scheduled Commercial Banks	484.7	162.4	318.7	392.0	312.5
2.1.3 RBI's Credit to Commercial Sector	88.4	24.1	89.9	79.0	82.9
2.1.3.1 Loans and Advances to Primary Dealers	25.2	10.9	26.7	25.8	19.7
2.1.3.2 Loans and Advances to NABARD	-	-	-	-	-
2.2 Government's Currency Liabilities to the Public	171.7	157.2	171.7	171.7	171.7
2.3 Net Foreign Exchange Assets of the RBI	18025.3	15949.5	18416.1	18323.6	18224.4
2.3.1 Gold	1296.2	1290.0	1296.2	1265.0	1265.0
2.3.2 Foreign Currency Assets	16729.3	14659.7	17120.1	17058.8	16959.6
2.4 Capital Account	8315.7	6666.2	8315.7	8315.7	8315.7
2.5 Other Items (net)	208.5	682.7	310.8	-101.5	-47.0

No. 11: Reserve Money - Components and Sources

(₹ Billion)

Item	Outstanding as on March 31/ last Fridays of the month/ Fridays						
	2013-14	2013	2014				
		May 24	Apr. 25	May 9	May 16	May 23	May 30
	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)	17,325.1	15,483.7	16,970.2	17,168.7	17,257.3	17,190.0	17,224.4
1 Components							
1.1 Currency in Circulation	13,009.0	12,376.1	13,418.5	13,707.5	13,786.8	13,712.0	13,652.0
1.2 Bankers' Deposits with RBI	4,297.0	3,087.1	3,529.8	3,439.8	3,445.6	3,440.2	3,553.3
1.3 'Other' Deposits with RBI	19.1	20.5	21.9	21.3	24.9	37.7	19.1
2 Sources							
2.1 Net Reserve Bank Credit to Government	7,077.5	6,320.4	6,437.5	6,524.1	6,502.9	6,618.7	6,699.5
2.2 Reserve Bank Credit to Banks	486.5	266.7	474.8	344.0	394.3	313.9	314.6
2.3 Reserve Bank Credit to Commercial Sector	88.4	20.6	89.9	76.7	79.0	85.0	82.9
2.4 Net Foreign Exchange Assets of RBI	18,025.3	15,898.9	18,654.9	18,593.5	18,323.6	18,082.1	18,224.4
2.5 Government's Currency Liabilities to the Public	171.7	155.0	171.7	171.7	171.7	171.7	171.7
2.6 Net Non- Monetary Liabilities of RBI	8,524.2	7,177.8	8,858.5	8,541.3	8,214.2	8,081.4	8,268.7

No. 12: Commercial Bank Survey

(₹ Billion)

Item	Outstanding as on last reporting Fridays of the month/ reporting Fridays of the month				
	2013-14	2013	2014		
		May 31	Apr. 18	May 16	May 30
	1	2	3	4	5
1 Components					
1.1 Aggregate Deposits of Residents	74,942.4	68,620.9	76,220.5	76,053.7	76,772.0
1.1.1 Demand Deposits	7,208.0	6,550.6	7,265.9	7,255.6	7,576.2
1.1.2 Time Deposits of Residents	67,734.4	62,070.3	68,954.6	68,798.1	69,195.7
1.1.2.1 Short-term Time Deposits	30,480.5	27,931.6	31,029.6	30,959.1	31,138.1
1.1.2.1.1 Certificates of Deposits (CDs)	3,741.3	3,562.4	3,865.2	3,532.2	3,586.0
1.1.2.2 Long-term Time Deposit	37,253.9	34,138.7	37,925.0	37,838.9	38,057.6
1.2 Call/Term Funding from Financial Institutions	2,210.3	2,163.8	2,162.0	2,127.2	2,047.1
2 Sources					
2.1 Domestic Credit	86,332.5	78,279.7	87,260.5	87,654.0	87,877.9
2.1.1 Credit to the Government	22,197.6	20,804.4	22,706.1	22,998.1	23,016.4
2.1.2 Credit to the Commercial Sector	64,134.9	57,475.2	64,554.4	64,655.9	64,861.5
2.1.2.1 Bank Credit	60,130.9	53,687.8	60,360.8	60,431.6	60,673.7
2.1.2.1.1 Non-food Credit	59,146.1	52,507.4	59,433.9	59,283.0	59,507.9
2.1.2.2 Net Credit to Primary Dealers	22.5	35.2	22.7	31.9	41.7
2.1.2.3 Investments in Other Approved Securities	18.9	21.7	20.3	20.4	20.7
2.1.2.4 Other Investments (in non-SLR Securities)	3,962.6	3,730.6	4,150.6	4,172.1	4,125.5
2.2 Net Foreign Currency Assets of Commercial Banks (2.2.1–2.2.2–2.2.3)	–1,892.7	–993.8	–2,040.3	–2,173.2	–1,950.3
2.2.1 Foreign Currency Assets	1,495.3	772.2	1,358.7	1,239.2	1,448.2
2.2.2 Non-resident Foreign Currency Repatriable Fixed Deposits	2,451.4	874.4	2,479.1	2,501.5	2,516.7
2.2.3 Overseas Foreign Currency Borrowings	936.6	891.7	919.8	910.8	881.9
2.3 Net Bank Reserves (2.3.1+2.3.2–2.3.3)	3,209.7	3,190.2	3,418.3	3,349.0	3,527.6
2.3.1 Balances with the RBI	3,163.4	2,896.9	3,266.2	3,237.8	3,344.7
2.3.2 Cash in Hand	462.4	455.7	470.7	503.2	495.4
2.3.3 Loans and Advances from the RBI	416.1	162.4	318.7	392.0	312.5
2.4 Capital Account	7,263.8	7,071.3	7,468.1	7,672.8	7,779.1
2.5 Other items (net) (2.1+2.2+2.3–2.4–1.1–1.2)	3,233.0	2,620.0	2,787.9	2,976.1	2,857.1
2.5.1 Other Demand and Time Liabilities (net of 2.2.3)	3,467.1	3,110.7	3,205.1	3,271.6	3,585.6
2.5.2 Net Inter-Bank Liabilities (other than to PDs)	–665.8	–597.8	–706.4	–678.0	–596.5

No. 13: Scheduled Commercial Banks' Investments

(₹ Billion)

Item	As on March 21, 2014	2013	2014		
		May 31	Apr. 18	May 16	May 30
	1	2	3	4	5
1 SLR Securities	22,128.2	20,826.2	22,608.0	23,020.9	23,037.0
2 Commercial Paper	159.5	305.3	147.3	167.8	163.6
3 Shares issued by					
3.1 PSUs	82.9	84.4	81.5	79.9	76.1
3.2 Private Corporate Sector	334.2	333.2	330.4	326.3	330.4
3.3 Others	9.4	8.2	9.8	46.0	29.1
4 Bonds/Debentures issued by					
4.1 PSUs	831.5	451.8	797.6	736.6	737.7
4.2 Private Corporate Sector	1,159.1	1,010.7	1,207.3	1,181.8	1,163.0
4.3 Others	459.8	486.1	490.8	456.8	473.2
5 Instruments issued by					
5.1 Mutual funds	401.1	589.4	520.2	579.3	587.7
5.2 Financial institutions	593.8	461.5	644.1	598.6	564.8

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			
	2013-14	2013	2014		2013-14	2013	2014	
		May	Apr.	May		May	Apr.	May
	1	2	3	4	5	6	7	8
Number of Reporting Banks	213	218	212	213	146	151	145	146
1 Liabilities to the Banking System	1,308.7	1,401.4	1,288.7	1,299.9	1,261.9	1,364.2	1,239.0	1,251.1
1.1 Demand and Time Deposits from Banks	821.7	941.0	876.0	872.1	777.2	906.1	829.3	825.8
1.2 Borrowings from Banks	351.9	366.1	347.4	334.6	349.7	364.0	344.4	332.2
1.3 Other Demand and Time Liabilities	135.1	94.2	65.3	93.3	135.0	94.2	65.3	93.2
2 Liabilities to Others	85,878.6	77,678.2	87,153.3	88,101.9	83,649.3	75,661.5	84,852.0	85,803.0
2.1 Aggregate Deposits	79,200.8	71,442.4	80,541.3	81,504.6	77,055.6	69,495.3	78,331.3	79,288.5
2.1.1 Demand	7,312.5	6,711.1	7,591.0	7,761.3	7,139.2	6,550.6	7,412.0	7,576.2
2.1.2 Time	71,888.4	64,731.2	72,950.3	73,743.4	69,916.4	62,944.7	70,919.3	71,712.4
2.2 Borrowings	2,227.8	2,174.2	2,354.8	2,060.7	2,210.4	2,163.8	2,339.0	2,047.1
2.3 Other Demand and Time Liabilities	4,449.9	4,061.6	4,257.3	4,536.6	4,383.3	4,002.4	4,181.7	4,467.5
3 Borrowings from Reserve Bank	417.9	164.2	474.8	314.6	416.1	162.4	472.5	312.5
3.1 Against Usance Bills /Promissory Notes	–	–	–	–	–	–	–	–
3.2 Others	417.9	164.2	474.8	314.6	416.1	162.4	472.5	312.5
4 Cash in Hand and Balances with Reserve Bank	3,729.1	3,446.6	3,911.0	3,952.3	3,622.1	3,352.6	3,799.9	3,840.1
4.1 Cash in Hand	470.0	466.0	489.8	506.7	458.7	455.7	478.8	495.4
4.2 Balances with Reserve Bank	3,259.0	2,980.6	3,421.2	3,445.6	3,163.4	2,896.9	3,321.1	3,344.7
5 Assets with the Banking System	2,325.9	2,284.0	2,248.4	2,289.9	1,950.5	1,997.2	1,860.9	1,889.2
5.1 Balances with Other Banks	1,191.9	1,034.3	1,253.2	1,315.2	1,062.3	941.6	1,123.5	1,188.1
5.1.1 In Current Account	115.3	124.7	129.9	121.7	97.3	109.0	112.8	107.1
5.1.2 In Other Accounts	1,076.6	909.6	1,123.3	1,193.5	965.0	832.6	1,010.8	1,080.9
5.2 Money at Call and Short Notice	453.7	399.0	391.7	430.0	278.0	284.1	213.3	242.8
5.3 Advances to Banks	170.8	166.2	155.7	195.0	167.4	147.4	151.3	191.6
5.4 Other Assets	509.5	684.5	447.8	349.7	442.7	624.0	372.8	266.7
6 Investment	22,797.6	21,431.9	23,340.0	23,718.9	22,128.2	20,826.2	22,653.0	23,037.0
6.1 Government Securities	22,778.7	21,408.4	23,318.9	23,695.9	22,111.9	20,804.4	22,634.6	23,016.4
6.2 Other Approved Securities	18.9	23.5	21.1	23.0	16.3	21.7	18.5	20.7
7 Bank Credit	61,794.9	55,381.6	61,976.5	62,504.8	59,941.0	53,687.8	60,134.7	60,673.7
7a Food Credit	1,095.2	1,261.8	1,098.3	1,276.1	984.8	1,180.4	987.9	1,165.7
7.1 Loans, Cash-credits and Overdrafts	59,517.5	53,343.9	59,702.7	60,230.4	57,690.8	51,673.8	57,888.1	58,429.0
7.2 Inland Bills-Purchased	387.8	252.6	374.9	368.3	384.4	248.5	371.3	364.8
7.3 Inland Bills-Discounted	1,121.7	1,123.1	1,172.7	1,205.5	1,105.8	1,107.3	1,156.2	1,185.7
7.4 Foreign Bills-Purchased	266.9	211.5	255.2	246.2	262.9	210.6	251.9	243.4
7.5 Foreign Bills-Discounted	501.0	450.5	470.9	454.5	497.1	447.5	467.3	450.8

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

(₹ Billion)

Item	Outstanding as on				Growth (%)	
	Mar. 21, 2014	2013	2014		Financial year so far	Y-o-Y
			May 31	Apr. 18		
	1	2	3	4	5	6
1 Gross Bank Credit	56,572	50,605	56,724	57,061	0.9	12.8
1.1 Food Credit	912	1,158	887	1,166	27.9	0.7
1.2 Non-food Credit	55,660	49,447	55,837	55,895	0.4	13.0
1.2.1 Agriculture & Allied Activities	6,694	6,034	6,901	7,045	5.2	16.8
1.2.2 Industry	25,229	22,593	25,140	25,159	-0.3	11.4
1.2.2.1 Micro & Small	3,517	2,865	3,568	3,549	0.9	23.9
1.2.2.2 Medium	1,274	1,335	1,252	1,233	-3.2	-7.6
1.2.2.3 Large	20,438	18,393	20,319	20,376	-0.3	10.8
1.2.3 Services	13,370	11,588	13,348	13,164	-1.5	13.6
1.2.3.1 Transport Operators	895	816	918	900	0.6	10.3
1.2.3.2 Computer Software	176	177	169	169	-3.9	-4.8
1.2.3.3 Tourism, Hotels & Restaurants	392	361	391	389	-0.7	7.8
1.2.3.4 Shipping	99	87	95	95	-3.6	9.6
1.2.3.5 Professional Services	707	597	721	708	0.1	18.7
1.2.3.6 Trade	3,228	2,836	3,260	3,216	-0.4	13.4
1.2.3.6.1 Wholesale Trade	1,701	1,523	1,687	1,647	-3.2	8.2
1.2.3.6.2 Retail Trade	1,527	1,313	1,572	1,569	2.8	19.5
1.2.3.7 Commercial Real Estate	1,544	1,320	1,526	1,538	-0.4	16.5
1.2.3.8 Non-Banking Financial Companies (NBFCs)	2,946	2,537	3,119	3,037	3.1	19.7
1.2.3.9 Other Services	3,375	2,856	3,149	3,111	-7.8	8.9
1.2.4 Personal Loans	10,367	9,232	10,394	10,527	1.5	14.0
1.2.4.1 Consumer Durables	128	89	137	139	8.3	56.4
1.2.4.2 Housing	5,408	4,759	5,451	5,558	2.8	16.8
1.2.4.3 Advances against Fixed Deposits	641	603	593	550	-14.2	-8.7
1.2.4.4 Advances to Individuals against share & bonds	38	30	34	33	-15.1	8.2
1.2.4.5 Credit Card Outstanding	249	230	254	263	5.9	14.2
1.2.4.6 Education	600	552	601	601	0.1	8.9
1.2.4.7 Vehicle Loans	1,304	1,167	1,340	1,363	4.5	16.8
1.2.4.8 Other Personal Loans	1,998	1,803	1,984	2,020	1.1	12.1
1.2A Priority Sector	18,781	16,166	18,611	18,644	-0.7	15.3
1.2A.1 Agriculture & Allied Activities	6,694	6,034	6,901	7,045	5.2	16.8
1.2A.2 Micro & Small Enterprises	7,511	6,031	7,359	7,291	-2.9	20.9
1.2A.2.1 Manufacturing	3,852	2,865	3,568	3,549	-7.9	23.9
1.2A.2.2 Services	3,659	3,166	3,791	3,742	2.3	18.2
1.2A.3 Housing	3,034	2,834	3,083	3,082	1.6	8.8
1.2A.4 Micro-Credit	174	179	179	177	1.9	-0.7
1.2A.5 Education Loans	579	531	569	567	-2.2	6.7
1.2A.6 State-Sponsored Orgs. for SC/ST	2	1	3	3	68.1	115.2
1.2A.7 Weaker Sections	3,862	2,893	3,681	3,666	-5.1	26.7
1.2A.8 Export Credit	483	451	482	469	-2.8	4.1

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

₹ Billion)

Industry	Outstanding as on				Growth (%)	
	Mar. 21, 2014	2013	2014		Financial year so far	Y-o-Y
		May 31	Apr. 18	May 30	2014-15	2014
	1	2	3	4	5	6
1 Industry	25,229	22,593	25,140	25,159	-0.3	11.4
1.1 Mining & Quarrying (incl. Coal)	353	316	359	372	5.3	17.7
1.2 Food Processing	1,480	1,244	1,509	1,515	2.4	21.8
1.2.1 Sugar	348	345	368	369	6.0	6.8
1.2.2 Edible Oils & Vanaspati	213	178	218	210	-1.4	17.7
1.2.3 Tea	32	26	30	29	-10.0	12.2
1.2.4 Others	887	695	892	908	2.3	30.6
1.3 Beverage & Tobacco	186	153	184	184	-1.1	19.9
1.4 Textiles	2,040	1,845	2,024	2,009	-1.5	8.9
1.4.1 Cotton Textiles	1,011	916	1,004	994	-1.7	8.4
1.4.2 Jute Textiles	20	23	20	21	3.8	-9.1
1.4.3 Man-Made Textiles	216	190	213	204	-5.3	7.6
1.4.4 Other Textiles	793	716	787	790	-0.3	10.3
1.5 Leather & Leather Products	103	89	101	98	-4.1	10.6
1.6 Wood & Wood Products	94	79	92	94	0.3	18.3
1.7 Paper & Paper Products	331	297	332	330	-0.4	11.2
1.8 Petroleum, Coal Products & Nuclear Fuels	635	523	584	569	-10.4	8.6
1.9 Chemicals & Chemical Products	1,677	1,446	1,632	1,540	-8.2	6.5
1.9.1 Fertiliser	306	275	254	277	-9.5	0.9
1.9.2 Drugs & Pharmaceuticals	492	501	484	478	-2.9	-4.7
1.9.3 Petro Chemicals	435	289	446	347	-20.4	19.9
1.9.4 Others	443	381	449	438	-1.2	15.1
1.10 Rubber, Plastic & their Products	368	317	364	356	-3.4	12.1
1.11 Glass & Glassware	87	72	93	89	1.7	22.8
1.12 Cement & Cement Products	541	460	550	557	2.9	20.9
1.13 Basic Metal & Metal Product	3,620	3,176	3,571	3,555	-1.8	11.9
1.13.1 Iron & Steel	2,685	2,411	2,650	2,656	-1.1	10.1
1.13.2 Other Metal & Metal Product	934	765	921	899	-3.8	17.5
1.14 All Engineering	1,456	1,308	1,443	1,460	0.3	11.6
1.14.1 Electronics	367	301	358	356	-3.1	18.4
1.14.2 Others	1,088	1,008	1,085	1,105	1.5	9.6
1.15 Vehicles, Vehicle Parts & Transport Equipment	677	598	672	663	-2.2	10.8
1.16 Gems & Jewellery	720	682	700	685	-4.9	0.4
1.17 Construction	614	543	679	682	11.0	25.7
1.18 Infrastructure	8,398	7,722	8,442	8,573	2.1	11.0
1.18.1 Power	4,883	4,416	4,900	5,012	2.6	13.5
1.18.2 Telecommunications	904	936	899	929	2.8	-0.8
1.18.3 Roads	1,574	1,389	1,591	1,599	1.6	15.1
1.18.4 Other Infrastructure	1,036	981	1,052	1,033	-0.4	5.2
1.19 Other Industries	1,850	1,721	1,812	1,831	-1.0	6.4

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					
	2012-13	2013	2014			
			Feb. 22	Jan. 31	Feb. 7	Feb. 21
	1	2	3	4	5	6
Number of Reporting Banks	31	31	31	31	31	31
1 Aggregate Deposits (2.1.1.2+2.2.1.2)	356.5	353.6	406.0	407.5	408.0	405.8
2 Demand and Time Liabilities						
2.1 Demand Liabilities	127.2	122.0	127.5	127.7	127.9	125.8
2.1.1 Deposits						
2.1.1.1 Inter-Bank	25.0	16.8	14.9	15.3	16.7	16.4
2.1.1.2 Others	70.1	70.1	73.8	74.6	73.6	71.5
2.1.2 Borrowings from Banks	10.2	14.6	13.2	7.6	8.3	7.4
2.1.3 Other Demand Liabilities	21.8	20.6	32.1	30.2	29.3	30.5
2.2 Time Liabilities	802.5	784.9	848.9	850.8	855.8	855.5
2.2.1 Deposits						
2.2.1.1 Inter-Bank	507.0	492.0	506.0	506.6	509.9	510.6
2.2.1.2 Others	286.4	283.6	332.2	332.9	334.4	334.3
2.2.2 Borrowings from Banks	0.5	2.1	–	0.1	1.2	–
2.2.3 Other Time Liabilities	8.6	7.3	10.4	10.4	10.3	10.6
3 Borrowing from Reserve Bank	–	–	–	–	–	–
4 Borrowings from a notified bank / State Government	319.3	299.3	370.3	376.1	388.5	382.2
4.1 Demand	132.1	122.3	152.7	152.4	154.9	153.7
4.2 Time	187.2	177.0	217.6	223.7	233.6	228.5
5 Cash in Hand and Balances with Reserve Bank	44.2	30.9	37.7	37.5	35.1	37.5
5.1 Cash in Hand	2.1	2.0	2.2	2.1	2.1	2.3
5.2 Balance with Reserve Bank	42.1	29.0	35.5	35.4	33.0	35.2
6 Balances with Other Banks in Current Account	7.0	6.0	10.5	8.0	7.6	8.6
7 Investments in Government Securities	269.3	268.4	265.4	284.6	285.7	286.3
8 Money at Call and Short Notice	156.2	131.3	186.6	195.3	204.3	203.0
9 Bank Credit (10.1+11)	365.0	355.6	369.1	373.0	374.5	372.8
10 Advances						
10.1 Loans, Cash-Credits and Overdrafts	364.9	355.5	369.0	373.0	374.5	372.8
10.2 Due from Banks	570.8	572.9	645.6	640.6	637.8	637.9
11 Bills Purchased and Discounted	0.1	0.1	0.1	–	–	–

Prices and Production

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

Group/Sub group	2013-14			Rural			Urban			Combined		
	Rural	Urban	Combined	May 13	Apr. 14	May 14	May 13	Apr. 14	May 14	May 13	Apr. 14	May 14
	1	2	3	4	5	6	7	8	9	10	11	12
1 Food, beverages and tobacco	138.8	138.0	138.6	130.8	142.8	143.9	132.2	141.0	142.7	131.3	142.2	143.5
1.1 Cereals and products	132.8	131.9	132.6	126.9	138.7	138.8	127.8	136.4	136.7	127.1	138.1	138.3
1.2 Pulses and products	118.2	115.2	117.3	115.7	121.4	122.1	114.8	119.3	120.6	115.4	120.8	121.6
1.3 Oils and fats	143.9	141.9	143.2	141.5	145.7	145.9	144.1	138.6	138.8	142.3	143.4	143.6
1.4 Egg, fish and meat	143.1	146.8	144.4	136.2	149.1	150.5	140.0	151.1	153.2	137.5	149.8	151.4
1.5 Milk and products	144.2	139.0	142.3	138.8	151.6	152.9	132.6	147.6	150.2	136.5	150.1	151.9
1.6 Condiments and spices	134.3	132.9	133.9	129.7	138.7	138.9	127.4	140.9	143.7	129.0	139.3	140.3
1.7 Vegetables	161.5	157.5	160.3	130.4	151.7	156.5	134.0	135.6	141.3	131.6	146.6	151.7
1.8 Fruits	155.8	147.2	152.1	144.1	178.5	180.5	145.4	172.7	174.9	144.6	176.0	178.1
1.9 Sugar etc	109.5	105.0	108.2	109.7	108.6	109.7	107.6	105.6	106.7	109.1	107.7	108.8
1.10 Non-alcoholic beverages	135.0	136.9	135.8	130.7	139.4	140.1	133.6	141.5	141.9	131.9	140.3	140.9
1.11 Prepared meals etc	135.0	137.9	136.4	130.1	140.2	140.8	133.5	143.6	144.5	131.8	141.8	142.6
1.12 Pan, tobacco and intoxicants	143.5	147.8	144.7	138.7	148.7	149.8	143.2	154.2	155.2	139.9	150.2	151.3
2 Fuel and light	136.9	133.9	135.7	132.7	140.0	140.3	131.2	136.0	136.3	132.1	138.5	138.8
3 Housing	--	133.5	133.5	--	--	--	128.6	139.9	140.4	128.6	139.9	140.4
4 Clothing, bedding and footwear	144.1	144.2	144.1	138.3	150.5	151.5	139.8	149.8	150.4	138.8	150.2	151.1
4.1 Clothing and bedding	144.8	146.0	145.2	138.9	151.2	152.2	141.4	151.8	152.5	139.8	151.4	152.3
4.2 Footwear	140.0	133.8	137.7	134.8	146.1	147.1	130.4	137.9	138.5	133.2	143.1	144.0
5 Miscellaneous	128.8	125.0	127.1	124.4	132.9	133.4	120.9	128.6	128.9	122.8	130.9	131.3
5.1 Medical care	124.0	122.6	123.6	120.6	128.1	128.7	120.3	126.1	126.4	120.5	127.4	127.9
5.2 Education, stationery etc	125.7	126.9	126.4	121.0	130.3	130.7	122.2	130.9	131.3	121.7	130.6	131.0
5.3 Recreation and amusement	121.2	113.3	116.4	117.9	124.1	124.5	110.4	116.4	116.6	113.4	119.5	119.7
5.4 Transport and communication	131.0	125.3	127.8	126.0	134.8	135.1	119.9	128.2	128.1	122.6	131.1	131.2
5.5 Personal care and effects	126.2	121.6	124.3	122.5	130.1	130.7	119.2	125.5	126.2	121.2	128.2	128.9
5.6 Household requisites	134.1	127.5	131.4	128.9	138.1	138.3	123.5	131.7	132.1	126.7	135.5	135.8
5.7 Others	145.8	148.4	146.9	139.0	153.4	154.2	143.1	155.5	156.4	140.7	154.2	155.1
General Index (All Groups)	136.4	133.3	135.0	129.8	140.5	141.3	128.4	137.2	138.1	129.2	139.1	139.9

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

No. 19: Other Consumer Price Indices

Item	Base Year	Linking Factor	2013-14	2013		2014	
				May	Apr.	May	May
	1	2	3	4	5	6	6
1 Consumer Price Index for Industrial Workers	2001	4.63	236	228	242	244	244
2 Consumer Price Index for Agricultural Labourers	1986-87	5.89	750	719	771	777	777
3 Consumer Price Index for Rural Labourers	1986-87	-	751	720	773	780	780

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

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

Item	2013-14	2013		2014	
		May	Apr.	Apr.	May
	1	2	3	4	
1 Standard Gold (₹ per 10 grams)	29,190	26,769	29,329	28,738	
2 Silver (₹ per kilogram)	46,637	45,037	43,607	42,116	

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	2013-14	2013	2014		
			May	Mar.	Apr. (P)	May (P)
			1	2	3	4
1 ALL COMMODITIES	100.000	177.6	171.4	180.3	180.2	181.7
1.1 PRIMARY ARTICLES	20.118	241.6	227.3	239.4	242.5	246.8
1.1.1 Food articles	14.337	238.9	223.1	234.6	238.8	244.3
1.1.1.1 Food Grains	4.090	226.0	216.8	230.5	230.7	230.7
1.1.1.1.1 Cereals	3.373	225.5	213.7	231.1	230.6	230.1
1.1.1.1.2 Pulses	0.717	228.0	231.6	227.7	231.4	233.4
1.1.1.2 Fruits & Vegetables	3.843	244.3	214.5	208.4	225.6	234.3
1.1.1.2.1 Vegetables	1.736	294.5	236.4	198.4	219.4	234.1
1.1.1.2.2 Fruits	2.107	202.9	196.4	216.6	230.7	234.5
1.1.1.3 Milk	3.238	220.6	213.2	230.1	230.5	233.6
1.1.1.4 Eggs, Meat & Fish	2.414	275.7	257.4	282.7	279.1	289.5
1.1.1.5 Condiments & Spices	0.569	245.6	232.0	264.8	266.0	275.0
1.1.1.6 Other Food Articles	0.183	229.1	239.9	224.7	223.1	252.0
1.1.2 Non-Food Articles	4.258	213.2	208.5	217.7	216.3	218.8
1.1.2.1 Fibres	0.877	239.7	219.1	238.5	234.4	237.3
1.1.2.2 Oil Seeds	1.781	202.6	207.3	207.0	211.3	217.3
1.1.2.3 Other Non-Food Articles	1.386	213.5	209.6	221.5	215.0	215.3
1.1.2.4 Flowers	0.213	190.8	167.5	196.8	192.0	177.3
1.1.3 Minerals	1.524	346.5	320.2	345.5	350.8	348.5
1.1.3.1 Metallic Minerals	0.489	387.3	379.2	381.1	383.2	380.0
1.1.3.2 Other Minerals	0.135	213.2	216.9	209.0	209.0	209.0
1.1.3.3 Crude Petroleum	0.900	344.3	303.6	346.7	354.5	352.2
1.2 FUEL & POWER	14.910	205.4	191.9	214.2	211.0	212.1
1.2.1 Coal	2.094	190.8	189.7	189.8	189.8	189.8
1.2.2 Mineral Oils	9.364	226.0	208.0	236.9	233.1	233.5
1.2.3 Electricity	3.452	158.7	149.6	167.4	163.8	167.6
1.3 MANUFACTURED PRODUCTS	64.972	151.5	149.3	154.2	153.8	154.6
1.3.1 Food Products	9.974	168.8	167.3	169.1	170.1	170.9
1.3.1.1 Dairy Products	0.568	180.4	176.6	186.1	187.1	188.2
1.3.1.2 Canning, Preserving & Processing of Food	0.358	164.9	152.8	174.1	171.8	170.5
1.3.1.3 Grain Mill Products	1.340	167.9	162.4	170.6	171.2	171.5
1.3.1.4 Bakery Products	0.444	139.2	136.7	145.2	145.9	151.3
1.3.1.5 Sugar, Khandsari & Gur	2.089	183.0	185.0	178.4	182.9	182.6
1.3.1.6 Edible Oils	3.043	147.0	147.1	146.5	146.3	145.8
1.3.1.7 Oil Cakes	0.494	223.5	228.1	216.3	219.3	220.5
1.3.1.8 Tea & Coffee Processing	0.711	182.1	179.1	177.9	175.1	184.4
1.3.1.9 Manufacture of Salt	0.048	186.0	185.0	185.0	185.0	185.0
1.3.1.10 Other Food Products	0.879	178.5	173.0	187.5	188.5	188.8
1.3.2 Beverages, Tobacco & Tobacco Products	1.762	186.0	182.2	195.7	195.8	197.6
1.3.2.1 Wine Industries	0.385	128.9	126.9	135.4	135.5	135.0
1.3.2.2 Malt Liquor	0.153	170.8	170.9	170.6	171.4	173.6
1.3.2.3 Soft Drinks & Carbonated Water	0.241	161.4	160.5	162.3	159.1	159.1
1.3.2.4 Manufacture of Bidi, Cigarettes, Tobacco & Zarda	0.983	216.8	210.8	231.5	232.1	235.4
1.3.3 Textiles	7.326	139.0	135.7	143.1	142.6	142.7
1.3.3.1 Cotton Textiles	2.605	158.0	153.3	164.9	164.1	164.1
1.3.3.1.1 Cotton Yarn	1.377	174.7	167.8	185.2	184.9	184.2
1.3.3.1.2 Cotton Fabric	1.228	139.3	137.1	142.3	140.9	141.6
1.3.3.2 Man-Made Textiles	2.206	131.7	127.4	135.0	134.6	134.9
1.3.3.2.1 Man-Made Fibre	1.672	131.3	126.7	134.1	134.5	134.2
1.3.3.2.2 Man-Made Fabric	0.533	132.9	129.9	137.8	135.3	137.2
1.3.3.3 Woollen Textiles	0.294	154.8	150.3	157.5	157.7	157.6
1.3.3.4 Jute, Hemp & Mesta Textiles	0.261	183.9	183.8	187.2	189.3	189.1
1.3.3.5 Other Misc. Textiles	1.960	113.5	112.9	115.0	114.5	114.7
1.3.4 Wood & Wood Products	0.587	179.1	175.2	187.4	183.8	188.3
1.3.4.1 Timber/Wooden Planks	0.181	144.9	141.8	149.4	148.4	156.3
1.3.4.2 Processed Wood	0.128	185.6	182.7	190.8	186.5	186.5
1.3.4.3 Plywood & Fibre Board	0.241	205.2	199.9	218.3	212.4	218.7
1.3.4.4 Others	0.038	154.7	152.6	160.8	160.8	153.8

No. 21: Wholesale Price Index (Concl.)

(Base: 2004-05 = 100)

Commodities	Weight	2013-14	2013		2014	
			May	Mar.	Apr. (P)	May (P)
	1	2	3	4	5	6
1.3.5 Paper & Paper Products	2.034	143.0	140.6	147.6	146.5	149.7
1.3.5.1 Paper & Pulp	1.019	141.6	139.1	146.4	144.7	149.3
1.3.5.2 Manufacture of boards	0.550	131.2	130.3	132.1	131.7	132.1
1.3.5.3 Printing & Publishing	0.465	159.8	155.9	168.5	167.8	171.6
1.3.6 Leather & Leather Products	0.835	143.1	138.1	146.0	145.2	144.7
1.3.6.1 Leathers	0.223	114.3	112.7	115.9	115.3	115.4
1.3.6.2 Leather Footwear	0.409	159.8	153.7	161.0	160.3	160.0
1.3.6.3 Other Leather Products	0.203	141.3	134.7	149.1	147.6	146.1
1.3.7 Rubber & Plastic Products	2.987	146.0	142.2	149.9	149.4	150.1
1.3.7.1 Tyres & Tubes	0.541	174.1	170.9	176.2	176.3	176.2
1.3.7.1.1 Tyres	0.488	174.4	171.6	176.2	176.3	176.2
1.3.7.1.2 Tubes	0.053	171.4	165.1	176.5	176.4	176.1
1.3.7.2 Plastic Products	1.861	136.3	131.9	140.9	140.4	141.1
1.3.7.3 Rubber Products	0.584	151.1	148.3	154.2	153.5	154.7
1.3.8 Chemicals & Chemical Products	12.018	148.9	145.9	152.6	152.3	152.9
1.3.8.1 Basic Inorganic Chemicals	1.187	150.6	149.5	153.5	153.2	154.2
1.3.8.2 Basic Organic Chemicals	1.952	147.5	142.1	156.2	154.9	156.1
1.3.8.3 Fertilisers & Pesticides	3.145	148.2	147.1	149.6	149.7	150.4
1.3.8.3.1 Fertilisers	2.661	152.3	151.5	153.1	153.2	154.0
1.3.8.3.2 Pesticides	0.483	125.9	123.0	130.5	130.2	130.8
1.3.8.4 Paints, Varnishes & Lacquers	0.529	147.6	145.1	149.4	149.4	149.8
1.3.8.5 Dyestuffs & Indigo	0.563	132.6	128.0	144.6	145.0	146.5
1.3.8.6 Drugs & Medicines	0.456	126.8	126.2	127.2	127.2	127.8
1.3.8.7 Perfumes, Cosmetics, Toiletries etc.	1.130	157.3	155.0	160.1	159.9	160.7
1.3.8.8 Turpentine, Plastic Chemicals	0.586	147.6	145.7	153.2	151.9	152.9
1.3.8.9 Polymers including Synthetic Rubber	0.970	142.8	137.8	152.3	152.9	153.1
1.3.8.10 Petrochemical Intermediates	0.869	170.4	163.6	165.4	165.4	164.2
1.3.8.11 Matches, Explosives & other Chemicals	0.629	149.8	147.3	151.2	151.0	150.9
1.3.9 Non-Metallic Mineral Products	2.556	166.2	166.4	167.5	168.2	168.1
1.3.9.1 Structural Clay Products	0.658	176.1	170.3	184.4	183.8	185.8
1.3.9.2 Glass, Earthenware, Chinaware & their Products	0.256	131.7	130.9	133.4	133.3	133.4
1.3.9.3 Cement & Lime	1.386	167.0	170.5	164.1	165.7	164.7
1.3.9.4 Cement, Slate & Graphite Products	0.256	171.3	169.6	176.3	176.7	176.0
1.3.10 Basic Metals, Alloys & Metal Products	10.748	164.5	163.0	167.6	165.4	166.9
1.3.10.1 Ferrous Metals	8.064	154.9	154.3	157.8	155.4	157.1
1.3.10.1.1 Iron & Semis	1.563	154.1	154.6	158.9	158.9	160.9
1.3.10.1.2 Steel: Long	1.630	165.6	166.4	167.1	164.3	165.8
1.3.10.1.3 Steel: Flat	2.611	153.9	153.5	156.5	152.1	153.2
1.3.10.1.4 Steel: Pipes & Tubes	0.314	129.8	127.4	132.4	133.0	132.5
1.3.10.1.5 Stainless Steel & alloys	0.938	159.8	156.6	163.9	163.8	166.0
1.3.10.1.6 Castings & Forgings	0.871	142.6	141.8	144.9	141.4	144.3
1.3.10.1.7 Ferro alloys	0.137	155.6	152.5	158.3	158.7	158.2
1.3.10.2 Non-Ferrous Metals	1.004	164.0	160.6	166.4	166.1	166.7
1.3.10.2.1 Aluminium	0.489	137.9	133.4	140.4	140.3	140.6
1.3.10.2.2 Other Non-Ferrous Metals	0.515	188.9	186.5	191.1	190.6	191.5
1.3.10.3 Metal Products	1.680	211.2	205.8	215.6	213.2	214.3
1.3.11 Machinery & Machine Tools	8.931	131.6	130.6	133.2	133.0	133.3
1.3.11.1 Agricultural Machinery & Implements	0.139	141.6	137.7	144.1	144.1	144.3
1.3.11.2 Industrial Machinery	1.838	150.1	149.5	151.7	151.9	151.7
1.3.11.3 Construction Machinery	0.045	137.0	137.0	137.5	140.9	141.2
1.3.11.4 Machine Tools	0.367	160.4	158.2	163.8	163.2	164.3
1.3.11.5 Air Conditioner & Refrigerators	0.429	115.6	114.2	119.4	120.3	120.0
1.3.11.6 Non-Electrical Machinery	1.026	123.8	122.9	124.4	124.5	124.5
1.3.11.7 Electrical Machinery, Equipment & Batteries	2.343	136.6	135.5	138.4	137.5	138.5
1.3.11.8 Electrical Accessories, Wires, Cables etc.	1.063	150.3	149.3	151.5	151.0	150.8
1.3.11.9 Electrical Apparatus & Appliances	0.337	117.6	117.5	117.0	116.9	116.7
1.3.11.10 Electronics Items	0.961	87.9	86.7	89.9	89.5	90.0
1.3.11.11 IT Hardware	0.267	88.4	88.0	88.5	88.4	88.4
1.3.11.12 Communication Equipments	0.118	95.9	96.3	96.1	96.8	99.5
1.3.12 Transport, Equipment & Parts	5.213	134.5	132.2	135.8	135.7	135.8
1.3.12.1 Automotives	4.231	134.0	131.7	135.1	135.0	135.1
1.3.12.2 Auto Parts	0.804	133.6	131.6	136.1	135.6	136.0
1.3.12.3 Other Transport Equipments	0.178	150.1	148.0	151.7	151.4	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	2012-13	2013-14	April-April		April	
				2013-14	2014-15	2013	2014
	1	2	3	4	5	6	7
General Index	100.00	172.2	172.1	166.5	172.1	166.5	172.1
1 Sectoral Classification							
1.1 Mining and Quarrying	14.16	125.5	124.7	120.5	122.0	120.5	122.0
1.2 Manufacturing	75.53	183.3	181.9	176.1	180.7	176.1	180.7
1.3 Electricity	10.32	155.2	164.7	159.1	178.1	159.1	178.1
2 Use-Based Classification							
2.1 Basic Goods	45.68	153.6	156.8	150.1	160.3	150.1	160.3
2.2 Capital Goods	8.83	251.6	242.6	207.3	239.8	207.3	239.8
2.3 Intermediate Goods	15.69	146.7	151.3	145.3	151.7	145.3	151.7
2.4 Consumer Goods	29.81	190.6	185.5	190.6	180.9	190.6	180.9
2.4.1 Consumer Durables	8.46	301.1	264.4	276.8	255.7	276.8	255.7
2.4.2 Consumer Non-Durables	21.35	146.9	154.2	156.4	151.3	156.4	151.3

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

Government Accounts and Treasury Bills**No. 23: Union Government Accounts at a Glance**

(Amount in ₹ Billion)

Item	Financial Year		April-May		
	2014-15 (Budget Estimates)	2013-14 (Actuals)	2014-15 (Actuals)	Percentage to Budget Estimates	
				2013-14	2014-15
	1	2	3	4	5
1 Revenue Receipts	11,671.3	360.3	385.1	3.4	3.3
1.1 Tax Revenue (Net)	9,864.2	277.8	286.5	3.1	2.9
1.2 Non-Tax Revenue	1,807.1	82.5	98.5	4.8	5.5
2 Capital Receipts	5,960.8	1,813.3	2,418.3	29.8	40.6
2.1 Recovery of Loans	105.3	6.0	10.0	5.7	9.5
2.2 Other Receipts	569.3	0.3	0.0	0.1	0.0
2.3 Borrowings and Other Liabilities	5,286.3	1,806.9	2,408.4	33.3	45.6
3 Total Receipts (1+2)	17,632.1	2,173.6	2,803.4	13.1	15.9
4 Non-Plan Expenditure	12,078.9	1,490.5	2,207.3	13.4	18.3
4.1 On Revenue Account	11,077.8	1,268.0	1,978.4	12.8	17.9
4.1.1 Interest Payments	4,270.1	354.3	548.6	9.6	12.8
4.2 On Capital Account	1,001.1	222.4	228.9	19.0	22.9
5 Plan Expenditure	5,553.2	683.1	596.1	12.3	10.7
5.1 On Revenue Account	4,422.7	541.0	457.4	12.2	10.3
5.2 On Capital Account	1,130.5	142.1	138.7	12.7	12.3
6 Total Expenditure (4+5)	17,632.1	2,173.6	2,803.4	13.1	15.9
7 Revenue Expenditure (4.1+5.1)	15,500.5	1,809.0	2,435.9	12.6	15.7
8 Capital Expenditure (4.2+5.2)	2,131.6	364.6	367.5	15.9	17.2
9 Revenue Deficit (7-1)	3,829.2	1,448.7	2,050.8	38.1	53.6
10 Fiscal Deficit {6-(1+2.1+2.2)}	5,286.3	1,806.9	2,408.4	33.3	45.6
11 Gross Primary Deficit [10-4.1.1]	1,016.2	1,452.6	1,859.8	84.5	183.0

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

No. 24: Treasury Bills – Ownership Pattern

(₹ Billion)

Item	2013-14	2013		2014				
		May 31	Apr. 25	May 2	May 9	May 16	May 23	May 30
	1	2	3	4	5	6	7	8
1 14-day								
1.1 Banks	–	–	–	–	–	–	–	–
1.2 Primary Dealers	–	–	–	–	–	–	–	–
1.3 State Governments	1,101.8	802.4	738.4	863.5	615.1	670.8	749.8	798.6
1.4 Others	6.6	9.3	8.5	6.0	6.7	4.8	6.5	28.9
2 91-day								
2.1 Banks	286.0	413.0	346.4	366.0	403.4	380.9	415.5	424.1
2.2 Primary Dealers	286.9	267.3	368.3	410.1	397.0	385.5	359.3	344.4
2.3 State Governments	381.9	465.5	416.9	421.4	431.4	426.4	440.8	369.8
2.4 Others	300.3	101.6	358.4	346.8	341.9	395.6	402.5	406.2
3 182-day								
3.1 Banks	270.0	194.9	259.8	242.2	248.9	231.0	221.0	221.5
3.2 Primary Dealers	255.3	309.5	258.1	272.3	266.6	267.0	282.7	279.7
3.3 State Governments	74.1	–	74.1	74.1	74.1	74.1	74.1	74.1
3.4 Others	164.6	137.6	172.2	175.4	174.5	191.9	186.2	188.6
4 364-day								
4.1 Banks	356.1	328.3	409.7	385.9	419.1	396.7	415.2	369.5
4.2 Primary Dealers	480.7	576.0	538.9	551.3	565.3	572.1	575.0	582.1
4.3 State Governments	6.9	6.6	6.9	6.9	6.9	6.9	7.5	7.5
4.4 Others	523.6	393.9	432.5	454.0	406.7	432.5	410.5	459.0
5 Total	4,494.7	4,006.0	4,389.0	4,575.8	4,357.4	4,436.0	4,546.6	4,554.1

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										
2014-15										
Apr. 30	90	87	232.43	38.05	62	90.00	38.05	128.05	97.84	8.8550
May 7	90	84	231.21	55.00	44	90.00	55.00	145.00	97.85	8.8131
May 13	90	78	239.93	4.00	48	90.00	4.00	94.00	97.84	8.8550
May 21	90	102	331.28	14.01	47	90.00	14.01	104.01	97.89	8.6456
May 28	90	93	270.10	14.00	71	90.00	14.00	104.00	97.89	8.6456
182-day Treasury Bills										
2014-15										
Apr. 23	60	74	203.03	–	27	60.00	–	60.00	95.75	8.9017
May 7	60	77	170.05	–	26	60.00	–	60.00	95.76	8.8798
May 21	60	83	276.71	–	18	60.00	–	60.00	95.84	8.7050
364-day Treasury Bills										
2014-15										
Apr. 16	60	110	203.27	0.02	34	60.00	0.02	60.02	91.80	8.9570
Apr. 30	60	97	217.39	–	33	60.00	–	60.00	91.83	8.9213
May 13	60	87	191.95	–	29	60.00	–	60.00	91.86	8.8857
May 28	60	74	215.14	–	20	60.00	–	60.00	92.02	8.6959

Financial Markets

No. 26: Daily Call Money Rates

(Per cent per annum)

As on	Range of Rates		Weighted Average Rates	
	Borrowings/ Lendings		Borrowings/ Lendings	
	1		2	
May	2, 2014	5.00-8.70	8.35	
May	3, 2014	5.00-7.75	6.51	
May	5, 2014	6.50-8.70	8.13	
May	6, 2014	6.25-8.70	7.93	
May	7, 2014	6.10-9.15	8.10	
May	8, 2014	6.25-8.25	7.96	
May	9, 2014	5.00-9.00	8.15	
May	10, 2014	5.00-12.50	9.12	
May	12, 2014	6.30-9.10	8.49	
May	13, 2014	6.50-9.20	8.81	
May	15, 2014	6.30-8.60	8.01	
May	16, 2014	5.05-8.80	7.87	
May	17, 2014	5.90-10.00	6.95	
May	19, 2014	6.20-8.40	7.97	
May	20, 2014	5.90-8.15	7.89	
May	21, 2014	5.90-8.18	7.84	
May	22, 2014	5.00-8.10	7.72	
May	23, 2014	5.00-8.55	7.94	
May	24, 2014	5.00-8.00	7.11	
May	26, 2014	6.00-8.50	7.88	
May	27, 2014	6.00-8.05	7.85	
May	28, 2014	6.00-8.20	7.72	
May	29, 2014	6.00-9.00	7.95	
May	30, 2014	6.00-8.70	7.64	
May	31, 2014	4.25-8.00	6.89	
June	2, 2014	6.00-8.25	7.89	
June	3, 2014	6.10-8.25	7.89	
June	4, 2014	6.00-8.40	7.97	
June	5, 2014	6.00-8.05	7.76	
June	6, 2014	6.00-9.00	8.01	
June	7, 2014	6.00-8.75	7.81	
June	9, 2014	6.35-8.75	8.05	
June	10, 2014	6.10-8.50	7.97	
June	11, 2014	6.10-8.40	7.84	
June	12, 2014	6.00-8.40	7.87	
June	13, 2014	6.00-8.90	8.20	
June	14, 2014	5.00-9.50	7.74	

No. 27: Certificates of Deposit

Item	2013		2014		
	May 31	Apr. 18	May 2	May 16	May 30
	1	2	3	4	5
1 Amount Outstanding (₹ Billion)	3,609.4	3,877.3	3,665.7	3,535.6	3,585.9
1.1 Issued during the fortnight (₹ Billion)	147.9	117.7	94.0	147.5	317.2
2 Rate of Interest (per cent)	7.93-9.95	8.45-9.88	8.43-9.32	8.98-9.56	8.60-9.33

No. 28: Commercial Paper

Item	2013		2014		
	May 31	Apr. 15	Apr. 30	May 15	May 31
	1	2	3	4	5
1 Amount Outstanding (₹ Billion)	1,732.5	1,421.3	1,538.1	1,825.9	1,824.2
1.1 Reported during the fortnight (₹ Billion)	274.8	436.9	349.1	462.7	387.0
2 Rate of Interest (per cent)	7.70-13.30	8.44-12.00	8.58-13.30	8.48-12.65	8.35-12.87

No. 29: Average Daily Turnover in Select Financial Markets

(₹ Billion)

Item	2013-14	2013	2014					
		May 31	Apr. 25	May 2	May 9	May 16	May 23	May 30
	1	2	3	4	5	6	7	8
1 Call Money	230.7	273.6	215.1	274.3	268.5	182.5	179.6	214.3
2 Notice Money	71.6	108.6	88.5	102.5	54.6	95.3	55.7	79.5
3 Term Money	5.4	10.8	4.4	4.5	4.2	1.4	4.9	3.7
4 CBLO	1,196.3	1,027.3	989.1	869.2	1,102.0	943.0	953.5	853.1
5 Market Repo	986.8	1,390.6	1,000.5	1,254.3	1,013.7	1,257.3	893.1	1,124.0
6 Repo in Corporate Bond	0.3	–	–	–	–	–	–	–
7 Forex (US \$ million)	50,568	59,475	48,124	58,356	52,948	63,618	61,279	63,510
8 Govt. of India Dated Securities	662.5	1,525.8	809.3	758.0	768.3	782.5	1,043.6	1,056.8
9 State Govt. Securities	12.8	9.6	25.1	20.3	14.5	17.1	18.1	28.0
10 Treasury Bills								
10.1 91-Day	26.7	14.2	32.3	33.8	36.1	35.6	45.4	33.3
10.2 182-Day	12.9	4.8	17.7	9.1	18.2	13.6	21.3	16.0
10.3 364-Day	25.4	18.0	32.8	17.7	13.4	31.8	29.8	32.1
10.4 Cash Management Bills	7.3	–	–	–	–	–	–	–
11 Total Govt. Securities (8+9+10)	740.3	1,572.4	917.1	838.9	850.6	880.6	1,158.2	1,166.2
11.1 RBI	–	0.9	1.4	–	0.3	1.8	2.5	1.5

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

(Amount in ₹ Billion)

Security & Type of Issue	2013-14		2013-14 (Apr.-May)		2014-15 (Apr.-May)		May 2013		May 2014	
	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	53	58.1	3	9.3	9	9.5	3	9.3	5	1.7
1A Premium	43	53.2	2	9.0	7	8.4	2	9.0	4	1.4
1.1 Prospectus	38	12.4	3	9.3	4	2.2	3	9.3	3	0.4
1.1.1 Premium	30	10.7	2	9.0	3	1.9	2	9.0	2	0.3
1.2 Rights	15	45.8	–	–	5	7.3	–	–	2	1.3
1.2.1 Premium	13	42.5	–	–	4	6.5	–	–	2	1.2
2 Preference Shares	–	–	–	–	–	–	–	–	–	–
2.1 Prospectus	–	–	–	–	–	–	–	–	–	–
2.2 Rights	–	–	–	–	–	–	–	–	–	–
3 Debentures	12	50.2	1	1.3	3	4.5	–	–	1	1.5
3.1 Convertible	–	–	–	–	–	–	–	–	–	–
3.1.1 Prospectus	–	–	–	–	–	–	–	–	–	–
3.1.2 Rights	–	–	–	–	–	–	–	–	–	–
3.2 Non-Convertible	16	58.3	1	1.3	3	4.5	–	–	1	1.5
3.2.1 Prospectus	15	56.4	1	1.3	3	4.5	–	–	1	1.5
3.2.2 Rights	–	–	–	–	–	–	–	–	–	–
4 Bonds	–	–	–	–	–	–	–	–	–	–
4.1 Prospectus	–	–	–	–	–	–	–	–	–	–
4.2 Rights	–	–	–	–	–	–	–	–	–	–
5 Total (1+2+3+4)	69	116.4	4	10.6	12	14.0	3	9.3	6	3.2
5.1 Prospectus	54	70.7	4	10.6	7	6.7	3	9.3	4	1.9
5.2 Rights	15	45.8	–	–	5	7.3	–	–	2	1.3

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	2013-14	2013		2014			
			May	Jan.	Feb.	Mar.	Apr.	May
		1	2	3	4	5	6	7
1 Exports	₹ Billion	18,941.8	1,370.4	1,664.5	1,574.1	1,774.0	1,546.8	1,660.5
	US \$ Million	312,620.7	24,910.6	26,813.2	25,296.0	29,075.8	25,627.8	27,998.5
1.1 Oil	₹ Billion	3,802.5	253.7	288.5	286.0	336.5	307.2	..
	US \$ Million	62,687.2	4,612.4	4,648.0	4,595.8	5,515.4	5,089.8	..
1.2 Non-oil	₹ Billion	15,139.3	1,116.6	1,375.9	1,288.1	1,437.5	1,239.6	..
	US \$ Million	249,933.5	20,298.2	22,165.2	20,700.2	23,560.3	20,538.0	..
2 Imports	₹ Billion	27,141.8	2,436.1	2,253.8	2,083.8	2,412.7	2,160.1	2,326.7
	US \$ Million	450,082.2	44,284.5	36,306.6	33,487.0	39,543.8	35,789.0	39,233.2
2.1 Oil	₹ Billion	10,000.6	776.7	818.6	853.0	962.7	783.3	857.8
	US \$ Million	165,153.7	14,119.5	13,186.6	13,706.9	15,779.0	12,977.9	14,464.9
2.2 Non-oil	₹ Billion	17,141.2	1,659.4	1,435.2	1,230.9	1,450.0	1,376.8	1,468.9
	US \$ Million	284,928.5	30,165.0	23,120.0	19,780.1	23,764.8	22,811.1	24,768.3
3 Trade Balance	₹ Billion	-8,200.0	-1,065.8	-589.3	-509.7	-638.7	-613.3	-666.3
	US \$ Million	-137,461.5	-19,374.0	-9,493.4	-8,191.0	-10,468.0	-10,161.2	-11,234.7
3.1 Oil	₹ Billion	-6,198.1	-523.0	-530.0	-567.0	-626.2	-476.1	..
	US \$ Million	-102,466.6	-9,507.1	-8,538.6	-9,111.1	-10,263.5	-7,888.1	..
3.2 Non-oil	₹ Billion	-2,001.8	-542.8	-59.3	57.3	-12.5	-137.2	..
	US \$ Million	-34,994.9	-9,866.9	-954.9	920.1	-204.5	-2,273.1	..

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

No. 32: Foreign Exchange Reserves

Item	Unit	2013		2014				
		Jun. 21	May 16	May 23	May 30	Jun. 6	Jun. 13	Jun. 20
		1	2	3	4	5	6	7
1 Total Reserves	₹ Billion	17,018	18,568	18,324	18,468	18,501	18,639	18,957
	US \$ Million	287,846	314,925	312,656	312,383	312,586	313,537	314,922
1.1 Foreign Currency Assets	₹ Billion	15,338	16,941	16,701	16,842	16,909	17,046	17,358
	US \$ Million	258,433	287,816	285,561	285,292	285,631	286,589	287,962
1.2 Gold	₹ Billion	1,290	1,265	1,265	1,265	1,227	1,227	1,227
	US \$ Million	22,836	20,966	20,966	20,966	20,790	20,790	20,790
1.3 SDRs	SDRs Million	2,887	2,888	2,888	2,888	2,888	2,888	2,888
	₹ Billion	260	263	260	263	264	265	269
1.4 Reserve Tranche Position in IMF	US \$ Million	4,373	4,462	4,453	4,449	4,452	4,447	4,456
	₹ Billion	131	99	98	99	101	102	103
	US \$ Million	2,204	1,681	1,677	1,676	1,713	1,711	1,714

No. 33: NRI Deposits

(US\$ Million)

Scheme	Outstanding				Flows	
	2013-14	2013	2014		2013-14	2014-15
		May	Apr.	May	Apr.-May	Apr.-May
	1	2	3	4	5	6
1 NRI Deposits	103,844	71,694	105,073	107,417	3,031	2,429
1.1 FCNR(B)	41,823	15,395	42,295	42,547	207	725
1.2 NR(E)RA	52,908	47,061	53,743	55,633	2,938	1,745
1.3 NRO	9,114	9,238	9,035	9,236	-114	-41

No. 34: Foreign Investment Inflows

(US\$ Million)

Item	2013-14	2013-14	2014-15	2013	2014	
		Apr.-May	Apr.-May	May	Apr.	May
	1	2	3	4	5	6
1.1 Net Foreign Direct Investment (1.1.1–1.1.2)	21,564	4,654	6,772	1,866	2,001	4,772
1.1.1 Direct Investment to India (1.1.1.1–1.1.2)	30,762	4,673	6,836	1,991	2,001	4,834
1.1.1.1 Gross Inflows/Gross Investments	36,046	5,775	8,011	2,542	2,589	5,422
1.1.1.1.1 Equity	25,274	4,101	5,457	1,706	1,779	3,678
1.1.1.1.1.1 Government (SIA/FIPB)	1,185	297	132	189	99	33
1.1.1.1.1.2 RBI	14,869	2,026	2,740	1,189	1,141	1,599
1.1.1.1.1.3 Acquisition of shares	8,245	1,630	2,437	253	465	1,972
1.1.1.1.1.4 Equity capital of unincorporated bodies	975	149	148	74	74	74
1.1.1.1.2 Reinvested earnings	8,978	1,373	1,372	686	686	686
1.1.1.1.3 Other capital	1,794	301	1,182	150	124	1,058
1.1.1.2 Repatriation/Disinvestment	5,284	1,102	1,175	551	588	588
1.1.1.2.1 Equity	4,786	1,017	1,139	509	569	569
1.1.1.2.2 Other capital	498	85	36	42	18	18
1.1.2 Foreign Direct Investment by India (1.1.2.1+1.1.2.2+1.1.2.3–1.1.2.4)	9,199	19	63	126	1	63
1.1.2.1 Equity capital	12,420	804	414	403	220	194
1.1.2.2 Reinvested Earnings	1,167	184	184	92	92	92
1.1.2.3 Other Capital	3,148	602	475	416	194	281
1.1.2.4 Repatriation/Disinvestment	7,535	1,571	1,009	786	505	505
1.2 Net Portfolio Investment (1.2.1+1.2.2+1.2.3–1.2.4)	4,822	8,403	7,581	6,782	–98	7,679
1.2.1 GDRs/ADRs	20	–	–	–	–	–
1.2.2 FIIs	5,009	8,245	7,641	6,703	–69	7,709
1.2.3 Offshore funds and others	–	–	–	–	–	–
1.2.4 Portfolio investment by India	207	–158	60	–79	30	30
1 Foreign Investment Inflows	26,385	13,057	14,353	8,648	1,902	12,451

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

(US\$ Million)

Item	2013-14	2013	2014		
		Apr.	Feb.	Mar.	Apr.
	1	2	3	4	5
1 Outward Remittances under the LRS	1,093.9	141.8	74.8	104.1	94.2
1.1 Deposit	31.6	4.8	2.5	7.4	4.5
1.2 Purchase of immovable property	58.7	9.7	1.4	1.2	1.6
1.3 Investment in equity/debt	165.5	33.6	10.6	23.2	17.2
1.4 Gift	267.1	38.7	16.6	32.7	32.4
1.5 Donations	2.0	0.4	–	0.1	0.4
1.6 Travel	15.9	3.2	0.7	0.8	1.1
1.7 Maintenance of close relatives	173.9	22.7	8.6	14.9	11.3
1.8 Medical Treatment	4.7	0.2	0.3	1.0	0.5
1.9 Studies Abroad	159.3	10.2	9.6	12.1	11.9
1.10 Others	215.3	18.4	24.4	10.8	13.2

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

Item	2012-13	2013-14	2013	2014	
			June	May	June
	1	2	3	4	5
36-Currency Export and Trade Based Weights (Base: 2004-05=100)					
1 Trade-Based Weights					
1.1 NEER	78.32	72.32	73.71	74.16	73.77
1.2 REER	105.57	103.27	103.26	106.62	106.05
2 Export-Based Weights					
2.1 NEER	80.05	73.56	75.43	75.26	74.87
2.2 REER	108.71	105.48	106.10	108.73	108.16
6-Currency Trade Based Weights					
1 Base: 2004-05 (April-March) =100					
1.1 NEER	75.54	67.72	70.33	68.56	68.26
1.2 REER	117.08	112.72	114.43	117.47	116.97
2 Base: 2013-14 (April-March) =100					
2.1 NEER	111.56	100.00	103.85	101.23	100.80
2.2 REER	103.87	100.00	101.52	104.22	103.78

Note: Real Effective Exchange Rate are based on CPI.

No. 37: External Commercial Borrowings (ECBs)

(Amount in US\$ Million)

Item	2013-14	2013	2014	
		May	Apr.	May
	1	2	3	4
1 Automatic Route				
1.1 Number	573	48	34	47
1.2 Amount	12,340	1,114	1,677	536
2 Approval Route				
2.1 Number	140	12	11	20
2.2 Amount	20,892	1,373	1,526	924
3 Total (1+2)				
3.1 Number	713	60	45	67
3.2 Amount	33,232	2,487	3,203	1,460
4 Weighted Average Maturity (in years)	4.88	6.34	6.61	6.37
5 Interest Rate (per cent)				
5.1 Weighted Average Margin over 6-month LIBOR or reference rate for Floating Rate Loans	1.98	3.30	2.08	2.73
5.2 Interest rate range for Fixed Rate Loans	0.00-12.79	0.00-12.79	0.00-9.28	0.00-8.00

No. 38: India's Overall Balance of Payments

(US \$ Million)

Item	Jan-Mar 2013 (P)			Jan-Mar 2014 (P)		
	Credit	Debit	Net	Credit	Debit	Net
	1	2	3	4	5	6
Overall Balance of Payments(1+2+3)	275,986	273,305	2,681	271,294	264,188	7,106
1 CURRENT ACCOUNT (1.1+ 1.2)	142,127	160,297	-18,170	144,473	145,813	-1,340
1.1 MERCHANDISE	84,772	130,408	-45,635	83,660	114,328	-30,668
1.2 INVISIBLES (1.2.1+1.2.2+1.2.3)	57,355	29,890	27,465	60,812	31,485	29,328
1.2.1 Services	37,819	20,860	16,960	40,645	21,040	19,605
1.2.1.1 Travel	5,489	2,719	2,770	5,014	2,959	2,056
1.2.1.2 Transportation	4,513	3,433	1,080	4,977	4,215	763
1.2.1.3 Insurance	604	305	300	582	278	304
1.2.1.4 G.n.i.e.	126	323	-197	154	234	-81
1.2.1.5 Miscellaneous	27,086	14,079	13,006	29,918	13,354	16,564
1.2.1.5.1 Software Services	17,691	586	17,106	18,492	787	17,706
1.2.1.5.2 Business Services	6,569	7,484	-915	6,853	6,721	132
1.2.1.5.3 Financial Services	1,093	1,192	-99	1,367	1,113	254
1.2.1.5.4 Communication Services	454	247	207	684	215	469
1.2.2 Transfers	16,896	1,205	15,690	17,410	1,258	16,152
1.2.2.1 Official	98	195	-97	200	247	-47
1.2.2.2 Private	16,798	1,010	15,788	17,209	1,010	16,199
1.2.3 Income	2,640	7,825	-5,185	2,757	9,187	-6,430
1.2.3.1 Investment Income	1,840	7,250	-5,411	1,839	8,353	-6,514
1.2.3.2 Compensation of Employees	800	574	226	918	835	84
2 CAPITAL ACCOUNT (2.1+2.2+2.3+2.4+2.5)	133,557	113,008	20,549	126,821	117,626	9,195
2.1 Foreign Investment (2.1.1+2.1.2)	67,176	50,129	17,048	66,501	56,333	10,168
2.1.1 Foreign Direct Investment	10,658	4,924	5,733	12,384	11,475	910
2.1.1.1 In India	9,064	1,893	7,171	10,945	1,164	9,781
2.1.1.1.1 Equity	5,751	1,856	3,895	8,008	1,083	6,925
2.1.1.1.2 Reinvested Earnings	2,732	-	2,732	2,457	-	2,457
2.1.1.1.3 Other Capital	581	37	544	480	80	400
2.1.1.2 Abroad	1,594	3,032	-1,438	1,440	10,311	-8,872
2.1.1.2.1 Equity	1,594	2,066	-472	1,440	9,312	-7,872
2.1.1.2.2 Reinvested Earnings	-	297	-297	-	297	-297
2.1.1.2.3 Other Capital	-	669	-669	-	703	-703
2.1.2 Portfolio Investment	56,518	45,204	11,314	54,116	44,858	9,258
2.1.2.1 In India	56,343	44,804	11,540	54,005	44,484	9,521
2.1.2.1.1 FIIs	56,343	44,804	11,540	54,005	44,484	9,521
2.1.2.1.1.1 Equity	43,819	34,171	9,648	37,244	33,980	3,264
2.1.2.1.1.2 Debt	12,525	10,633	1,892	16,761	10,504	6,257
2.1.2.1.2 ADR/GDRs	-	-	-	-	-	-
2.1.2.2 Abroad	175	400	-225	111	374	-263
2.2 Loans (2.2.1+2.2.2+2.2.3)	42,802	33,584	9,218	32,481	30,902	1,579
2.2.1 External Assistance	1,415	887	529	1,781	839	942
2.2.1.1 By India	13	84	-72	11	61	-50
2.2.1.2 To India	1,402	802	600	1,770	778	992
2.2.2 Commercial Borrowings	8,792	4,571	4,221	11,153	6,043	5,111
2.2.2.1 By India	263	154	109	526	323	203
2.2.2.2 To India	8,529	4,417	4,112	10,627	5,719	4,908
2.2.3 Short Term to India	32,594	28,126	4,468	19,547	24,021	-4,474
2.2.3.1 Suppliers' Credit > 180 days & Buyers' Credit	30,765	28,126	2,639	19,547	23,674	-4,127
2.2.3.2 Suppliers' Credit up to 180 days	1,829	-	1,829	-	347	-347
2.3 Banking Capital (2.3.1+2.3.2)	17,926	21,497	-3,572	19,846	21,643	-1,796
2.3.1 Commercial Banks	17,926	21,472	-3,546	19,681	21,643	-1,962
2.3.1.1 Assets	206	9,518	-9,312	2,838	5,246	-2,409
2.3.1.2 Liabilities	17,720	11,954	5,766	16,843	16,396	447
2.3.1.2.1 Non-Resident Deposits	15,423	12,629	2,794	16,386	12,641	3,745
2.3.2 Others	-	26	-26	165	-	165
2.4 Rupee Debt Service	-	31	-31	-	24	-24
2.5 Other Capital	5,654	7,767	-2,113	7,993	8,723	-730
3 Errors & Omissions	302	-	302	-	749	-749
4 Monetary Movements (4.1+ 4.2)	-	2,681	-2,681	-	7,106	-7,106
4.1 I.M.F.	-	-	-	-	-	-
4.2 Foreign Exchange Reserves (Increase - / Decrease +)	-	2,681	-2,681	-	7,106	-7,106

No. 39: India's Overall Balance of Payments

(₹ Billion)

Item	Jan-Mar 2013 (P)			Jan-Mar 2014 (P)		
	Credit	Debit	Net	Credit	Debit	Net
	1	2	3	4	5	6
Overall Balance of Payments(1+2+3)	14,949	14,804	145	16,761	16,322	439
1 CURRENT ACCOUNT (1.1+ 1.2)	7,698	8,683	-984	8,926	9,009	-83
1.1 MERCHANDISE	4,592	7,064	-2,472	5,169	7,063	-1,895
1.2 INVISIBLES (1.2.1+1.2.2+1.2.3)	3,107	1,619	1,488	3,757	1,945	1,812
1.2.1 Services	2,048	1,130	919	2,511	1,300	1,211
1.2.1.1 Travel	297	147	150	310	183	127
1.2.1.2 Transportation	244	186	58	308	260	47
1.2.1.3 Insurance	33	17	16	36	17	19
1.2.1.4 G.n.i.e.	7	18	-11	10	14	-5
1.2.1.5 Miscellaneous	1,467	763	704	1,848	825	1,023
1.2.1.5.1 Software Services	958	32	927	1,142	49	1,094
1.2.1.5.2 Business Services	356	405	-50	423	415	8
1.2.1.5.3 Financial Services	59	65	-5	84	69	16
1.2.1.5.4 Communication Services	25	13	11	42	13	29
1.2.2 Transfers	915	65	850	1,076	78	998
1.2.2.1 Official	5	11	-5	12	15	-3
1.2.2.2 Private	910	55	855	1,063	62	1,001
1.2.3 Income	143	424	-281	170	568	-397
1.2.3.1 Investment Income	100	393	-293	114	516	-402
1.2.3.2 Compensation of Employees	43	31	12	57	52	5
2 CAPITAL ACCOUNT (2.1+2.2+2.3+2.4+2.5)	7,234	6,121	1,113	7,835	7,267	568
2.1 Foreign Investment (2.1.1+2.1.2)	3,639	2,715	923	4,109	3,480	628
2.1.1 Foreign Direct Investment	577	267	311	765	709	56
2.1.1.1 In India	491	103	388	676	72	604
2.1.1.1.1 Equity	312	101	211	495	67	428
2.1.1.1.2 Reinvested Earnings	148	-	148	152	-	152
2.1.1.1.3 Other Capital	31	2	29	30	5	25
2.1.1.2 Abroad	86	164	-78	89	637	-548
2.1.1.2.1 Equity	86	112	-26	89	575	-486
2.1.1.2.2 Reinvested Earnings	-	16	-16	-	18	-18
2.1.1.2.3 Other Capital	-	36	-36	-	43	-43
2.1.2 Portfolio Investment	3,061	2,448	613	3,343	2,771	572
2.1.2.1 In India	3,052	2,427	625	3,336	2,748	588
2.1.2.1.1 FII's	3,052	2,427	625	3,336	2,748	588
2.1.2.1.1.1 Equity	2,373	1,851	523	2,301	2,099	202
2.1.2.1.1.2 Debt	678	576	102	1,036	649	387
2.1.2.1.2 ADR/GDRs	-	-	-	-	-	-
2.1.2.2 Abroad	9	22	-12	7	23	-16
2.2 Loans (2.2.1+2.2.2+2.2.3)	2,318	1,819	499	2,007	1,909	98
2.2.1 External Assistance	77	48	29	110	52	58
2.2.1.1 By India	1	5	-4	1	4	-3
2.2.1.2 To India	76	43	33	109	48	61
2.2.2 Commercial Borrowings	476	248	229	689	373	316
2.2.2.1 By India	14	8	6	33	20	13
2.2.2.2 To India	462	239	223	657	353	303
2.2.3 Short Term to India	1,765	1,523	242	1,208	1,484	-276
2.2.3.1 Suppliers' Credit > 180 days & Buyers' Credit	1,666	1,523	143	1,208	1,463	-255
2.2.3.2 Suppliers' Credit up to 180 days	99	-	99	-	21	-21
2.3 Banking Capital (2.3.1+2.3.2)	971	1,164	-193	1,226	1,337	-111
2.3.1 Commercial Banks	971	1,163	-192	1,216	1,337	-121
2.3.1.1 Assets	11	516	-504	175	324	-149
2.3.1.2 Liabilities	960	647	312	1,041	1,013	28
2.3.1.2.1 Non-Resident Deposits	835	684	151	1,012	781	231
2.3.2 Others	-	1	-1	10	-	10
2.4 Rupee Debt Service	-	2	-2	-	2	-2
2.5 Other Capital	306	421	-114	494	539	-45
3 Errors & Omissions	16	-	16	-	46	-46
4 Monetary Movements (4.1+ 4.2)	-	145	-145	-	439	-439
4.1 I.M.F.	-	-	-	-	-	-
4.2 Foreign Exchange Reserves (Increase - / Decrease +)	-	145	-145	-	439	-439

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

(US \$ Million)

Item	Jan-Mar 2013 (P)			Jan-Mar 2014 (P)		
	Credit	Debit	Net	Credit	Debit	Net
	1	2	3	4	5	6
1 Current Account (1.A+1.B+1.C)	142,041	160,118	-18,078	144,379	145,589	-1,210
1.A Goods and Services (1.A.a+1.A.b)	122,591	151,267	-28,676	124,306	135,368	-11,063
1.A.a Goods (1.A.a.1 to 1.A.a.3)	84,772	130,408	-45,635	83,660	114,328	-30,668
1.A.a.1 General merchandise on a BOP basis	82,893	113,985	-31,092	81,626	109,004	-27,378
1.A.a.2 Net exports of goods under merchanting	1,880	609	1,270	2,035	-	2,035
1.A.a.3 Nonmonetary gold	-	15,813	-15,813	-	5,324	-5,324
1.A.b Services (1.A.b.1 to 1.A.b.13)	37,819	20,859	16,960	40,645	21,040	19,605
1.A.b.1 Manufacturing services on physical inputs owned by others	12	12	-	112	7	105
1.A.b.2 Maintenance and repair services n.i.e.	36	80	-43	49	59	-10
1.A.b.3 Transport	4,513	3,433	1,080	4,977	4,215	763
1.A.b.4 Travel	5,489	2,719	2,770	5,014	2,959	2,056
1.A.b.5 Construction	301	455	-154	420	296	124
1.A.b.6 Insurance and pension services	604	305	300	582	278	304
1.A.b.7 Financial services	1,093	1,192	-99	1,367	1,113	254
1.A.b.8 Charges for the use of intellectual property n.i.e.	65	1,159	-1,094	204	1,235	-1,030
1.A.b.9 Telecommunications, computer, and information services	18,217	952	17,265	19,232	1,138	18,095
1.A.b.10 Other business services	6,569	7,484	-915	6,853	6,721	132
1.A.b.11 Personal, cultural, and recreational services	262	144	119	353	249	104
1.A.b.12 Government goods and services n.i.e.	126	323	-197	154	234	-81
1.A.b.13 Others n.i.e.	529	2,602	-2,073	1,328	2,536	-1,208
1.B Primary Income (1.B.1 to 1.B.3)	2,640	7,825	-5,185	2,757	9,187	-6,430
1.B.1 Compensation of employees	800	574	226	918	835	84
1.B.2 Investment income	1,547	6,819	-5,272	1,522	8,187	-6,665
1.B.2.1 Direct investment	479	3,009	-2,530	474	3,551	-3,077
1.B.2.2 Portfolio investment	31	943	-912	95	1,520	-1,425
1.B.2.3 Other investment	77	2,866	-2,790	129	3,115	-2,986
1.B.2.4 Reserve assets	960	1	959	824	2	823
1.B.3 Other primary income	293	432	-139	317	166	151
1.C Secondary Income (1.C.1+1.C.2)	16,810	1,027	15,783	17,316	1,033	16,283
1.C.1 Financial corporations, nonfinancial corporations, households, and NPISHs	16,798	1,010	15,788	17,209	1,010	16,199
1.C.1.1 Personal transfers (Current transfers between resident and/ non-resident households)	16,220	918	15,302	16,464	930	15,534
1.C.1.2 Other current transfers	578	92	486	746	80	666
1.C.2 General government	12	17	-5	107	23	84
2 Capital Account (2.1+2.2)	581	430	150	175	328	-153
2.1 Gross acquisitions (DR.) / disposals (CR.) of non-produced nonfinancial assets	6	10	-4	40	26	14
2.2 Capital transfers	574	420	154	135	301	-167
3 Financial Account (3.1 to 3.5)	133,334	115,708	17,626	126,891	124,779	2,111
3.1 Direct Investment (3.1.A+3.1.B)	10,658	4,924	5,733	12,384	11,475	910
3.1.A Direct Investment in India	9,064	1,893	7,171	10,945	1,164	9,781
3.1.A.1 Equity and investment fund shares	8,483	1,856	6,627	10,465	1,083	9,382
3.1.A.1.1 Equity other than reinvestment of earnings	5,751	1,856	3,895	8,008	1,083	6,925
3.1.A.1.2 Reinvestment of earnings	2,732	-	2,732	2,457	-	2,457
3.1.A.2 Debt instruments	581	37	544	480	80	400
3.1.A.2.1 Direct investor in direct investment enterprises	581	37	544	480	80	400
3.1.B Direct Investment by India	1,594	3,032	-1,438	1,440	10,311	-8,872
3.1.B.1 Equity and investment fund shares	1,594	2,363	-769	1,440	9,609	-8,169
3.1.B.1.1 Equity other than reinvestment of earnings	1,594	2,066	-472	1,440	9,312	-7,872
3.1.B.1.2 Reinvestment of earnings	-	297	-297	-	297	-297
3.1.B.2 Debt instruments	-	669	-669	-	703	-703
3.1.B.2.1 Direct investor in direct investment enterprises	-	669	-669	-	703	-703
3.2 Portfolio Investment	56,518	45,204	11,314	54,116	44,858	9,258
3.2.A Portfolio Investment in India	56,343	44,804	11,540	54,005	44,484	9,521
3.2.1 Equity and investment fund shares	43,819	34,171	9,648	37,244	33,980	3,264
3.2.2 Debt securities	12,525	10,633	1,892	16,761	10,504	6,257
3.2.B Portfolio Investment by India	175	400	-225	111	374	-263
3.3 Financial derivatives (other than reserves) and employee stock options	1,031	1,942	-911	4,811	1,460	3,351
3.4 Other investment	65,119	60,937	4,181	55,578	59,879	-4,301
3.4.1 Other equity (ADRs/GDRs)	-	-	-	-	-	-
3.4.2 Currency and deposits	15,423	12,654	2,768	16,551	12,641	3,910
3.4.2.1 Central bank (Rupee Debt Movements; NRG)	-	26	-26	165	-	165
3.4.2.2 Deposit-taking corporations, except the central bank (NRI Deposits)	15,423	12,629	2,794	16,386	12,641	3,745
3.4.2.3 General government	-	-	-	-	-	-
3.4.2.4 Other sectors	-	-	-	-	-	-
3.4.3 Loans (External Assistance, ECBs and Banking Capital)	12,710	14,301	-1,591	16,230	15,883	346
3.4.3.A Loans to India	12,434	14,063	-1,629	15,692	15,499	193
3.4.3.B Loans by India	276	238	38	537	384	153
3.4.4 Insurance, pension, and standardized guarantee schemes	7	19	-12	165	47	118
3.4.5 Trade credit and advances	32,594	28,126	4,468	19,547	24,021	-4,474
3.4.6 Other accounts receivable/payable - other	4,392	5,856	-1,464	3,086	7,287	-4,201
3.4.7 Special drawing rights	-	-	-	-	-	-
3.5 Reserve assets	-	2,681	-2,681	-	7,106	-7,106
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)	-	2,681	-2,681	-	7,106	-7,106
4 Total assets/liabilities	133,334	115,708	17,626	126,891	124,779	2,111
4.1 Equity and investment fund shares	55,109	40,752	14,357	54,236	46,553	7,683
4.2 Debt instruments	73,833	66,420	7,413	69,568	63,832	5,736
4.3 Other financial assets and liabilities	4,392	8,537	-4,145	3,086	14,394	-11,308
5 Net errors and omissions	302	-	302	-	749	-749

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

(₹ Billion)

Item	Jan-Mar 2013 (P)			Jan-Mar 2014 (P)		
	Credit	Debit	Net	Credit	Debit	Net
	1	2	3	4	5	6
1 Current Account (1.A+1.B+1.C)	7,694	8,673	-979	8,920	8,995	-75
1.A Goods and Services (1.A.a+1.A.b)	6,640	8,193	-1,553	7,680	8,363	-683
1.A.a Goods (1.A.a.1 to 1.A.a.3)	4,592	7,064	-2,472	5,169	7,063	-1,895
1.A.a.1 General merchandise on a BOP basis	4,490	6,174	-1,684	5,043	6,734	-1,691
1.A.a.2 Net exports of goods under merchandising	102	33	69	126	-	126
1.A.a.3 Nonmonetary gold	-	857	-857	-	329	-329
1.A.b Services (1.A.b.1 to 1.A.b.13)	2,048	1,130	919	2,511	1,300	1,211
1.A.b.1 Manufacturing services on physical inputs owned by others	1	1	-	7	-	6
1.A.b.2 Maintenance and repair services n.i.e.	2	4	-2	3	4	-1
1.A.b.3 Transport	244	186	58	308	260	47
1.A.b.4 Travel	297	147	150	310	183	127
1.A.b.5 Construction	16	25	-8	26	18	8
1.A.b.6 Insurance and pension services	33	17	16	36	17	19
1.A.b.7 Financial services	59	65	-5	84	69	16
1.A.b.8 Charges for the use of intellectual property n.i.e.	4	63	-59	13	76	-64
1.A.b.9 Telecommunications, computer, and information services	987	52	935	1,188	70	1,118
1.A.b.10 Other business services	356	405	-50	423	415	8
1.A.b.11 Personal, cultural, and recreational services	14	8	6	22	15	6
1.A.b.12 Government goods and services n.i.e.	7	18	-11	10	14	-5
1.A.b.13 Others n.i.e.	29	141	-112	82	157	-75
1.B Primary Income (1.B.1 to 1.B.3)	143	424	-281	170	568	-397
1.B.1 Compensation of employees	43	31	12	57	52	5
1.B.2 Investment income	84	369	-286	94	506	-412
1.B.2.1 Direct investment	26	163	-137	29	219	-190
1.B.2.2 Portfolio investment	2	51	-49	6	94	-88
1.B.2.3 Other investment	4	155	-151	8	192	-184
1.B.2.4 Reserve assets	52	-	52	51	-	51
1.B.3 Other primary income	16	23	-8	20	10	9
1.C Secondary Income (1.C.1+1.C.2)	910	56	855	1,070	64	1,006
1.C.1 Financial corporations, nonfinancial corporations, households, and NPISHs	910	55	855	1,063	62	1,001
1.C.1.1 Personal transfers (Current transfers between resident and/ non-resident households)	879	50	829	1,017	57	960
1.C.1.2 Other current transfers	31	5	26	46	5	41
1.C.2 General government	1	1	-	7	1	5
2 Capital Account (2.1+2.2)	31	23	8	11	20	-9
2.1 Gross acquisitions (DR.) / disposals (CR.) of non-produced nonfinancial assets	-	1	-	2	2	1
2.2 Capital transfers	31	23	8	8	19	-10
3 Financial Account (3.1 to 3.5)	7,222	6,267	955	7,839	7,709	130
3.1 Direct Investment (3.1A+3.1B)	577	267	311	765	709	56
3.1.A Direct Investment in India	491	103	388	676	72	604
3.1.A.1 Equity and investment fund shares	459	101	359	647	67	580
3.1.A.1.1 Equity other than reinvestment of earnings	312	101	211	495	67	428
3.1.A.1.2 Reinvestment of earnings	148	-	148	152	-	152
3.1.A.2 Debt instruments	31	2	29	30	5	25
3.1.A.2.1 Direct investor in direct investment enterprises	31	2	29	30	5	25
3.1.B Direct Investment by India	86	164	-78	89	637	-548
3.1.B.1 Equity and investment fund shares	86	128	-42	89	594	-505
3.1.B.1.1 Equity other than reinvestment of earnings	86	112	-26	89	575	-486
3.1.B.1.2 Reinvestment of earnings	-	16	-16	-	18	-18
3.1.B.2 Debt instruments	-	36	-36	-	43	-43
3.1.B.2.1 Direct investor in direct investment enterprises	-	36	-36	-	43	-43
3.2 Portfolio Investment	3,061	2,448	613	3,343	2,771	572
3.2.A Portfolio Investment in India	3,052	2,427	625	3,336	2,748	588
3.2.1 Equity and investment fund shares	2,373	1,851	523	2,301	2,099	202
3.2.2 Debt securities	678	576	102	1,036	649	387
3.2.B Portfolio Investment by India	9	22	-12	7	23	-16
3.3 Financial derivatives (other than reserves) and employee stock options	56	105	-49	297	90	207
3.4 Other investment	3,527	3,301	226	3,434	3,699	-266
3.4.1 Other equity (ADRs/GDRs)	-	-	-	-	-	-
3.4.2 Currency and deposits	835	685	150	1,023	781	242
3.4.2.1 Central bank (Rupee Debt Movements; NRG)	-	1	-1	10	-	10
3.4.2.2 Deposit-taking corporations, except the central bank (NRI Deposits)	835	684	151	1,012	781	231
3.4.2.3 General government	-	-	-	-	-	-
3.4.2.4 Other sectors	-	-	-	-	-	-
3.4.3 Loans (External Assistance, ECBs and Banking Capital)	688	775	-86	1,003	981	21
3.4.3.A Loans to India	673	762	-88	969	958	12
3.4.3.B Loans by India	15	13	2	33	24	9
3.4.4 Insurance, pension, and standardized guarantee schemes	-	1	-1	10	3	7
3.4.5 Trade credit and advances	1,765	1,523	242	1,208	1,484	-276
3.4.6 Other accounts receivable/payable - other	238	317	-79	191	450	-260
3.4.7 Special drawing rights	-	-	-	-	-	-
3.5 Reserve assets	-	145	-145	-	439	-439
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)	-	145	-145	-	439	-439
4 Total assets/liabilities	7,222	6,267	955	7,839	7,709	130
4.1 Equity and investment fund shares	2,985	2,207	778	3,351	2,876	475
4.2 Debt instruments	3,999	3,598	402	4,298	3,944	354
4.3 Other financial assets and liabilities	238	462	-225	191	889	-699
5 Net errors and omissions	16	-	16	-	46	-46

No. 42: International Investment Position

(US\$ Million)

Item	As on Financial Year /Quarter End							
	2013-14		2013				2014	
			Mar.		Dec.		Mar.	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
	1	2	3	4	5	6	7	8
1 Direct Investment Abroad/in India	128,709	242,706	119,510	233,671	119,838	226,552	128,709	242,706
1.1 Equity Capital and Reinvested Earnings	90,902	231,724	84,850	223,143	82,733	215,631	90,902	231,724
1.2 Other Capital	37,807	10,983	34,660	10,528	37,105	10,921	37,807	10,983
2 Portfolio Investment	1,068	193,033	1,375	201,268	1,340	179,595	1,068	193,033
2.1 Equity	931	139,661	1,261	139,460	1,184	132,348	931	139,661
2.2 Debt	137	53,372	114	61,808	156	47,248	137	53,372
3 Other Investment	49,191	379,053	34,822	339,526	43,205	370,891	49,191	379,053
3.1 Trade Credit	8,742	83,930	3,921	88,981	10,859	88,363	8,742	83,930
3.2 Loan	6,863	178,093	4,917	166,945	5,553	170,623	6,863	178,093
3.3 Currency and Deposits	17,862	103,992	13,058	71,003	13,867	98,772	17,862	103,992
3.4 Other Assets/Liabilities	15,724	13,037	12,926	12,597	12,926	13,134	15,724	13,037
4 Reserves	304,223	–	292,046	–	293,878	–	304,223	–
5 Total Assets/ Liabilities	483,192	814,793	447,753	774,465	458,261	777,038	483,192	814,793
6 IIP (Assets - Liabilities)		–331,600		–326,712		–318,778		–331,600

Payment and Settlement Systems

No. 43: Payment System Indicators

System	Volume (Million)				Value (₹ Billion)			
	2013-14	2014			2013-14	2014		
		Mar.	Apr.	May		Mar.	Apr.	May
	1	2	3	4	5	6	7	8
1 RTGS	81.11	8.64	7.27	7.80	904,968.04	99,245.04	71,295.24	72,092.04
1.1 Customer Transactions	76.35	8.22	6.92	7.41	573,614.03	65,212.63	46,528.98	47,312.39
1.2 Interbank Transactions	4.75	0.42	0.35	0.39	160,638.37	16,561.21	11,580.43	11,069.24
1.3 Interbank Clearing	0.011	0.001	0.001	0.001	170,715.64	17,471.20	13,185.83	13,710.41
2 CCIL Operated Systems	2.56	0.20	0.20	0.27	600,714.76	53,576.36	52,430.62	61,740.06
2.1 CBLO	0.18	0.02	0.01	0.02	175,261.92	14,561.71	10,367.53	11,495.40
2.2 Govt. Securities Clearing	0.87	0.05	0.07	0.10	161,848.24	10,103.22	17,920.69	23,275.02
2.2.1 Outright	0.82	0.05	0.06	0.09	89,566.99	4,365.67	6,020.75	9,957.37
2.2.2 Repo	0.046	0.003	0.008	0.008	72,281.26	5,737.56	11,899.94	13,317.65
2.3 Forex Clearing	1.51	0.13	0.12	0.15	263,604.59	28,911.42	24,142.40	26,969.64
3 Paper Clearing	1,253.97	122.58	99.92	99.92	93,003.03	9,058.68	8,065.63	5,110.25
3.1 Cheque Truncation System (CTS)	589.32	81.26	73.54	78.26	44,203.14	6,295.10	5,690.11	3,174.57
3.2 MICR Clearing	438.96	14.60	9.11	6.24	31,129.79	843.52	752.30	476.76
3.2.1 RBI Centres	229.97	3.84	2.93	2.30	16,050.82	314.42	226.85	177.50
3.2.2 Other Centres	208.99	10.76	6.19	3.94	15,078.97	529.10	525.44	299.26
3.3 Non-MICR Clearing	225.70	26.72	17.26	15.42	17,670.10	1,920.05	1,623.23	1,458.91
4 Retail Electronic Clearing	1,018.79	114.18	102.47	101.80	47,415.95	5,673.86	4,550.39	4,632.64
4.1 ECS DR	192.91	17.74	17.86	17.88	1,267.96	126.34	123.01	130.77
4.2 ECS CR (includes NECS)	152.54	10.61	10.88	11.52	2,492.19	214.79	186.26	170.33
4.3 EFT/NEFT	657.97	82.83	70.62	69.11	43,559.98	5,312.23	4,219.56	4,307.38
4.4 Immediate Payment Service (IMPS)	15.36	3.00	3.11	3.30	95.81	20.50	21.56	24.16
5 Cards	7,219.13	674.88	657.04	674.90	22,157.84	2,029.02	1,977.71	2,121.70
5.1 Credit Cards	512.03	46.40	46.74	47.55	1,556.72	147.15	147.40	152.13
5.1.1 Usage at ATMs	2.96	0.30	0.30	0.31	16.87	1.66	1.63	1.67
5.1.2 Usage at POS	509.08	46.11	46.44	47.24	1,539.85	145.49	145.77	150.46
5.2 Debit Cards	6,707.10	628.48	610.30	627.35	20,601.12	1,881.87	1,830.31	1,969.57
5.2.1 Usage at ATMs	6,088.02	571.50	554.03	568.13	19,646.53	1,796.10	1,743.46	1,873.75
5.2.2 Usage at POS	619.08	56.98	56.27	59.22	954.59	85.77	86.85	95.82
6 Prepaid Payment Instruments (PPIs)	144.38	15.95	15.73	16.25	79.34	9.23	9.91	10.19
6.1 m-Wallet	106.12	13.45	13.07	13.57	27.47	3.41	4.03	4.37
6.2 PPI Cards	37.74	2.45	2.61	2.64	28.15	3.25	3.75	4.11
6.3 Paper Vouchers	0.53	0.05	0.05	0.04	23.71	2.57	2.13	1.71
7 Mobile Banking	94.71	10.74	10.17	10.89	224.18	33.91	32.96	38.82
8 Cards Outstanding	413.60	413.60	418.88	421.11	–	–	–	–
8.1 Credit Card	19.18	19.18	19.23	19.39	–	–	–	–
8.2 Debit Card	394.42	394.42	399.65	401.72	–	–	–	–
9 Number of ATMs (in actuals)	160055	160055	162543	164491	–	–	–	–
10 Number of POS (in actuals)	1065984	1065984	1076289	1081466	–	–	–	–
11 Grand Total (1.1+1.2+2+3+4+5+6)	9,719.92	936.42	882.62	900.93	1,497,623.31	152,120.99	125,143.68	131,996.47

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

NM₂ and NM₃ 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.

L₁ and L₂ are compiled monthly and L₃ quarterly.

Wherever data are not available, the last available data have been repeated.

Table No. 15

Data are provisional and relate to select banks which cover 95 per cent of total non-food credit extended by all scheduled commercial banks.

1.2A.2.1 : Manufacturing include ₹335 billion and item 1.2A.2.2 : Services includes ₹34 billion credit to medium enterprises for the month of March 2014 only.

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 & 1.1.1.1.4: 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.

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

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Name of Publication	Price	
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