

Census of India's Foreign Liabilities and Assets as on March 31, 1997* (Part 5 of 5)

SECTION V

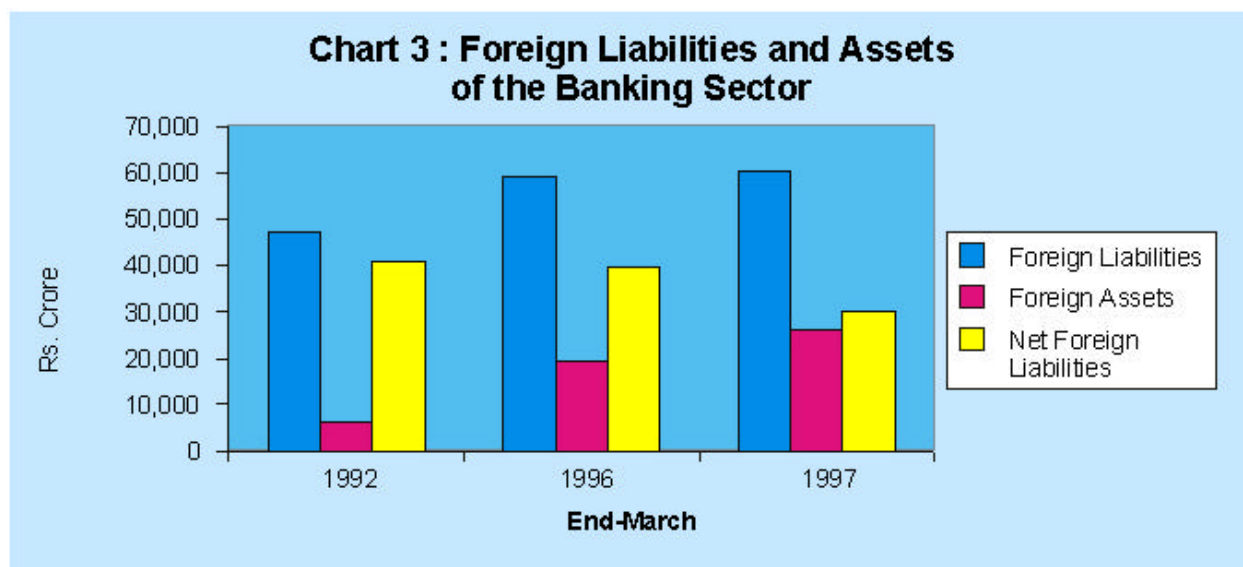
BANKING SECTOR - FOREIGN LIABILITIES AND ASSETS

Indian banking sector comprises Indian commercial banks and branches of foreign banks operating in India. The data on the foreign liabilities and assets of almost all the banks were collected for the present census.

The year 1996-97 witnessed strong deposit growth and lower credit expansion in the banking sector in their domestic activities, which reflected in their foreign activities also. Foreign liabilities of the banking sector showed moderate increase of 5.1 per cent during 1992-97 and 2.1 per cent during 1996-97. They increased from Rs.47,007 crore as on March 31, 1992 to Rs.59,081 crore as on March 31, 1996 and further to Rs. 60,328 crore on March 31, 1997. However, foreign assets of the banking sector increased steeply by 34.0 per cent from Rs. 6,039 crore as on March 31, 1992 to Rs.26,115 crore as on March 31, 1997. As a result, the net liabilities of the banking sector decreased marginally from Rs. 40,968 crore as on March 31, 1992 to Rs. 42,774 crore as on March 31, 1996 and further substantially to 34,213 crore as on March 31, 1997 ([Table 5.1](#)). During 1992-97, the net liabilities of the banking sector declined by 3.5 per cent and during 1996-97 by 20.0 per cent.

TABLE 5.1 : BANKING SECTOR - FOREIGN LIABILITIES AND ASSETS

Item	(Rs. Crore)						
	End March			Variation			
					Absolute		Percent
1	1992	1996	1997	1992-97	1996-97	1992-97	1996-97
	2	3	4	5	6	7	8
A. Foreign Liabilities	47,007	59,081	60,328	13321	1247	5.1	2.1
(US \$ mn)	15,054	17,200	16,807	1753	-393	2.2	-2.3
B. Foreign Assets	6,039	16,307	26,115	20076	9808	34.0	60.1
(US \$ mn)	1,934	4,747	7,275	5341	2528	30.3	53.3
C. Net Liabilities	40,968	42,774	34,213	-6755	-8561	-3.5	-20.0
(US \$ mn)	13,120	12,452	9,531	-3588	-2921	-6.2	-23.5



A. FOREIGN LIABILITIES

The component-wise data on foreign liabilities of banking sector are given in [Table 5.2](#). The gross foreign liabilities of the banking sector in India increased by 5.1 per cent per annum during 1992-97 and 2.1 per cent during 1996-97. The major constituent of the liabilities of the banking sector was the outstanding balances in the Foreign Currency Non-Resident (FCNR) accounts (FCNR (A) and FCNR (B) taken together) which increased from Rs.30,576 crore as on March 31, 1992 to Rs.34,274 crore as on March 31, 1996 and further to Rs.35,184 crore as on March 31, 1997. The increase was entirely on account of FCNR (B) scheme where the exchange risk is to be borne by the banks accepting the deposits; the FCNR (A) scheme, where the exchange risk was borne by the Reserve Bank, was withdrawn in phases from 1994.

TABLE 5.2 : BANKING SECTOR - FOREIGN LIABILITIES AND ASSETS - CATEGORY-WISE

Item	(Rs. Crore)						
	End March			Variation			
	1992	1996	1997	Absolute	Percent	1992-97	1996-97
1	2	3	4	5	6	7	8
A. Foreign Liabilities	47,007	59,081	60,328	13321	1247	5.1	2.1
(US \$ mn)	15,054	17,200	16,807	1753	-393	2.2	-2.3
1. Balances in Vostro Accounts	548	1,697	1,137	589	-560	15.7	-33.0
	(1.2)	(2.9)	(1.9)				
2. Balances in NRE Accounts #	7,540	13,451	17,886	10346	4435	18.9	33.0
	(16.0)	(22.8)	(29.6)				
3. Balances in FCNR Accounts #	30,576	34,274	35,184	4608	910	2.8	2.7
	(65.0)	(58.0)	(58.3)				

4. Borrowings from Abroad \$	5,316	6,367	1,657	-3659	-4710	-20.8	-74.0
	(11.3)	(10.8)	(2.7)				
5. Other Foreign Liabilities @	3,027	3,292	4,464	1437	1172	8.1	35.6
	(6.4)	(5.6)	(7.4)				
B. Foreign Assets	6,039	16,307	26,115	20076	9808	34.0	60.1
	(US \$ mn)						
1. Balances held Abroad	1,934	4,747	7,275	5341	2528	30.3	53.3
	4,302	8,017	14,216	9914	6199	27.0	77.3
	(71.2)	(49.2)	(54.4)				
2. Investment Abroad \$\$	127	1,844	2,169	2042	325	76.4	17.6
	(2.1)	(11.3)	(8.3)				
3. Loans and Advances @@	77	470	925	848	455	64.4	96.8
	(1.3)	(2.9)	(3.5)				
5. Others **	1533	5,976	8,805	7272	2829	41.9	47.3
	(25.4)	(36.6)	(33.7)				

Note : Figures in brackets indicate percentage shares to total

include accrued interest

\$ include proceeds of IDBs also for the years 1995 and 1996

@ Include outstanding debit balances in NOSTRO accounts, accrued interest on NRNRD due for remittance, funds from HO or assigned capital, remittable profits etc.

\$\$ Include Investments in fixed deposits, Treasury bills and securities

@@ Include Foreign bills purchased/discounted.

** Include debit balances in VOSTRO account and Head Office fund of the Indian banks abroad.

Other major constituent of foreign liabilities of the banking sector was the balances held in NRE accounts which stood at Rs.7,540 crore as on March 31, 1992 which increased by 18.9 per cent per annum to Rs.17,886 crore as on March 31, 1997. During 1996-97, the growth of the NRE deposits was more pronounced at 33.0 per cent. The growth of the FCNR and NRE deposits was not uniform across the banks in India. The private sector banks outperformed the public sector banks, particularly the weak ones, reflecting competitive environment in the Indian banking industry.

The balances in vostro accounts which was another component of the liabilities of the banking sector, increased from Rs.548 crore as on March 31, 1992 to Rs.1,697 crore as on March 31, 1996 but declined to Rs.1,137 crore as on March 31 1997. The borrowings from abroad by banks in India increased from Rs.5,316 crore at end-March 1992 to Rs.6,367 crore at end-March 1996 but declined drastically to Rs.1,657 crore at end -March 1997.

As regards the shares of the constituents of foreign liabilities of the banking sector were concerned, balances in FCNR accounts accounted for the highest share of 58.3 per cent followed by balance in NRE accounts at 29.6 per cent. The borrowings from abroad formed only 2.7 per cent, whereas the balances in vostro accounts were 1.9 per cent of the total. Other foreign liabilities formed 7.4 per cent of the total ([Table 5.2](#)).

B. FOREIGN ASSETS

After the initiation of policy measures relating to financial sector reforms since 1991, the Indian banking sector has undergone significant transformation in their style of functioning. The banking sector has been given sufficient operational freedom to adapt to the changing environment in an efficient manner. The asset portfolio of the banking system may reflect the changes in their manner of functioning and criteria of operations.

The foreign assets of the banking sector increased substantially during the period in tandem with the globalisation and market integration of Indian economy. The balances held abroad increased from Rs.4,302 crore as on March 31, 1992 to Rs.8,017 crore as on March 31, 1996 and further increased by 77.3 per cent to Rs.14,216 crore as on March 31, 1997. Investment abroad by banking sector increased steeply from Rs.127 crore in 1992 to Rs.2,169 crore as on March 31, 1997 which showed an increase of 76.4 per cent per annum during the period. Other banking assets included the debit balances in vostro account and also the Head Office fund of the Indian bank branches abroad. These balances increased by 41.9 per cent per annum from Rs.1,553 crore as on March 31, 1992 to Rs.8,805 crore as on March 31, 1997 ([Table 5.2](#)).

Among the foreign assets of the banking sector, balances held abroad constituted 54.4 per cent of the total, where as investment abroad constituted 8.3 per cent and other assets of the Indian banks constituted 33.7 per cent as on March 31, 1997.

SECTION VI

INSURANCE SECTOR – FOREIGN LIABILITIES AND ASSETS

Insurance sector comprises Life Insurance Corporation of India (LIC) which undertakes life insurance business and the General Insurance Corporation (GIC) Group i.e., GIC and its subsidiaries, which are doing other than life insurance business. During the recent years, the insurance sector attracted more foreign liabilities on account of increase in insurance business abroad. The foreign liabilities of the insurance sector as a whole increased from Rs.799 crore as on March 31, 1992 to Rs.853 crore as on March 31, 1996 and further to Rs.968 crore as on March 31, 1997. While the liabilities of the LIC increased from Rs.276 crore as on March 31, 1992 to Rs.510 crore as on March 31, 1997, the liabilities of the GIC Group declined to Rs.458 crore from Rs.523 crore during the period ([Table 6.1](#)).

TABLE 6.1 : INSURANCE SECTOR - FOREIGN LIABILITIES AND ASSETS

Item	(Rs. Crore)						
	End March		Variation				
	1992	1996	1997	Absolute 1992-97	Percent 1996-97	Percent 1992-97	1996-97
1	2	3	4	5	6	7	8
A. Foreign Liabilities	799	853	968	169	115	3.9	13.5
(US \$ mn)	256	248	270	14	21	1.1	8.6
1. Life Insurance Corporation of India	276	425	510	234	85	13.1	20.0

	(34.5)	(49.8)	(52.7)					
2. General Insurance Corporation Group	523	428	458	-65	30	-2.6	7.0	
	(65.5)	(50.2)	(47.3)					
B. Foreign Assets	821	1,512	1,510	689	-2	13.0	-0.1	
(US \$ mn)	263	440	421	158	-20	9.9	-4.4	
1. Life Insurance Corporation of India	297	513	498	201	-15	10.9	-2.9	
	(36.2)	(33.9)	(33.0)					
2. General Insurance Corporation Group	524	999	1,012	488	13	14.1	1.3	
	(63.8)	(66.1)	(67.0)					
C. Net Liabilities	-22	-659	-542	-520	117	89.8	-17.8	
(US \$ mn)	-7	-192	-151	-144	41	84.6	-21.3	
1. Life Insurance Corporation of India	-21	-88	12	33	100	-189.4	-113.6	
2. General Insurance Corporation Group	-1	-571	-554	-553	17	253.8	-3.0	

Note : Figures in brackets indicate percentage share to total.

- Indicates net assets.

As on March 31, 1997, the foreign assets of the insurance sector were valued at Rs.1,510 crore as against Rs.1,512 crore a year ago which showed a marginal decline during the year. As on March 31, 1992, these assets were placed at Rs.821 crore. While the assets of the LIC increased from Rs.297 crore to Rs.498 crore during 1992-97, the assets of the GIC group increased significantly by 14.1 per cent from Rs.524 crore to Rs.1,012 crore during the period. As a result, the net assets of the insurance sector increased substantially from Rs.22 crore as on March 31, 1992 to Rs.659 crore as on March 31, 1996 which declined to Rs.542 crore as on March 31, 1997. The decline during 1996-97 was mainly on account of decline in net assets of the LIC and GIC group ([Table 6.1](#)).

The share of LIC in the total foreign liabilities of the insurance sector increased from 34.5 per cent as on March 31, 1992 to 49.8 per cent as on March 31, 1996 and further to 52.7 per cent as on March 31, 1997. Correspondingly, the share of GIC group declined from 65.5 per cent to 47.3 per cent during 1992-97. However, on the assets side of the insurance sector, the trend was reverse. While the share of the LIC in the total assets of the insurance sector declined from 36.2 per cent to 33.0 per cent during 1992-97, that of the GIC group increased from 63.8 per cent to 67.0 per cent during the period ([Table 6.1](#)).

LIC : CATEGORY-WISE FOREIGN LIABILITIES AND ASSETS

The total foreign liabilities of the LIC were placed at Rs.510 crore as on March 31, 1997. These comprised actuarial reserves payable, (Rs.482 crore), payments on annuities (Rs.1 crore), and other liabilities (Rs.27 crore). The share of actuarial reserves payable was 92.4 per cent as on

March 31, 1992, which increased to 94.6 per cent as on March 31, 1996, but declined fractionally to 94.5 per cent as on the reference date.

The foreign assets of the LIC comprised deposits in foreign territories (Rs.7 crore), investment in foreign government securities (Rs.338 crore), investment in shares and bonds (Rs.25 crore), balances in accounts held abroad (Rs.37 crore), and other assets (Rs.91 crore) as on March 31, 1997. The share of investment in foreign government securities by the LIC increased from 47.8 per cent of the total assets as on March 31, 1992 to 65.9 per cent as on March 31, 1996 which further increased to 67.9 per cent as on the reference date. However, the share of balances in accounts held abroad declined significantly from 29.0 per cent to 11.7 per cent and further to 7.4 per cent during the period under review ([Table 6.2](#)).

TABLE 6.2 : LIFE INSURANCE CORPORATION OF INDIA - CATEGORY-WISE FOREIGN LIABILITIES AND ASSETS

Item	End March		Variation					(Rs. Crore)
			Absolute		Percent			
	1992	1996	1997	1992-97	1996-97	1992-97	1996-97	
1	2	3	4	5	6	7	8	
I. Foreign Liabilities	276	425	510	234	85	13.1	20.0	
1. Actuarial Reserves Payable	255 (92.4)	402 (94.6)	482 (94.5)	227	80	13.6	19.9	
2. Future Payments on Annuities Estimated	..	1 (0.2)	1 (0.2)	..	0	..	0.0	
3. Other Liabilities	21 (7.6)	22 (5.2)	27 (5.3)	6	5	5.2	22.7	
II. Foreign Assets	297	513	498	201	-15	10.9	-2.9	
1. Deposits in Foreign Territories	..	7 (1.4)	7 (1.4)	..	0	..	0.0	
2. Investments in Foreign Government Securities	142 (47.8)	338 (65.9)	338 (67.9)	196	0	18.9	0.0	
3. Investments in Shares, Bonds, etc.	12 (4.0)	25 (4.9)	25 (5.0)	13	0	15.8	0.0	
4. Balance in Accounts held Abroad	86 (29.0)	60 (11.7)	37 (7.4)	-49	-23	-15.5	-38.3	
5. Other Assets	57 (19.2)	83 (16.2)	91 (18.3)	34	8	9.8	9.6	
III. Net Position (+) or (-)	21	88	-12	-33	-100	-189.4	-113.6	

Note : Figures in brackets indicate percentage share to total
(+) Asset, (-) Liabilities.

LIC : COUNTRY-WISE FOREIGN LIABILITIES AND ASSETS

The foreign liabilities of the LIC were mainly owed to the UK (43.5 per cent), Fiji Islands (37.6 per cent), Mauritius (18.0 per cent), and Myanmar as on March 31, 1997 ([Table 6.4](#)). The foreign assets of the LIC were held in these four countries in addition to Sri Lanka ([Table 6.5](#)). Major portion of the assets of the LIC were held in the UK (43.4 per cent), followed by Fiji Islands (35.5 per cent), and Mauritius (18.7 per cent).

GIC GROUP : CATEGORY-WISE FOREIGN LIABILITIES AND ASSETS

The foreign liabilities of the GIC group comprised unexpired risk, outstanding claims, reinsurance business and other liabilities. While the share of unexpired risk increased from 23.5 per cent as on March 31, 1992 to 35.6 per cent as on March 31, 1997, reinsurance business declined from 36.1 per cent to 24.2 per cent during the period. The share of outstanding claims increased gradually from 31.9 per cent in 1992 to 34.1 per cent in 1996 and further to 34.3 per cent as on March 31, 1997 ([Table 6.3](#)).

TABLE 6.3 : GENERAL INSURANCE CORPORATION GROUP - CATEGORY-WISE FOREIGN LIABILITIES AND ASSETS

Item	End March		Variation					(Rs. Crore)
			Absolute		Per cent			
	1992	1996	1997	1992-97	1996-97	1992-97	1996-97	
1	2	3	4	5	6	7	8	
I. Foreign Liabilities	523	428	458	-65	30	-2.6	7.0	
1. Unexpired Risk	123 (23.5)	154 (36.0)	163 (35.6)	40	9	5.8	5.8	
2. Outstanding claims	167 (31.9)	146 (34.1)	157 (34.3)	-10	11	-1.2	7.5	
3. Reinsurance Business	189 (36.1)	82 (19.2)	111 (24.2)	-78	29	-10.1	35.4	
4. Other Liabilities	44 (8.4)	46 (10.7)	27 (5.9)	-17	-19	-9.3	-41.3	
II. Foreign Assets	524	999	1,012	488	13	14.1	1.3	
1. Investment in Shares, Bonds, etc.	25 (4.8)	587 (58.8)	593 (58.6)	568	6	88.4	1.0	
2. Investments in Foreign Government Securities	..	22 (2.2)	37 (3.7)	..	15	..	68.2	
3. Reinsurance Business	208 (39.7)	64 (6.4)	56 (5.5)	-152	-8	-23.1	-12.5	
4. Balance in Accounts held Abroad	178 (34.0)	189 (18.9)	219 (21.6)	41	30	4.2	15.9	
5. Other Assets	113 (21.6)	137 (13.7)	107 (10.6)	-6	-30	-1.1	-21.9	
III. NetPosition (+) or (-)	1	571	554	553	-17	253.8	-3.0	

Note : Figures in brackets indicate percentage share to total.

Note : (+) Asset, (-) Liabilities.

The assets of the GIC group consist of investment in shares and bonds, investment in foreign government securities, reinsurance business, balances in accounts held abroad, and other assets like outstanding premium, interest, dividend on investment abroad, etc. The share of investments in shares and bonds increased from a 4.8 per cent at end-March 1992 to 58.8 per cent at end-March 1996 which fractionally declined to 58.6 per cent as on March 31, 1997. However, the share of reinsurance business declined from 39.7 per cent in 1992 to 6.4 per cent as on March 31, 1996 and further to 5.5 per cent as on March 31, 1997. The balances in accounts held abroad also declined from 34.0 per cent to 21.6 per cent during 1992-97 ([Table 6.3](#)).

TABLE 6.4 : LIC - COUNTRY-WISE DISTRIBUTION OF FOREIGN LIABILITIES

(Rs. Crore)

Country	End March			Variation			
				Absolute		Per cent	
	1992	1996	1997	1992-97	1996-97	1992-97	1996-97
1	2	3	4	5	6	7	8
U.K	151	187	222	71	35	8.0	18.7
Fiji Islands	65	161	192	127	31	24.2	19.3
Mauritius	54	76	92	38	16	11.2	21.1
Myanmar	1	1	1	0	0		0.0
Others	5	0	3	-2	3	-9.7	
Total	276	425	510	234	85	13.1	20.0
(US\$ million)	88	124	142	54	18	10.0	14.8

TABLE 6.5 : LIC - COUNTRY-WISE DISTRIBUTION OF FOREIGN ASSETS

(Rs. Crore)

Country	End March			Variation			
				Absolute		Per cent	
	1992	1996	1997	1992-97	1996-97	1992-97	1996-97
1	2	3	4	5	6	7	8
U.K	161	214	216	55	2	6.1	0.9
Fiji Islands	66	184	177	111	-7	21.8	-3.8
Mauritius	54	105	93	39	-12	11.5	-11.4
Myanmar	8	7	7	-1	0	-2.6	0.0
Sri Lanka	..	3	4	..	1	..	33.3
Others	9	0	1	-8	1	-35.6	
Total	297	513	498	201	-15	10.9	-2.9
(US\$ million)	95	149	139	44	-11	7.8	-7.1

GIC GROUP : COUNTRY-WISE FOREIGN LIABILITIES AND ASSETS

The foreign liabilities of the GIC group, as at the end of March 1997 amounted to Rs.458 crore, which increased by 7.0 per cent from their level as observed a year ago (Rs.428 crore). The UK accounted for the major share of foreign liabilities of GIC group at 19.2 per cent, closely followed by Japan at 18.6 per cent. The other important countries accounting significant portion of liabilities of GIC group were Hong Kong (10.0 per cent), Germany (5.2 per cent) and Kuwait (4.6 per cent) ([Table 6.6](#)).

TABLE 6.6 : GIC GROUP - COUNTRY-WISE DISTRIBUTION OF FOREIGN LIABILITIES

Country	End March		Variation					(Rs. Crore)
	1992	1996	1997	Absolute		Per cent		
				1992-97	1996-97	1992-97	1996-97	
1	2	3	4	5	6	7	8	
U.K	136	94	88	-48	-6	-8.3	-6.4	
Japan	65	102	85	20	-17	5.5	-16.7	
Hong Kong	36	45	46	10	1	5.0	2.2	
Germany	..	14	24	..	10	..	71.4	
Kuwait	3	21	21	18	0	47.6	0.0	
Fiji Islands	4	19	20	16	1	38.0	5.3	
U.A.E	2	18	18	16	0	55.2	0.0	
Netherlands	..	15	18	..	3	..	20.0	
Saudi Arabia	..	7	16	..	9	..	128.6	
Bahrain	2	4	15	13	11	49.6	275.0	
Australia	2	14	14	12	0	47.6	0.0	
Thailand	1	12	6	5	-6	43.1	-50.0	
Mauritius	..	1	1	..	0	..	0.0	
Others	272	62	86	-186	24	-20.6	38.7	

Total	523	428	458	-65	30	-2.6	7.0
(US \$ million)	167	125	128	-40	3	-5.3	2.4

The foreign assets of the GIC group were mainly held in Singapore, the UK, Japan, Malaysia, Hong Kong, Fiji Islands, Australia, etc. Of the total foreign assets of the GIC group, Singapore accounted for 51.8 per cent as on March 31, 1997, followed by the UK (9.2 per cent), Japan (6.7 per cent) and Malaysia (6.0 per cent). The share of foreign assets held in other countries was less than 4 per cent ([Table 6.7](#)).

TABLE 6.7 : GIC GROUP - COUNTRY-WISE DISTRIBUTION OF FOREIGN ASSETS

(Rs. Crore)							
Country	End March			Variation			
			1997	Absolute		Per cent	
	1992	1996		1992-97	1996-97	1992-97	1996-97
1	2	3	4	5	6	7	8
Singapore	12	525	524	512	-1	112.8	-0.2
U.K	117	84	93	-24	9	-4.5	10.7
Japan	47	81	68	21	-13	7.7	-16.0
Malaysia	..	61	61	..	0	..	0.0
Hong Kong	33	39	45	12	6	6.4	15.4
Fiji Islands	13	28	31	18	3	19.0	10.7
Australia	14	29	30	16	1	16.5	3.4
Kenya	..	7	12	..	5	..	71.4
Nepal	..	7	9	..	2	..	28.6
Philippines	..	4	7	..	3	..	75.0
Canada	..	5	5	..	0	..	0.0
Netherlands	..	3	4	..	1	..	33.3
Others	288	126	123	-165	-3	-15.6	-2.4
Total	524	999	1012	488	13	14.1	1.3
(US \$ million)	168	291	282	114	-9	10.9	-3.1

CONCLUSION

The Indian economy witnessed significant growth in various sectors, including the external sector during 1996-97 and the real GDP grew distinctly by 7.5 per cent during the year as compared to 7.3 per cent growth achieved during the previous year. A surge in invisible earnings and a strong resumption of capital flows witnessed during the year, facilitated stable foreign exchange market. The net foreign investment inflows during the year increased by 25.4 per cent to US \$ 6,133 million from US \$ 4,892 million during the previous year. In tandem with the growth of capital inflows into the country, the foreign liabilities of the country increased by 9.3 per cent during 1992-97 and 8.1 per cent during 1996-97. The increase was mainly accounted for by the non-official sector liabilities, which rose by 15.0 per cent during 1992-97 and 17.4 per cent during 1996-97. Of the non-official sector liabilities, corporate sector liabilities increased by 20.3 per cent during 1992-97 and 23.9 per cent during 1996-97, which was mainly on account of surge in ECBs, coupled with foreign investment attracted by the corporate units during the year. While Indian industries were attracting more and more foreign investment for their all-round development, Indian companies have also joined the stream of confluence into the tidal wave of global consolidation. Banking sector has also consolidated their business in the global market as the policy initiation towards financial sector reforms was in favour of globalisation. Further, the financial sector reforms process undertaken all over the world has opened up the Indian banking industry to investors abroad which resulted in expanding their portfolio. Though the insurance sector in India is yet to be opened up to the foreign participation, its net foreign assets have increased considerably during the census period.

The assets of the official sector increased significantly due to significant surge in foreign exchange reserves, which increased from US \$ 21,687 million at end-March 1996 to US \$ 26,423 million as at the end of March 1997. The increase was mainly due to improvement in exports of merchandise and invisible receipts and also the net inflow of foreign capital. The increase in the gross foreign liabilities of the country during the census period was offset by significant increase in foreign assets of the country and as a result, the net foreign liabilities were at a sustainable level at 28.6 per cent of the GDP in rupee terms as on March 31, 1997.

ANNEXURE I : SCHEDULES USED IN THE CENSUS

Schedule	To be compiled by
Schedule 1	Joint stock companies incorporated in India, including Government companies and Public Sector Undertakings
Schedule 2	Firms or companies registered or incorporated outside India but operating in India
Schedule 3	All banks incorporated in India
Schedule 4	All banks incorporated outside India but operating in India
Schedule 5	General Insurance Corporation of India (GIC) and its subsidiaries
Schedule 6	Various Ministries of the Government of India
Schedule 7	Life Insurance Corporation of India (LIC)
Schedule 8	Unit Trust of India
Schedule 9	Reserve Bank of India
Schedule 10	Financial Institutions

ANNEXURE II: CONSTITUENTS OF INDIA'S FOREIGN LIABILITIES AND ASSETS

The census covered the following items for the purpose of estimating India's foreign liabilities and assets.

A. FOREIGN LIABILITIES

- i. Non-resident holdings of shares, debentures, and deposits of Indian companies including shares and debentures held by non-resident Indians.
- ii. The proportionate share of free reserves and surplus of the companies attributable to non-residents.
- iii. Outstanding external loans and credits of Indian companies and financial institutions. They include all types of external borrowings in the form of buyer's credit, supplier's credit for imports, lines of credit obtained by financial institutions, euro-currency loans and issues of financial instruments such as Floating Rate Notes, bonds, Global Depository Receipts (GDRs), and American Depository Receipts (ADRs), Foreign Currency Convertible Bonds (FCCBs), etc.
- iv. Non-resident deposits with banks in India viz., balances in Non-Resident External Rupee (NRER) and Foreign Currency Non-Resident (FCNR) accounts held by non-resident Indians and overseas corporate bodies and balances in the accounts held by overseas correspondent banks (VOSTRO accounts) with banks in India.
- v. Borrowings from abroad by the banking sector.
- vi. Outstanding loans of Government of India obtained from foreign Governments and international institutions.
- vii. Government securities held by nonresidents including those held by international institutions. However, rupee portion of India's subscription to the IMF and issue of corresponding securities to the IMF have been excluded altogether from the purview of foreign liabilities as well as assets.
- viii. Liabilities of the insurance sector mainly in the form of outstanding claims, value of unexpired risk, amounts payable on account of re-insurance business, actuarial reserves payable, future payment on annuities, etc.
- ix. Various other liabilities which are mainly of a short term nature such as import related, trade related dues, remittable dividend, interest, etc.

Foreign liabilities resulting from ownership of real assets/property of non-residents have been excluded from the scope of the census. Therefore, the census covered all foreign liabilities of financial nature.

B. FOREIGN ASSETS

- i. Balances in accounts held abroad by the Government and NOSTRO account balances in the case of banks.
- ii. Investment in foreign Government securities.
- iii. Loans and advances extended by Government of India to other Governments.
- iv. Subscription to the capital stock of international institutions such as IMF, IBRD, IDA, IFC, MIGA, ADB, etc.
- v. Equity investment in joint ventures abroad.

- vi. Foreign assets of the insurance sector in the form of outstanding amounts receivable on account of re-insurance business of Indian insurance companies, outstanding claims, etc.
- vii. Outstanding loans and deferred export credit.
- viii. Foreign exchange reserves which include, Reserve Bank's balances held abroad.
- ix. Other foreign assets of short term nature such as bills receivable, interest due but not received, deferred export credit with less than one year maturity, etc.

As in the case of foreign liabilities, the real assets/property situated abroad and owned by residents in India have not been included in the census.

ANNEXURE III: DEFINITIONS OF DIRECT AND PORTFOLIO INVESTMENT

The definition of Foreign Direct Investment (FDI) varies across the countries. The IMF has provided certain guidelines as a part of its efforts to bring about uniformity in the reporting of international transactions by the member-countries. According to fifth edition of the Balance of Payments Manual of the IMF, a direct investment enterprise is defined as an incorporated or unincorporated enterprise in which a direct investor, who is a resident in another economy, owns 10 per cent or more of the ordinary shares or voting power. Direct investment also includes, preference shares, debentures and deposits, if any, of those individual investors, who hold 10 per cent or more of the equity capital. In addition to this, direct investment also includes net foreign liabilities of the branches of foreign companies operating in India. If a direct investor has less than 10 per cent equity or voting power, but has an effective voice in the management of the company, such units are also included in the direct investment category.

The portfolio investment includes the value of ordinary shares held by non-residents, if such holding is less than 10 per cent of the total equity capital per investor. The value of preference shares, debentures, and deposits of portfolio investor has been treated as part of the portfolio investment. In addition, the net purchases of the FIIs, both in the primary and secondary markets, are also included in the portfolio investment.

Government of India has started giving approval for floating GDRs/ADRs/FCCBs by the corporate units in 1992. Since then, these instruments have been attracting the foreign investors and constituted about 25 per cent of the total portfolio investment in India during 1996-97. Though the GDRs/ADRs are issued in the name of depositories, the holders of them have not been easily identified as the GDRs/ADRs are traded in the secondary market. Therefore, according to IMF classification, GDRs/ADRs are included in the portfolio investment.

Direct investment and portfolio investment are also considered for working out retained earnings, i.e. the proportionate share in the free reserves and surplus which is ascribable to nonresidents in accordance with their equity holdings.

The information on the FDI and portfolio investment have been collected country-wise. Although, the country-wise details have been reported by most of the units, in the case of Non-Resident Indian investment, some companies were not in a position to give complete country-wise information. In such cases, the FDI and portfolio investment are included under 'other countries'. In respect of GDRs/ADRs, though country-wise details were called for from

corporate units, the coverage was not encouraging. Therefore, data from internal sources were added in respect of GDRs/ADRs.

ANNEXURE IV: SECTOR AND INDUSTRY CLASSIFICATION

The data presented in this article have been classified into two sectors, viz., (i) Official Sector, and (ii) Non-Official Sector. The data relating to Government of India and the Reserve Bank are covered under the official sector. Non-official sector comprised corporate sector, banking sector, and insurance sector. For the purpose of this article, all PSUs are treated as part of the corporate sector. Like-wise, financial institutions such as Unit Trust of India, Exim Bank, etc., have also been treated under corporate sector.

The standard industrial classification has been adopted in this article and is determined by the major activity as reported by the concerned company for its classification. The industries are broadly divided into plantations, mining, petroleum, manufacturing, trading, construction and turnkey projects, transport, utilities, and services. Under the manufacturing sector, the industries are further classified into food & beverages, textile products, transport equipments, machinery and machine tools, metal and metal products, electrical, electronic goods and machinery, chemicals and allied products and others. Under the services sector, telecommunication services, software development services, technical engineering and consultancy services, tours and travel services, cold storage and warehousing services, media advertising and entertainment services, transport services, and financial services are included. In recent years, a number of companies have diversified their activities. In such cases, the classification is based on the major activity of the company concerned.