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CONTENTS

GOVERNOR'S STATEMENT

Governor's Statement

*Governor's Statement**

Shaktikanta Das

The Monetary Policy Committee (MPC) met on 3rd, 4th and 5th February, 2021 and deliberated on current and evolving macroeconomic and financial developments, both domestic and global. The MPC voted unanimously to leave the policy repo rate unchanged at 4 per cent. It also unanimously decided to continue with the accommodative stance of monetary policy as long as necessary – at least through the current financial year and into the next year – to revive growth on a durable basis and mitigate the impact of COVID-19, while ensuring that inflation remains within the target going forward. The Marginal Standing Facility (MSF) rate and the Bank rate remain unchanged at 4.25 per cent. The reverse repo rate stands unchanged at 3.35 per cent.

I would like to first set out briefly the broad contours of the MPC's decision making process and its underlying motivation. Inflation outturns in the last two months have turned out to be better than what was expected at the time of the December meeting. For the first time during the COVID-19 period, inflation has eased below the upper tolerance level of 6 per cent. Going ahead, factors that could shape the food inflation trajectory in coming months, including the likely bumper kharif harvest arrivals in markets, rising prospects of a good rabi crop, larger winter supplies of key vegetables and softer poultry demand on fears of avian flu are all indicative of a stable near-term outlook.

The preliminary estimate of GDP for 2020-21 released by the National Statistical Office (NSO) on January 7, 2021 has turned out to be very close to the MPC's December projection. The outlook on growth has improved significantly, with positive growth impulses becoming more broad-based, and the rollout of the vaccination programme in the country auguring well for the end of the pandemic. Given that inflation has returned within the tolerance band, the MPC judged that the need of the hour is to continue to support growth, assuage the impact of COVID-19 and return the economy to a higher growth trajectory.

Assessment of Growth and Inflation

The new year 2021 has begun on a strong positive note with vaccination drives in major economies as well as in India. India's response to COVID-19 reminds us of an excerpt from Mahatma Gandhi's proclamation that "determined spirits fired by an unquenchable faith in their mission can alter the course of history[1]." While the year 2020 tested our capabilities and endurance, 2021 is setting the stage for a new economic era in the course of our history.

Growth

Importantly, signs of recovery have strengthened further since the last meeting of the MPC. High frequency coincident and proximate indicators suggest that the list of normalising sectors is expanding. The RBI's survey points towards improvement in capacity utilisation in the manufacturing sector to 63.3 per cent in Q2:2020-21 from 47.3 per cent in the preceding quarter. Consumer confidence is reviving, and business expectations of manufacturing, services and infrastructure remain upbeat. The movement of goods and people and domestic trading activity are growing at a robust pace. Electricity and energy demand reflect a broader normalisation of economic activity than in December, even as fears of a second wave abate. Data for sales and new launches of residential units in major metropolitan centres reflect a renewed confidence in the real estate sector. Manufacturing, services and composite purchasing managers' indices (PMI) are in expansion zones – the manufacturing PMI rose to 57.7

* Governor's Statement - February 5, 2021

1 Gandhi, M. K. (1936). Harijan, November 19, 1936, pp. 341-2.

in January 2021 from 56.4 in December 2020 and and the services PMI rose to 52.8 in January 2021 from 52.3 in December 2020. Furthermore, the vaccination drive is expected to provide an impetus for the restoration of contact intensive sectors and a leading edge to the Indian pharma industry in the global market. Foreign Direct Investment and Foreign Portfolio Investment to India have surged in recent months, reposing faith in the impressive recovery in the Indian economy. Ahead of a broader infrastructure revival, the speed of daily national highways construction is rising and the pace of award of national highway projects in 2020-21 has doubled year-on-year.

What is more, the flow of financial resources to the commercial sector has been improving, particularly in respect of non-food bank credit and via commercial paper (CPs), credit by housing finance companies, private placement of corporate bonds and foreign direct investment. The total flow of these resources is ₹8.85 lakh crore this year so far (up to January 15, 2021), compared with ₹7.97 lakh crore during the corresponding period of last year. The latest bank lending survey of the RBI suggests further sequential improvement in sentiment on loan demand across all sectors right up to Q2:2021-22. Taking these factors into consideration, real GDP growth is projected at 10.5 per cent in 2021-22 – in the range of 26.2 to 8.3 per cent in H1 and 6.0 per cent in Q3.

The Union Budget 2021-22 has provided a strong impetus for revival of sectors such as health and well-being, infrastructure, innovation and research, among others. This will have a cascading multiplier effect going forward, particularly in improving the investment climate and reinvigorating domestic demand, income and employment. The investment-oriented stimulus under AatmaNirbhar 2.0 and 3.0 (given during the peak of the pandemic) has started working its way through and is improving the spending momentum along with the quality of public investment. Both will facilitate regaining India's growth potential over the medium-term. The projected increase in capital expenditure augurs well for capacity creation and crowding in private investment, thereby improving the prospects for growth and building credibility around the quality of expenditure.

Inflation

After breaching the upper tolerance threshold continuously since June 2020, CPI inflation moved below 6 per cent in December for the first time in the post-lockdown period, supported by favourable base effects and a sharp fall in key vegetable prices, the latter accounting for around 90 per cent of the decline in headline inflation during November and December. Both higher fresh arrivals and active supply side interventions contributed to this favourable development. It is expected that vegetable prices will remain soft in the near-term, while pressures may continue to persist in certain key food items. The outlook for core inflation is influenced by the escalation in cost-push pressures seen in recent months. Petroleum product prices have reached historic highs as international crude prices surged in recent months and the high indirect taxes remain, both in the Centre and States. These, along with the sharp increase in industrial raw material prices have resulted in a broad-based increase in prices of services and manufacturing products in recent months. Going forward, concerted policy action by both Centre and States, is critical to ensure that the ongoing cost build-up does not escalate further. Taking into consideration all these factors, the projection for CPI inflation has been revised to 5.2 per cent for Q4:2020-21, 5.2 per cent to 5.0 per cent in H1:2021-22 and 4.3 per cent for Q3:2021-22, with risks broadly balanced.

By March 2021, the Government would be reviewing the inflation target for the next five years. The experience with successfully maintaining price stability and the gains in credibility for monetary policy since the institution of the inflation targeting framework, barring the COVID-19 period, needs to be reinforced in the coming years even as we exit the pandemic and seek to exploit the opportunities of the post-COVID world. Price stability is the foundation on which the economy can strive to reach its potential in a virtuous cycle of higher financial savings and investment; reduced uncertainties for firms in investment and wage decisions; reduced term and risk premia in financial markets; and increased external competitiveness.

Liquidity Guidance

The Reserve Bank and the markets evolved a shared understanding towards cooperative solutions during the pandemic period. A large government borrowing programme was managed seamlessly. The issuance of corporate bonds reached a record level (₹5.8 lakh crore during April-December 2020 as compared with ₹4.6 lakh crore during April-December 2019). Explicit forward guidance was an innovative feature in the conduct of monetary policy during 2020-21. In addressing the discomfort of markets regarding persistently higher inflation prints and the large supply of government paper, the maintenance of financial stability and the orderly evolution of the yield curve were explicitly regarded as public goods as the benefits accrue to all stakeholders in the economy. The RBI's market operations dispelled illiquidity fears and bolstered financial market sentiment. Convinced by the RBI's communication and actions, market participants also responded synchronously and cooperatively, which bears testimony to the effectiveness of the forward guidance.

The measures taken by the RBI through a combination of policy rate cuts, proactive liquidity management and regulatory forbearance against the backdrop of global spillovers and the nation-wide lockdown ensured smooth transmission of policy rate cuts across the market spectrum, narrowing of risk spreads and a rekindling of the corporate bond market. In the G-sec market in which risk-free benchmarks evolve, a record low weighted average cost of 5.78 per cent and an elongated weighted average maturity of 14.9 years testify to the credibility of monetary and liquidity management operations of RBI.

On January 11, money market rates and G-sec yields firmed up on perceived market misconceptions about the RBI reversing its accommodative policy stance. In this context, it is useful to remember that variable rate reverse repo auctions are already a part of our menu of instruments as the main tool under the revised liquidity management framework and were in active use before the pandemic. They are voluntary and, in any case, the recourse to the overnight fixed rate reverse repo remains available on a daily basis. Variable reverse repo rate auctions offer a higher remuneration than the fixed rate reverse repo in view of the longer tenor (14-days). The stance of liquidity management continues to be accommodative and completely in consonance with the stance of monetary policy. The RBI stands committed to ensure the availability of ample liquidity in the system and thereby foster congenial financial conditions for the recovery to gain traction. It would be worthwhile to note here that reserve money rose by 14.5 per cent y-o-y (on January 29, 2021), led by currency demand. Money supply (M_3), on the other hand, grew by only 12.5 per cent as on January 15, 2021.

Since early November 2020, international crude oil prices have risen, following optimism on the back of vaccination and news on additional policy stimulus. These factors have engendered a return of risk appetite and an intensified search for returns, resulting in surges of capital flows into EMEs like India and consequent increase in volatility in the financial markets. The RBI has, however, proactively taken steps to insulate domestic financial markets from global spillovers and consequent volatility while ensuring comfortable domestic liquidity conditions.

A two phase normalisation of the cash reserve ratio (CRR) – which I am going to announce – needs to be seen in this context. Systemic liquidity would, however, continue to remain comfortable over the ensuing year. In fact, the CRR normalisation opens up space for a variety of market operations to inject additional liquidity. The underlying theme of our endeavour in these areas would be to flexibly use all instruments in our arsenal appropriately without jeopardising financial stability, which is at the core of RBI's policy objectives.

Gross market borrowing of the Centre for 2021-22 is budgeted at ₹12 lakh crore. As the government's debt manager and banker, the Reserve Bank will ensure the orderly completion of the market borrowing programme in a non-disruptive manner. In this context, we look forward to the continuance of the common understanding and cooperative approach between market players and the RBI during 2021-22 also.

Additional Measures

Against this backdrop, the RBI will persevere with its paramount objective of reviving the economy with measures relating to (i) enhancing liquidity support to targeted sectors and liquidity management; (ii) regulation and supervision; (iii) deepening financial markets; (iv) upgrading payment and settlement systems; and (v) strengthening consumer protection. The details of the measures are set out in the statement on developmental and regulatory policies (Part-B) of the Monetary Policy Statement.

(i) Liquidity Measures

TLTRO on Tap Scheme – Inclusion of NBFCs

With a view to support revival of activity in specific stressed sectors that have both backward and forward linkages and have multiplier effects on growth, the RBI had announced the TLTRO on Tap Scheme for banks on October 9, 2020. Given that NBFCs are well recognised conduits in reaching out to the last mile in various sectors, it is now proposed to provide funds from banks under the TLTRO on Tap scheme to NBFCs for incremental lending to the specified stressed sectors.

Restoration of CRR in two phases beginning March 2021

To tide over the disruption caused by COVID-19, the Cash Reserve Ratio (CRR) of all banks was reduced by 100 basis points to 3.0 per cent for a period of one year ending on March 26, 2021. On a review of monetary and liquidity conditions, it has been decided to gradually restore the CRR in two phases in a non-disruptive manner to 3.5 per cent effective from March 27, 2021 and 4.0 per cent effective from May 22, 2021. As mentioned earlier, the CRR normalisation opens up space for variety of market operations of the RBI to inject additional liquidity.

Marginal Standing Facility (MSF) - Extension of Relaxation

On March 27, 2020 banks were allowed to avail of funds under the marginal standing facility (MSF) by dipping into the Statutory Liquidity Ratio (SLR) up to an additional one per cent of net demand and time liabilities (NDTL), i.e., cumulatively up to 3 per cent of NDTL. This facility, which was extended in phases up to March 31, 2021, will now be available for a further period of another six months, i.e. up to September 30, 2021 to provide comfort to banks on their liquidity requirements. This dispensation provides increased access to funds to the extent of ₹1.53 lakh crore.

(ii) Regulation and Supervision

SLR Holdings in Held to Maturity (HTM) category

On September 1, 2020, the Reserve Bank increased the limits under Held to Maturity (HTM) category from 19.5 per cent to 22 per cent of net demand and time liabilities (NDTL) in respect of statutory liquidity ratio

(SLR) eligible securities acquired on or after September 1, 2020, up to March 31, 2021. This dispensation was made available up to March 31, 2022. In order to provide certainty to the market participants in the context of the borrowing programme of the centre and states for 2021-22, it has now been decided to extend the dispensation of enhanced HTM of 22 per cent up to March 31, 2023 to include securities acquired between April 1, 2021 and March 31, 2022. The HTM limits would be restored from 22 per cent to 19.5 per cent in a phased manner starting from the quarter ending June 30, 2023. It is expected that banks will be able to plan their investments in SLR securities in an optimal manner with a clear glide path for restoration of HTM limits.

Credit to MSME Entrepreneurs

In order to incentivise new credit flow to the micro, small, and medium enterprise (MSME) borrowers, Scheduled Commercial Banks will be allowed to deduct credit disbursed to 'New MSME borrowers' from their net demand and time liabilities (NDTL) for calculation of CRR. For the purpose of this exemption, 'New MSME borrowers' would be those who have not availed any credit facilities from the banking system as on January 1, 2021. This exemption will be available for exposures up to ₹25 lakh per borrower for credit extended up to the fortnight ending October 1, 2021. Details of the scheme would be spelt out in the circular.

Capital Conservation Buffer and Net Stable Funding Ratio

The emphasis of regulatory interventions by the Reserve Bank has veered towards supporting and nurturing the recovery. While some of the regulatory measures taken in the immediate aftermath of the pandemic are being gradually phased out, it is necessary to enable banks to continue providing the necessary support to the process of recovery. It has, therefore, been decided to defer the implementation of last tranche of the Capital Conservation Buffer (CCB) of 0.625 per cent and also defer the implementation of Net Stable Funding Ratio (NSFR) by another six months from April 1 to October 1, 2021.

Review of the Regulatory Framework for Microfinance

Microfinance sector plays an important role in last mile delivery of credit to needy segments. In view of the evolving role of the sector and the need for a robust framework for enhanced delivery of last mile credit and strengthening consumer protection, the Reserve Bank will come out with a consultative document harmonising the regulatory frameworks applicable to various regulated lenders (NBFC-Micro Finance Institutions, Scheduled Commercial Banks, Small Finance Banks and NBFC–Investment and Credit Companies) in the microfinance space.

Expert Committee on Primary (Urban) Co-operative Banks

The Primary (Urban) Co-operative Banks are an important segment of the credit structure. The Reserve Bank has undertaken several measures in the recent past to strengthen the Urban Co-operative Banking sector and deepen financial inclusion. The recent amendments to the Banking Regulation Act, 1949 have brought near parity in regulatory and supervisory powers between Primary (Urban) Co-operative Banks and commercial banks, including those related to governance, audit and resolution. An Expert Committee (EC) will be constituted to provide a medium-term road map for strengthening the sector leveraging on the legislative amendments. Constitution of the EC and its terms of reference will be announced shortly.

Remittances to IFSCs under the Liberalised Remittance Scheme

Currently, resident individuals are not allowed to make remittances under the Liberalised Remittance Scheme (LRS) to International Financial Service

Centres (IFSCs). To further develop IFSCs and bring them at par with other international financial centres, it is proposed to permit resident individuals to make remittances to IFSCs for investment in securities issued by non-resident entities in IFSCs. For this specific purpose, resident individuals would be allowed to open a non-interest bearing Foreign Currency Account (FCA) in IFSCs.

(iii) Deepening Financial Markets

Allowing Retail Investors to Open Gilt Accounts with RBI

The Central Government and the Reserve Bank have taken several measures to encourage retail investment in Government Securities. These include introduction of non-competitive bidding in primary auctions, permitting stock exchanges to route primary purchases and allowing a specific retail segment in the secondary market. In continuation of these efforts, it is proposed to provide retail investors with online access to the government securities market – both primary and secondary – directly through the Reserve Bank ('Retail Direct'). This will broaden the investor base and provide retail investors with enhanced access to participate in the government securities market. This is a major structural reform placing India among select few countries which have similar facilities. This measure together with HTM relaxation, will facilitate smooth completion of the Government borrowing programme in 2021-22.

Foreign Portfolio Investors (FPIs) Investment in Defaulted Bonds

In order to further promote investment by foreign portfolio investors (FPI) in corporate bonds, FPI investment in defaulted corporate bonds will be exempted from the short-term limit and the minimum residual maturity requirement under the Medium-Term Framework.

(iv) Payment and Settlement Systems

Setting up of 24x7 Helpline for Digital Payment Services

With enhanced penetration and efficiency of digital payments, major payment system operators would be required to facilitate setting-up of a centralised industry-wide 24x7 helpline for addressing customer queries in respect of various digital payment products and give information on available grievance redress mechanisms. Going forward, the facility of redress of customer grievances through the helpline shall be considered. This is envisaged to enhance consumer trust and confidence in the digital payments ecosystem.

Guidelines on Outsourcing for Operators and Participants of Authorised Payment Systems

The resilience of the of the digital payments ecosystem to operational risks needs to be constantly upgraded. A potential area of operational risk is associated with outsourcing by payment system operators (PSOs) and participants of authorised payment systems. To manage the attendant risks in outsourcing and ensure that a code of conduct is adhered to while outsourcing payment and settlement related services, the Reserve Bank shall issue guidelines on outsourcing of such services by these entities.

Cheque Truncation System (CTS) Clearing across all Bank Branches

The coverage of the Cheque Truncation System (CTS) has been extended to all legacy clearing houses by September 2020. It is, however, noticed that about 18,000 bank branches are still outside any formal clearing arrangement. It is now proposed to bring all these branches under CTS clearing by September 2021. With this measure, all bank branches in the country would be covered under the CTS. This will enhance customer convenience and bring in operational efficiency to paper based clearing system.

(v) Consumer Protection

Integrated Ombudsman Scheme

At present, the framework for alternate dispute resolution consists of three separate Ombudsman schemes for banks, NBFCs and non-bank prepaid payment issuers (PPIs). These three schemes are operated by the RBI from twenty-two Ombudsman offices located across the country. To make the Ombudsman mechanism simpler, efficient and more responsive, it has been decided to integrate the three Ombudsman schemes and introduce centralised processing of grievances following a 'One Nation One Ombudsman' approach. This is intended to make the process of redress of grievances easier by enabling the customers to register their complaints under the integrated scheme, with one centralised reference point. The Integrated Ombudsman Scheme will be rolled out in June 2021.

Conclusion

In conclusion, I would like to say that, going forward, the Indian economy is poised to move in only one direction and that is upwards. It is our strong conviction, backed by forecasts, that in 2021-22, we would undo the damage that COVID-19 has inflicted on the economy. After the chaos and despair of the year gone by, through which we have sailed together and shall continue to sail ahead, the overall situation can be best described in the words of Mahatma Gandhi, "We are daily witnessing the phenomenon of the impossible of yesterday becoming the possible of today ..."[2].

[2] Mahatma Gandhi; XXVI-68 Epigrams From Gandhiji - Compiled by: S.R. Tikekar First Edition: 1971 Published by: Publications Division Ministry of Information & Broadcasting

MONETARY POLICY STATEMENT FOR 2020-21

Monetary Policy Statement, 2020-21: Resolution of the Monetary Policy Committee (MPC) February 2021

Monetary Policy Statement, 2020-21 Resolution of the Monetary Policy Committee (MPC) *

On the basis of an assessment of the current and evolving macroeconomic situation, the Monetary Policy Committee (MPC) at its meeting today (February 5, 2021) decided to:

- keep the policy repo rate under the liquidity adjustment facility (LAF) unchanged at 4.0 per cent.

Consequently, the reverse repo rate under the LAF remains unchanged at 3.35 per cent and the marginal standing facility (MSF) rate and the Bank Rate at 4.25 per cent.

- The MPC also decided to continue with the accommodative stance as long as necessary – at least during the current financial year and into the next financial year – to revive growth on a durable basis and mitigate the impact of COVID-19 on the economy, while ensuring that inflation remains within the target going forward.

These decisions are in consonance with the objective of achieving the medium-term target for consumer price index (CPI) inflation of 4 per cent within a band of +/- 2 per cent, while supporting growth.

The main considerations underlying the decision are set out in the statement below.

Assessment

Global Economy

2. The global economic recovery slackened in Q4 (October-December) of 2020 relative to Q3 (July-September) as several countries battle second waves of COVID-19 infections, including more virulent strains. With massive vaccination drives underway, risks to the recovery may abate and economic activity is expected to gain momentum in the second half of 2021. In its January 2021 update, the International Monetary Fund (IMF) has revised upward its estimate of global growth in 2020 to (-)3.5 per cent from (-)4.4 per cent and increased the projection of global growth for 2021 by 30 basis points to 5.5 per cent. Barring some emerging market economies, inflation remains benign on weak aggregate demand, although rising commodity prices carry upside risks. Financial markets remain buoyant, supported by easy monetary conditions, abundant liquidity and optimism from the vaccine rollout. Global trade is also expected to rebound in 2021, with services trade on a slower recovery than merchandise trade.

Domestic Economy

3. The first advance estimates of GDP for 2020-21 released by the National Statistical Office (NSO) on January 7, 2021 estimated real GDP to contract by 7.7 per cent, in line with the projection of (-)7.5 per cent set out in the December 2020 resolution of the MPC. High frequency indicators – railway freight traffic; toll collection; e-way bills; and steel consumption – suggest that revival of some constituents of the services sector gained traction in Q3 (October-December). The agriculture sector remains resilient - rabi sowing was higher by 2.9 per cent year-on-year (y-o-y) as on January 29, 2021, supported by above normal north-east monsoon rainfall and adequate reservoir level of 61 per cent (as on February 4, 2021) of full capacity, above the 10 years average of 50 per cent.

4. After breaching the upper tolerance threshold of 6 per cent for six consecutive months (June-November 2020), CPI inflation fell to 4.6 per cent in December on the back of easing food prices and favourable base effects. Food inflation collapsed to 3.9 per cent in December after averaging 9.6 per cent during the

* Released on February 5, 2021.

previous three months (September-November) due to a sharp correction in vegetable prices and softening of cereal prices with kharif harvest arrivals, alongside supply side interventions. On the other hand, core inflation, i.e. CPI inflation excluding food and fuel remained elevated at 5.5 per cent in December with marginal moderation from a month ago. In the January 2021 round of the Reserve Bank's survey, inflation expectations of households softened further over a three month ahead horizon in tandem with the moderation in food inflation; one year ahead inflation expectations, however, remained unchanged.

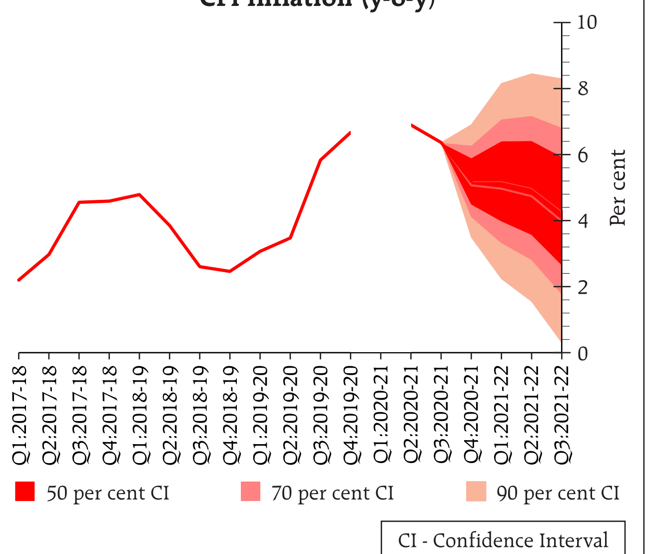
5. Systemic liquidity remained in large surplus in December 2020 and January 2021, engendering easy financial conditions. Reserve money rose by 14.5 per cent y-o-y (on January 29, 2021), led by currency demand. Money supply (M_3), on the other hand, grew by only 12.5 per cent as on January 15, 2021, but with non-food credit growth of scheduled commercial banks accelerating to 6.4 per cent. Corporate bond issuances at ₹5.8 lakh crore during April-December 2020 were higher than ₹4.6 lakh crore in the same period of last year. India's foreign exchange reserves were at US$ 590.2 billion on January 29, 2021 – an increase of US$ 112.4 billion over end-March 2020.

Outlook

6. With the larger than anticipated deflation in vegetable prices in December bringing down headline closer to the target, it is likely that the food inflation trajectory will shape the near-term outlook. The bumper kharif crop, rising prospects of a good rabi harvest, larger winter arrivals of key vegetables and softer egg and poultry demand on avian flu fears are factors auguring a benign inflation outcome in the months ahead. On the other hand, price pressures may persist in respect of pulses, edible oils, spices and non-alcoholic beverages. The outlook for core inflation is likely to be impacted by further easing in supply chains; however, broad-based escalation in cost-push pressures in services and manufacturing prices due to increase in industrial raw material prices could impart upward pressure. Furthermore, there could be increased pass-through to output prices as demand normalises as indicated in the Reserve Bank's industrial outlook, services and infrastructure outlook surveys and purchasing managers' indices (PMIs) and firms regain pricing power. International crude oil prices may remain supported by demand build up on optimism from vaccination and continuing production cuts by OPEC plus. The crude oil futures curve has become downward sloping since December 2020. Taking into consideration all these factors, the projection for CPI inflation has been revised to 5.2 per cent in Q4:2020-21, 5.2 per cent to 5.0 per cent in H1:2021-22 and 4.3 per cent in Q3: 2021-22, with risks broadly balanced (Chart 1).

7. Turning to the growth outlook, rural demand is likely to remain resilient on good prospects of agriculture. Urban demand and demand for contact-intensive services is expected to strengthen with the substantial fall in COVID-19 cases and the spread of vaccination. Consumer confidence is reviving and business expectations of manufacturing, services and infrastructure remain upbeat. The fiscal

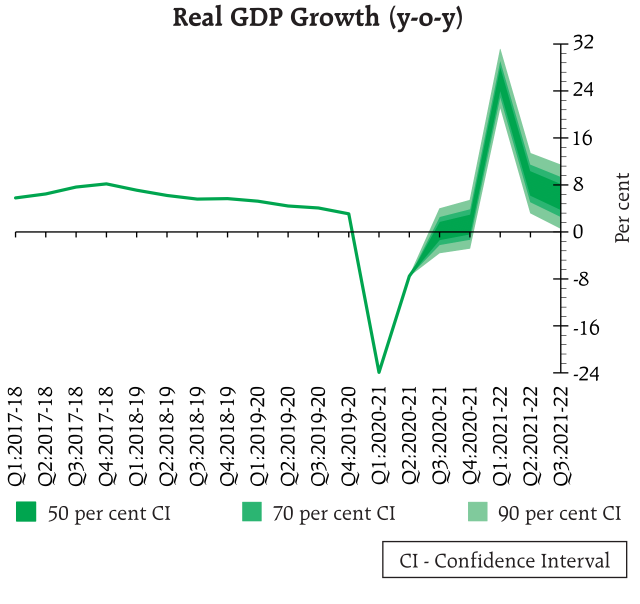
Chart 1: Quarterly Projection of CPI Inflation (y-o-y)



stimulus under AtmaNirbhar 2.0 and 3.0 schemes of government will likely accelerate public investment, although private investment remains sluggish amidst still low capacity utilisation. The Union Budget 2021-22, with its thrust on sectors such as health and well-being, infrastructure, innovation and research, among others, should help accelerate the growth momentum. Taking these factors into consideration, real GDP growth is projected at 10.5 per cent in 2021-22 – in the range of 26.2 to 8.3 per cent in H1 and 6.0 per cent in Q3 (Chart 2).

8. The MPC notes that the sharp correction in food prices has improved the food price outlook, but some pressures persist, and core inflation remains elevated. Pump prices of petrol and diesel have reached historical highs. An unwinding of taxes on petroleum products by both the centre and the states could ease the cost push pressures. What is needed at this point is to create conditions that result in a durable disinflation. This is contingent also on proactive supply side measures. Growth is recovering, and the outlook has improved significantly with the rollout of the vaccine programme in the country. The Union Budget 2021-22 has introduced several measures to provide an impetus to growth. The projected increase in capital expenditure augurs well for capacity creation thereby improving the prospects for growth and building credibility around the quality of expenditure. The recovery, however, is still to gather firm traction and hence continued policy support is crucial. Taking these developments into consideration, the MPC in its meeting today decided to continue with an accommodative stance of monetary policy till the prospects of a sustained recovery are well secured while closely monitoring the evolving outlook for inflation.

Chart 2: Quarterly Projection of Real GDP Growth (y-o-y)



9. All members of the MPC – Dr. Shashanka Bhide; Dr. Ashima Goyal; Prof. Jayanth R. Varma; Dr. Mridul K. Saggar; Dr. Michael Debabrata Patra; and Shri Shaktikanta Das – unanimously voted for keeping the policy repo rate unchanged at 4 per cent. Furthermore, all members of the MPC voted to continue with the accommodative stance as long as necessary – at least during the current financial year and into the next financial year – to revive growth on a durable basis and mitigate the impact of COVID-19 on the economy, while ensuring that inflation remains within the target going forward.

10. The minutes of the MPC's meeting will be published by February 22, 2021.

11. The next meeting of the MPC is scheduled during April 5 to 7, 2021.

STATEMENT ON DEVELOPMENTAL AND REGULATORY POLICIES

Statement on Developmental and Regulatory Policies

Statement on Developmental and Regulatory Policies

This Statement sets out various developmental and regulatory policy measures on (i) liquidity management and support to targeted sectors; (ii) regulation and supervision (iii) deepening financial markets; (iv) upgrading payment and settlement systems and (v) consumer protection.

I. Liquidity Measures

1. TLTRO on Tap Scheme – Inclusion of NBFCs

With a view to increasing the focus of liquidity measures on revival of activity in specific sectors that have both backward and forward linkages and having multiplier effects on growth, the RBI had announced the TLTRO on Tap Scheme on October 9, 2020 which is available up to March 31, 2021. In addition to the five sectors announced under the scheme on October 21, 2020, 26 stressed sectors identified by the Kamath Committee were also brought within the ambit of sectors eligible under on tap TLTRO on December 4, 2020. Liquidity availed by banks under the scheme is to be deployed in corporate bonds, commercial paper, and non-convertible debentures issued by entities in these sectors. The liquidity availed under the scheme can also be used to extend bank loans and advances to these sectors. Investments made by banks under this facility can be classified as held to maturity (HTM) even above the 25 per cent of total investment permitted to be included in the HTM portfolio. All exposures under this facility are exempted from reckoning under the large exposure framework (LEF). Given that NBFCs are well recognised conduits for reaching out last mile credit and act as a force multiplier in expanding credit to various sectors, it is now proposed to provide funds from banks under the TLTRO on Tap scheme to NBFCs for incremental lending to these sectors.

2. Restoration of Cash Reserve Ratio (CRR) in two phases beginning March 2021

To help banks tide over the disruption caused by COVID-19, the cash reserve ratio (CRR) of all banks was reduced by 100 basis points to 3.0 per cent of net demand and time liabilities (NDTL) effective from the reporting fortnight beginning March 28, 2020. The dispensation was available for a period of one year ending March 26, 2021. On a review of monetary and liquidity conditions, it has been decided to gradually restore the CRR in two phases in a non-disruptive manner. Banks would now be required to maintain the CRR at 3.5 per cent of NDTL effective from the reporting fortnight beginning March 27, 2021 and 4.0 per cent of NDTL effective from fortnight beginning May 22, 2021.

3. Marginal Standing Facility (MSF) - Extension of Relaxation

On March 27, 2020 banks were allowed to avail of funds under the marginal standing facility (MSF) by dipping into the Statutory Liquidity Ratio (SLR) up to an additional one per cent of net demand and time liabilities (NDTL), i.e., cumulatively up to 3 per cent of NDTL. This facility, which was initially available up to June 30, 2020 was later extended in phases up to March 31, 2021 providing comfort to banks on their liquidity requirements and also to enable them to meet their Liquidity Coverage ratio (LCR) requirements. This dispensation provides increased access to funds to the extent of 1.53 lakh crore and qualifies as high-quality liquid assets (HQLA) for the LCR. With a view to providing comfort to banks on their liquidity requirements, it has now been decided to continue with the MSF relaxation for a further period of six months, i.e., up to September 30, 2021.

II. Regulation and Supervision

4. SLR Holdings in Held to Maturity (HTM) category

On September 1, 2020, the Reserve Bank increased the limits under Held to Maturity (HTM) category from

19.5 per cent to 22 per cent of net demand and time liabilities (NDTL) in respect of statutory liquidity ratio (SLR) eligible securities acquired on or after September 1, 2020, up to March 31, 2021. This dispensation was made available up to March 31, 2022. In order to provide certainty to the market participants in the context of the borrowing programme of the centre and states for 2021-22, it has now been decided to extend the dispensation of enhanced HTM of 22 per cent up to March 31, 2023 to include securities acquired between April 1, 2021 and March 31, 2022. The HTM limits would be restored from 22 per cent to 19.5 per cent in a phased manner starting from the quarter ending June 30, 2023. It is expected that banks will be able to plan their investments in SLR securities in an optimal manner with a clear glide path for restoration of HTM limits.

5. Credit to MSME Entrepreneurs

In order to incentivise new credit flow to the micro, small, and medium enterprise (MSME) borrowers, Scheduled Commercial Banks will be allowed to deduct credit disbursed to 'New MSME borrowers' from their Net Demand and Time Liabilities (NDTL) for calculation of the Cash Reserve Ratio (CRR). For the purpose of this exemption, 'New MSME borrowers' shall be defined as those MSME borrowers who have not availed any credit facilities from the banking system as on January 1, 2021. This exemption will be available only for exposures up to 25 lakh per borrower for credit extended up to the fortnight ending October 1, 2021 for a period of one year from the date of origination of the loan or the tenure of the loan, whichever is earlier.

6. Basel III Capital Regulations: Deferment of the Full Phase-in of Capital Conservation Buffer

As part of the regulatory measures taken in the wake of COVID-19, the implementation of last tranche of the capital conservation buffer (CCB) of 0.625 per cent, which was scheduled to take effect from April 1, 2020, was deferred till April 1, 2021. Considering the continuing stress on account of COVID-19, and in order to aid in the recovery process, it has been decided to defer the implementation of the last tranche of the CCB of 0.625 per cent from April 1, 2021 to October 1, 2021.

7. Deferment of the implementation of Net Stable Funding Ratio (NSFR)

As part of the regulatory measures taken in the wake of COVID-19, the implementation of Net Stable Funding Ratio (NSFR) by banks in India had been deferred to April 1, 2021. While banks are comfortably placed on the liquidity front, in view of the continued stress on account of COVID-19, it has been decided to defer the implementation of NSFR to October 1, 2021.

8. Review of the Regulatory Framework for Microfinance

Recently, the Reserve Bank has released a discussion paper on Revised Regulatory Framework for NBFCs – A Scale Based Approach. Taking into consideration the constantly evolving milieu in the financial sector, it is proposed to review the regulatory framework for Non-Banking Financial Company - Micro Finance Institutions (NBFC-MFIs). There is a case for having a framework which is uniformly applicable to all regulated lenders in the microfinance space including scheduled commercial banks, small finance banks and NBFC-Investment and Credit Companies, rather than prescribing these guidelines for NBFC-MFIs alone. Accordingly, the RBI will come out with a consultative document harmonising the regulatory frameworks for various regulated lenders in the microfinance space in March 2021.

9. Constitution of an Expert Committee on Primary (Urban) Co-operative Banks

Primary (Urban) Co-operative Banks are an important segment of the credit structure. The provisions of the Banking Regulation (Amendment) Act, 2020 are applicable to Primary (Urban) Co-operative Banks (UCBs) with effect from June 26, 2020. The amendments have brought near parity in regulatory and supervisory powers between UCBs and commercial banks in respect of regulatory powers including those related to governance, audit and resolution. Consequently, a comprehensive review of regulatory/supervisory approach towards the sector is required in the light of these amendments. Accordingly, it has been decided to set up an Expert Committee on UCBs involving all stakeholders in order to provide a medium-term road map to strengthen the sector, enable faster rehabilitation/resolution of UCBs, as well as to examine other critical aspects relating to these entities. The constitution of the Committee as well as the terms of reference will be notified separately.

10. Remittances to International Financial Services Centres (IFSCs) under the Liberalised Remittance Scheme

At present, resident individuals are not allowed to make remittances to IFSCs established in India under the Liberalised Remittance Scheme (LRS). In order to deepen the financial markets in IFSCs and provide an opportunity to resident individuals to diversify their portfolio, on a review, it has been decided to permit resident individuals to make remittances to IFSCs established in India under the Scheme. Since remittances towards current account transactions like travel, education, gifts and capital account transactions like purchase of immovable property are not relevant with respect to IFSCs in India, remittances will be permitted only for making investments in securities issued by the non-resident entities in IFSCs. Resident Individuals may also open a non-interest bearing Foreign Currency Account (FCA) in IFSCs for making investments under LRS. The funds in the FCA shall be used only for the purpose of making permissible investments in IFSC and any funds lying idle in the account shall be repatriated to resident account of the investor in India within a period of 15 days from receipt. Detailed guidelines in the form of an AP DIR Circular shall be issued shortly.

III. Deepening Financial Markets

11. Allowing Retail Investors to Open Gilt Accounts with RBI

Encouraging retail participation in the Government securities market has been the focus area of the Government of India and the RBI. Accordingly, several initiatives viz. introduction of non-competitive bidding in primary auctions, permitting stock exchanges to act as aggregators/facilitators for retail investors and allowing odd-lot segment in the NDS-OM secondary market, have been taken in the past. As part of continuing efforts to increase retail participation in government securities and to improve ease of access, it has been decided to move beyond aggregator model and provide retail investors online access to the government securities market – both primary and secondary - along with the facility to open their gilt securities account ('Retail Direct') with the RBI. Details of the facility will be issued separately.

12. Foreign Portfolio Investors (FPIs) Investment in Defaulted Bonds

At present, foreign portfolio investors (FPI) can invest in security receipts and debt instruments issued by Asset Reconstruction Companies and debt instruments issued by an entity under the Corporate Insolvency Resolution Process as per the resolution plan approved by the National Company Law Tribunal under the Insolvency and Bankruptcy Code, 2016 and these investments are exempted from the short-term limit and minimum residual maturity requirement under the Medium Term Framework (MTF) for investment by FPIs in corporate bonds. In order to further promote investment by FPIs in corporate bonds, it is proposed to extend similar exemptions to defaulted corporate bonds. Accordingly, FPI investment in defaulted corporate bonds will be exempted from the short-term limit and the minimum residual maturity requirement under the MTF. Detailed guidelines are being issued separately.

IV. Payment and Settlement Systems

13. Setting up of a 24x7 Helpline for Digital Payment Services

Many safety and security features and measures for redress of grievances have been ushered in by the Reserve Bank of India for enhanced digital payments experience of users. The Payment Systems Vision document of RBI envisages setting up a 24x7 helpline for addressing customer queries in respect of various digital payment products. The helpline will, in addition to building trust and confidence, also reduce expenditure on both financial and human resources, otherwise incurred for addressing queries and grievances. The major payment system operators would be required to facilitate setting-up of a centralised industry-wide 24x7 helpline for addressing customer queries in respect of various digital payment products and give information on available grievance redress mechanisms by September 2021. Going forward, the facility of registering and resolving the customer complaints through the helpline shall be considered.

14. Guidelines on Outsourcing for Operators and Participants of Authorised Payment Systems

The operators and participants of various authorised payment systems carry out a bouquet of specialised activities on account of the products offered by them and design of payment systems they operate. Often, such activities are outsourced to optimise efficiency and lower costs. However, vulnerabilities in the systems of entities who provide such outsourced services can pose cyber security risks to the principal entity. To manage the attendant risks in outsourcing and ensure that a code of conduct is adhered to while outsourcing payment and settlement related services, the Reserve Bank shall issue guidelines to operators and participants of authorised payment systems.

15. Enabling Participation in CTS Clearing across all Bank Branches in the Country

The Cheque Truncation System (CTS) is in use since 2010 and presently covers around 1,50,000 branches across three cheque processing grids. All the erstwhile 1219 non-CTS clearing houses have since been migrated to CTS. It is observed that about 18,000 bank branches are still outside any formal clearing arrangement. In order to bring operational efficiency in paper based clearing and make the process of collection and settlement of cheques faster resulting in better customer service, it is proposed to bring all such branches under the CTS clearing mechanism by September 2021. Separate operational guidelines will be issued in a month's time.

V. Consumer Protection

16. Integrated Ombudsman Scheme

Financial consumer protection has gained significant policy priority across jurisdictions. In line with the global initiatives on consumer protection, RBI has taken various initiatives to strengthen Grievance Redress Mechanism of regulated entities. As an alternate dispute resolution mechanism, three Ombudsman schemes, i.e. (i) Banking Ombudsman Scheme (ii) Ombudsman Scheme for Non-Banking Financial Companies and (iii) Ombudsman Scheme for Digital Transactions are in operation from 22 ombudsman offices of RBI located across the country. RBI had operationalised complaint management system (CMS) portal as one stop solution for alternate dispute resolution of customer complaints not resolved satisfactorily by the regulated entities. To make the alternate dispute redress mechanism simpler and more responsive to the customers of regulated entities, it has been decided to implement, inter alia, integration of the three Ombudsman schemes and adoption of the 'One Nation One Ombudsman' approach for grievance redressal. This is intended to make the process of redress of grievances easier by enabling the customers of the banks, NBFCs and non-bank issuers of PPIs to register their complaints under the integrated scheme, with one centralised reference point. The Integrated Ombudsman Scheme will be rolled out in June 2021.

SPEECH

Towards a Stable Financial System
Shaktikanta Das

*Towards a Stable Financial System**

Shaktikanta Das

At the outset, let me pay my homage to Shri Nani A. Palkhivala and his grand legacy as a nation builder of modern India. I would also like to convey my sincere appreciation to the Palkhivala Foundation for continuing the tradition of organising Shri Palkhivala Memorial Lectures. I consider it as a great honour to be delivering the 39th Shri Palkhivala Memorial Lecture today, more so – among others – because he was very closely associated with the Reserve Bank during his tenure as a member of the Central Board from 1963 to 1970. Gleaning through the history of the Reserve Bank, I gather that he participated actively in discussions of the Central Board on important issues spanning bank nationalisation, external aid and development finance institutions. He invariably brought insightful perspective to the deliberations on various issues. Shri Palkhivala was a strong votary of enhancing competition in the banking sector and nurturing native entrepreneurial capabilities to spur economic progress. These issues continue to be relevant even in the present times.

The immensity of Shri Palkhivala's life-long contributions to the Indian society is well known. He was a gifted jurist who held the constitution, economic and individual freedoms in highest regard. His conduct and integrity during the epochal Kesavananda Bharti case and in many other cases underlined the strength of his character, profound intellect and a heart full of empathy for the citizens of this country.

Shri Palkivala was an orator par excellence, both inside and outside the courtroom. Starting in 1958, his famous post-budget speeches are still remembered for their eloquence, intelligence and sharp wit. With growing audience every year, the venue of Palkhivala's speeches on budget kept getting shifted to bigger places. In 1983 when it was held in the Brabourne Stadium in Mumbai, Vijay merchant – the President of the Cricket Club of India – while welcoming the gathering had remarked[1] "Mr. Palkivala has brought the crowds back to the Brabourne stadium" since test matches had been shifted to the newly constructed Wankhede stadium.

The topic of my lecture today is *"Towards a Stable Financial System"*. The year bygone could be marked as one of the toughest periods for human society. The unprecedented health and economic catastrophe caused by the COVID-19 pandemic has exposed and widened economic and societal fault lines across countries. It is, therefore, essential to evolve a prudent and judicious approach towards managing the financial system not only during the pandemic but also in its aftermath.

I. Changing Contours of Financial Stability

Globally, the concept of financial stability has been evolving over time. With increasing complexity of the financial system, the focus of financial stability has moved beyond commercial banks and providing them liquidity during bank runs, to other segments like non-bank financial institutions, financial markets, payment systems, etc. The focus area has thus widened to several other pressure points to prevent financial instability. Not surprisingly, therefore, preservation of financial stability has steadily evolved to become a major objective among central banks, implicitly or explicitly, alongside traditional and evolving goals of monetary policy.

Since the global financial crisis (GFC) of 2008, financial stability has featured even more prominently in the discourse of central banks. It has been well

* Shri Shaktikanta Das , Governor, Reserve Bank of India, Nani Palkhivala Memorial Lecture in, Reserve Bank of India on Saturday, January 16, 2021.

[1] Bakhtiar K. Dadabhoy: *Sugar in Milk: Lives of Eminent Parsis*, Rupa & Co., Page 359.

documented that central banks in many countries were narrowly focused on price stability and perhaps overlooked the build-up of financial instability during the great moderation period. The pre-crisis consensus was for unfettered financial sector growth and minimal regulation that was supposed to deliver even more growth. The 2008 crisis made it abundantly clear that financial strength of individual institution does not add up to systemic stability. That was evident because before the crisis happened, almost every financial institution reported substantial capital adequacy. This made the policy makers realise that while micro-prudential regulations would help determine the strength of a financial entity, they have to be complemented with adequate macro-prudential regulations and anti-systemic risk measures. Preserving systemic stability thus emerged as the cornerstone of central bank policies.

In the Indian context, maintaining financial stability remains one of the uppermost objectives of the Reserve Bank, drawing from its wide mandate as the regulator of the banks, NBFCs and payment systems; regulator of the money, forex, government securities and credit markets; and also as the lender-of-the-last resort. This unique combination of responsibilities – monetary policy combined with macroprudential regulation and micro-prudential supervision – has allowed the Reserve Bank to exploit the synergies across various dimensions.

The conceptual underpinnings of financial stability, as it evolved post-GFC, entailed preserving and nurturing a well-functioning financial architecture which includes not just the banks but also other financial institutions along with efficient and secure payment and settlement systems. Recent experience across countries during the pandemic suggests that even though banks, non-banks, financial markets and payment systems remain at the core of financial stability issues, there is still a need to look much closer at the system in its entirety. In this sense, the overall objective of financial stability policies should be closely intertwined with the health of the real economy. More precisely, given that the financial system works as a pivot between various sectors of the economy and given the strong linkages across sectors, financial stability needs to be seen in a broader perspective and must include not just the stability of the financial system and monetary stability (price stability), but also fiscal sustainability and external sector viability. All these operate in a feedback loop; and disturbances in any of the segments do get propagated to other segments with the potential of disrupting systemic stability.

When we look at financial stability from such a perspective, preserving and nurturing the same becomes a public good, which should facilitate creation and nurturing of congenial underlying conditions for sustained growth and development. In difficult circumstances, such as the current one, it is important that all stakeholders recognise and partake in their shared responsibility for the collective benefit of the society at large. History is replete with examples of such endeavours in response to difficult situations and that, in essence, has been the story of human progress and modern economies.

II. Preserving Financial Stability during COVID-19

The idea of financial stability in this broader sense moulded the Reserve Bank's approach during the pandemic, which was a unique crisis, more challenging than the global financial crisis of 2008, impacting both the real and financial sector in great severity. With conventional, unconventional and new tools, the Reserve Bank responded through a series of measures to alleviate stress in various segments of the economy and the financial sector, including the stress encountered by market players and financial entities. Broadly speaking, our approach to the Covid situation included the following measures:

(a) Measures to mitigate the immediate impact of the pandemic : loan moratoriums together with asset classification standstill; easing of working capital financing and deferment of interest; restructuring of micro,small and medium enterprieses (MSME) loans, etc.

(b) Liquidity augmenting measures: long-term repo operation (LTRO) / targeted long-term repo operation (TLTRO) refinance schemes for various sectors including stressed sectors; reduction in cash reserve ratio (CRR), and other measures totalling about ₹12.81 lakh crore (6.3 per cent of nominal GDP of 2019-20).

(c) Countercyclical regulatory measures to ease stress on borrowers and the banking system –relaxation in regulatory compliance; conservation of capital by banks; relaxation in group exposure norms, etc.

(d) Measures to ensure uninterrupted flow of credit - significant interest rate cuts (115bps); assuring markets of easy financing conditions; exemption from CRR maintenance for incremental retail and MSME loans; extension of priority sector classification for bank loans to non-banking finance companies (NBFCs) for on-lending; rationalisation of risk weights for regulatory retail portfolio and individual housing loans, etc.

(e) Framework for resolution of Covid-related stress for individuals and businesses.

(f) Closer surveillance of supervised entities focusing on business process resilience and continuity, proactive management of risks, stress tests and proactive raising of capital, etc.

Our principal objective during this pandemic period was to support economic activity; and looking back, it is evident that our policies have helped in easing the severity of the economic impact of the pandemic. I would like to unambiguously reiterate that the Reserve Bank remains steadfast to take any further measures, as may be necessary, while at the same time remaining fully committed to maintaining financial stability.

III. Adaptations and Learnings: Way Forward

The recent period has given us an opportunity to learn and adapt and decide on the way forward. In today's lecture, I would like to focus on three key areas: (i) stability of the banking and non-banking financial sector; (ii) external sector stability; and (iii) fiscal stability. Let me first focus on the banking and non-banking financial sectors.

Governance Reforms

Integrity and quality of governance are keys to good health and robustness of banks and NBFCs. Recent events in our rapidly evolving financial landscape have led to increasing scrutiny of the role of promoters, major shareholders and senior management *vis-à-vis* the role of the Board. The Reserve Bank is constantly focussed on strengthening the related regulations and deepening its supervision of financial entities.

A good governance structure will have to be supported by effective risk management, compliance functions and assurance mechanisms. These constitute the first line of defence in matters relating to financial sector stability. Some of the integral elements of the risk management framework of banks would include effective early warning systems and a forward-looking stress testing framework. Banks and NBFCs need to identify risks early, monitor them closely and manage them effectively. The risk management function in banks and NBFCs should evolve with changing times as technology becomes all pervasive and should be in sync with international best practices. In this context, instilling an appropriate risk culture in the organisation is important. This needs to be driven by the Board and senior management with effective accountability at all levels.

In addition to a strong risk culture, banks and non-banks should also have appropriate compliance culture. Cost of compliance to rules and regulations should be perceived as an investment as any inadequacy in this regard will prove to be detrimental. Compliance culture should ensure adherence to not only laws, rules and regulations, but also integrity, ethics and codes of conduct.

A robust assurance mechanism by way of internal audit function is another important component of sound corporate governance and risk management. It provides independent evaluation and assurance to the Board that the operations of the entity are being performed in accordance with the set policies and procedures. The internal audit function should assess and contribute to improvement of the organisation's governance, risk management and control processes using a systematic, disciplined, and risk-based approach.

In all these areas, the Reserve Bank has already taken a number of measures and will continue to do so from time to time. Recent efforts in this direction were geared towards enhancing the role and stature of the compliance and internal audit functions in banks by clarifying supervisory expectations and aligning the guidelines with best practices. Some more measures on improving governance in banks and NBFCs are in the pipeline.

Supervisory Initiatives

In the last two years, the Reserve Bank has initiated a series of measures to strengthen its supervisory framework over scheduled commercial banks(SCBs), urban co-operative banks(UCBs) as well as NBFCs. The supervisory functions pertaining to these sectors are now integrated, with the objective of harmonising the supervisory approach. The possibility of working in silos has been eliminated. We have developed a system for early identification of vulnerabilities to facilitate timely and proactive action. We have been deploying advances in data analytics to offsite returns so as to provide sharper and more comprehensive inputs to the onsite supervisory teams. The thrust of the Reserve Bank's supervision is now more on root causes of vulnerabilities rather than dealing with symptoms. Bank-wise as well as system-wide supervisory stress testing adds a forward-looking dimension for identification of vulnerable areas. A risk-based supervision framework focussing on know your customer (KYC)/anti money laundering (AML) risk has been created in line with global practices. Fintech initiatives are being embraced in the form of innovative technologies for regulation (RegTech) and supervision (SupTech).

As regards regulatory intervention in banks to protect the interest of depositors, our approach in recent times has been to first work closely with the management to find a workable solution. When this does not work, we have intervened and put in place a new arrangement within a quick time schedule. With preservation of financial stability and depositors' interest being uppermost in our agenda, we could swiftly resolve the situation at two SCBs. Notwithstanding improvements being made, it is recognised that enhancing and refining the supervisory framework is a continuous process. The Reserve Bank remains strongly committed to preserve the stability of the financial sector. We will do whatever is necessary on this front.

Recapitalisation of Banks

Going ahead, financial institutions in India have to walk a tightrope in nurturing the economic recovery within the overarching objective of preserving long-term stability of the financial system. The current COVID-19 pandemic related shock will place greater pressure on the balance sheets of banks in terms of non-performing assets, leading to erosion of capital.

Building buffers and raising capital by banks – both in the public and private sector – will be crucial not only to ensure credit flow but also to build resilience in the financial system. We have advised all banks, large non-deposit taking NBFCs and all deposit-taking NBFCs to assess the impact of COVID-19 on their balance sheet, asset quality, liquidity, profitability and capital adequacy, and work out possible mitigation measures including capital planning, capital raising, and contingency liquidity planning, among others.

Preliminary estimates suggest that potential recapitalisation requirements for meeting regulatory norms as well as for supporting growth capital may be to the extent of 150 bps of Common Equity Tier-I capital ratio for the banking system[2]. Prudently, a few large public sector banks (PSBs) and major private sector banks (PVBs) have already raised capital, and some have plans to raise further resources taking advantage of benign financial conditions. This process needs to be put on the fast track.

External Sector Stability

Given that the domestic financial sector closely interacts with external sector through various channels, it becomes a critical segment from a financial stability perspective. A weak external sector can pose a threat to domestic financial stability in the face of swift changes in the global economic environment as was the case during the GFC (2008) or the taper-tantrum period (2013). External sector conditions are generally captured through movements in current account balances, capital flows, exchange rates, foreign exchange reserves and external debt position. Sudden changes in any of these indicators due to global shocks and/or domestic developments can impact the viability of external sector and its interaction with the domestic economy.

Notwithstanding the worsening of both external and domestic demand conditions impinging on exports and imports since the onset of COVID-19, India's external sector has remained resilient. Lower trade deficit driven by steeper fall in imports coupled with resilient net exports of services translated into a large current account surplus to the tune of 3.1 per cent of GDP in H1:2020-21. With surplus in the current account, the scope of absorption of strong inflows of foreign direct investment and portfolio investments by the economy was limited which led to a large accretion in foreign exchange reserves.

Sustained accretion to foreign exchange reserves has improved reserve adequacy in terms of conventional metrics such as (i) cover for imports (18.4 months) and (ii) reserves to short-term debt in terms of residual maturity (236 per cent). Sound external sector indicators augur well for limiting the impact of spillovers of possible global shocks and financial stability concerns as investors and markets are credibly assured of the buffer against potential contagion. While abundant capital inflows have been largely driven by accommodative global liquidity conditions and India's optimistic medium-term growth outlook, domestic financial markets must remain prepared for sudden stops and reversals, should the global risk aversion factors take hold. Under uncertain global economic environment, EMEs typically remain at the receiving end. In order to mitigate global spillovers, they have no recourse but to build their own forex reserve buffers, even though at the cost of being included in currency manipulators list or monitoring list of the US Treasury. I feel that this aspect needs greater understanding on both sides so that EMEs can actively use policy tools to overcome the capital flow related challenges. At the Reserve Bank, we are closely monitoring both global headwinds and tailwinds while assessing domestic macroeconomic situation and its resilience.

2 Report on Trends and Progress of Banking in India 2019-20, page 2

Fiscal Stability

The COVID-19 pandemic has further brought to the fore the need for governments to spend on merit goods and public goods; in particular on improving human and social capital and on physical infrastructure (IMF, 2020). As per IMF's calculations, the total fiscal support in response to COVID-19 amounted to about 12 per cent of global GDP by mid-September 2020. Global public debt is said to reach 100 per cent of GDP in 2020. As a result, most economies are expected to emerge from the pandemic with higher deficits and debt vulnerabilities. Under these circumstances, and given the expenditure requirements to support the process of economic revival, fiscal stability becomes an even more important constituent of overall financial stability.

Although the scale of fiscal spending is expected to breach the quantitative targets of fiscal prudence across most economies in the short-run, it was crucial in the context of the pandemic from the perspective of welfare aspect of public expenditure. Expenditure on physical and social infrastructure including human capital, science and technology is not only welfare-enhancing, it also paves the way for higher growth through their higher multiplier effect and enhancement of both capital and labour productivity. Under these circumstances and going forward, it becomes imperative that fiscal roadmaps are defined not only in terms of quantitative parameters like fiscal balance to GDP ratio or debt to GDP ratio, but also in terms of measurable parameters relating to quality of expenditure, both for center and states. While the conventional parameters of fiscal discipline will ensure medium and long-term sustainability of public finances, measurable parameters of quality of expenditure would ensure that welfarism carries significant productive outcomes and multiplier effects. Maintaining and improving the quality of expenditure would help address the objectives of fiscal sustainability while supporting growth.

IV. Concluding observations

Looking ahead, our financial system faces both challenging times and new opportunities as the Indian economy returns to full vitality. New vistas of financial intermediation leveraging on technology and new business models will emerge. With the exponential growth of digitisation and online commerce in India, the Reserve Bank has also directed its policy efforts to put in place a state of the art national payments infrastructure, while ensuring a safe, secure, efficient, cost-effective and robust payments ecosystem. The Reserve Bank is positioning itself to provide an enabling environment in which regulated entities are catalysed to exploit these new avenues, while maintaining and preserving financial stability. The regulated entities, on their part, need to strengthen their internal defences to identify emerging risks early and manage them effectively. Financial stability is a public good and its resilience and robustness needs to be preserved and nurtured by all stakeholders. We need to support economic revival and growth; we need to preserve financial stability.

Thank you.

ARTICLES

State of the Economy

Sectoral Deployment of Bank Credit in India: Recent Developments

Assessing the Future Path of Monetary Policy from Overnight Indexed Swap (OIS) Rates

Do Markets Know More? India's Banking Sector through the Lens of PBR

*State of the Economy**

In India, economic activity is gaining steam as COVID-19 incidence recedes and the ongoing vaccine rollout releases pent-up optimism. All engines of aggregate demand are starting to fire; only private investment is missing in action and the time is apposite for it to come alive. Broader measures of liquidity reflect easing of monetary and financial conditions in the system.

A race is on upon the tracks of time – infections *versus* injections; vaccinations *versus* mutations. So far, like the mythical Grecian huntress Atalanta who offered to marry anyone who could outrun her but those whom she overtook she speared, infections are running ahead. By the end of February 2021, global infections closed on to 114 million across 192 countries, according to the Johns Hopkins University Coronavirus Resource Center. Yet, injections are gaining ground. In total, more than 50 million people have been fully vaccinated in 64 countries around the world. The pace of vaccinations continues to increase, at roughly 6.17 million doses a day (Bloomberg). On the darker side, a COVID-19 mutation that likely confers partial resistance to the antibodies produced by vaccines is now in the U.S., spurring scientists to probe new ways to battle a virus that is constantly changing and could remain active for years. The South African variant has already spread quickly across the African continent and has been seen in at least 24 countries outside Africa. The U.K. mutation first seen in Colorado on December 29, 2020 was detected in 29 U.S. states in less than a month. Both variants are considered more contagious than the original strain. Late-stage trials on vaccines show an unequivocal drop-off in efficacy. Vaccine makers must now shift gears mid-course to work on either booster shots or a new adjusted vaccine that can work better against mutations. It is a wake-up call to be nimble: the virus will mutate and challenge us – with more than 100 million people infected, there are 100 million chances for mutation.

India is taking the road less travelled by in at least three important ways. First, the surging tide of COVID-19 patients that peaked in mid-September 2020 at 100,000 new confirmed daily infections, has dropped precipitously to average around 12,500 a day in February 2021, offering doctors, healthcare workers and other frontline warriors an unexpected respite. Health surveys now reveal that exposure to the virus was much higher than previously realised, leading to the view gaining ground that India's crowded cities and towns may be in the early stages of herd immunity ahead of the availability of the vaccine. Or at least, hope that the worst is over, vindicating the prognosis made in the December 2020 issue of this article[1]. Youth is on our side – close to 95 per cent of the population is aged below 65 years. Moreover, India has been there, done it. Scientists ascribe the high proportion of asymptomatic infections in India to prior exposure to other pathogens; our fight against polio and measles is standing in good stead in our ambitious vaccination drive that aims to inoculate 300 million by end-August. India is only behind the US and the UK in terms of vaccine doses delivered, being the fastest to reach the 500,000 mark (21 days). Despite starting its own vaccination drive only on January 16, India is utilising its pharmaceutical manufacturing capacity to supply vaccines to 70 per cent of the world, with 15 countries so far supplied and another 25 countries are in the queue, including donations to neighbours - a virtuous demonstration of soft power.

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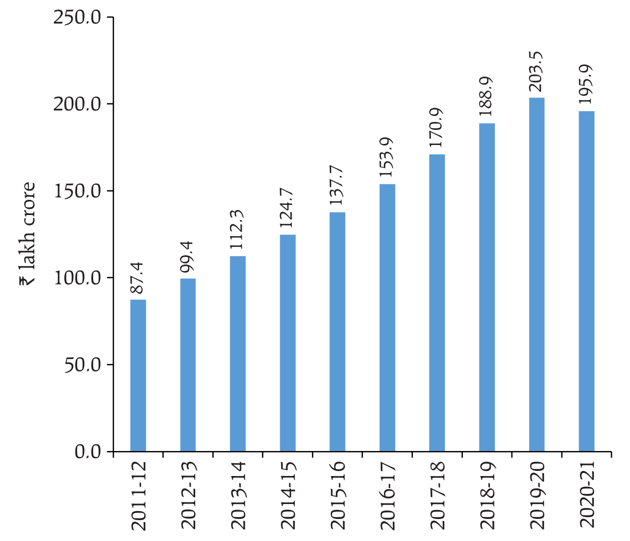
* This article has been prepared by Michael Debabrata Patra, Kunal Priyadarshi, Shashidhar M. Lokare, Krishna Mohan Kushawaha, K.M. Neelima, Abhinandan Borad, Jitendra Sokal, Manu Sharma, Shobhit Goel, Barkha Gupta, Saksham Sood, Priyanka Sachdeva, Rishabh Kumar, Rigzen Yangdol, Rajas Saroy, Shahbaaz Khan, Asish Thomas George, Deba Prasad Rath, Praggya Das and Samir Ranjan Behera. Views expressed in this article are those of the authors and do not necessarily represent the views of the Reserve Bank of India.

[1] The Financial Times of January 30, 2021 took note of it, as the 'ebullience' of the 'normally staid Reserve Bank of India'.

In terms of nominal GDP, 96 per cent of pre-pandemic economic activity has been restored, assuming that the National Statistical Office's first advance estimates hold (Chart 1). Early corporate results for Q3:2020-21 indicate that sales continue to improve as they rise out of contraction; combined with a fall in raw material costs and saving on account of lower interest expenses, there has been a jump in operating profits. Pro-cyclical industries in the non-financial sector - auto, steel and cement - registered a sharp rebound in volumes, increases in output prices in a strong pricing environment and adopted cost cutting measures. The information technology (IT) sector has clearly demonstrated pandemic-proofing, notching up among its strongest quarterly sales growth in several years. To illustrate, stock prices of IT major Tata Consultancy Services briefly surpassed those of Accenture to become the world's most valued IT company in terms of market capitalisation. On the other hand, sales growth of fast moving consumer goods (FMCG) and pharmaceutical companies exhibited moderation during the quarter, tempering profits growth. Across India, more children have to get back to school, more workers and professionals to their

Chart 1: Nominal GDP

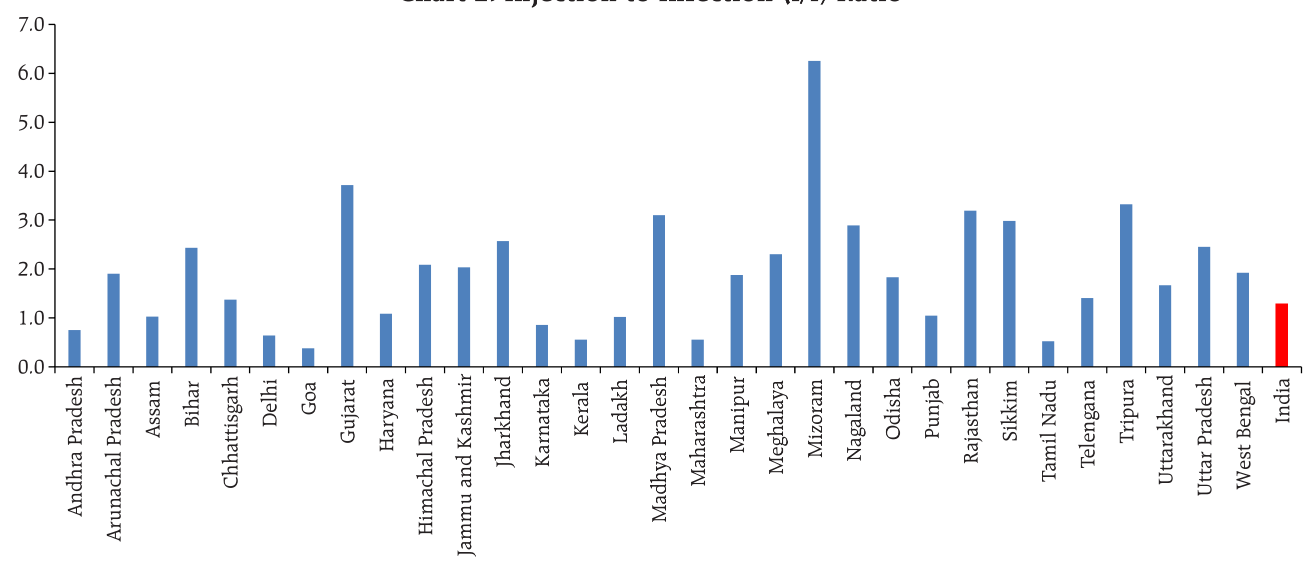


Source: National Statistical Office (NSO).

workplaces, and more among the elderly outdoors. As the injection to infection (I to I) ratio shows (Chart 2), a long and arduous journey lies ahead with fingers crossed and no room for complacency.

Second, policy makers in India are wresting the initiative from the virus to convert adversity into opportunity. On February 1, 2021 the Finance Minister

Chart 2: Injection to Infection (I/I) Ratio



Source: Ministry of Health and Family Welfare (MoHFW).

unveiled India's budget of "trust and hope". Saying no to austerity, the Union Budget will go down in history for balancing boldness and optimism with transparency and pragmatic prudence. No new taxes, ease of compliance and, in fact, tax buoyancy from compliance, new ways to deal with loan delinquencies and yet with the largest capital outlay budget ever at ₹5.54 lakh crore, it is not surprising that in a rare response, financial markets serenaded a budget. Bravo! As Aristotle wrote in his Politika in 350 B.C.E., "well begun is half done."

Third, with fiscal policy reprioritising spending towards growth but within an envelope that also envisages the wind-down of pandemic borrowings – the gross fiscal deficit (GFD) is budgeted to go down from 9.5 per cent of GDP to 6.8 per cent - monetary policy became the sheet anchor of the economy in its last bi-monthly announcement for the year 2020-21. Judging that the easing of inflation in its December reading provided scope to support growth, the monetary policy committee left the policy rate unchanged on February 5 and maintained its time-contingent stance of being accommodative through the current fiscal year and into the next. Fortune favours the brave – in its January 2021 print, inflation came in at 4.06 per cent, just 6 basis points shy of the target on the way down. At the same time, the Reserve Bank pulled out all stops to ensure the smooth completion of the borrowing programme of the central government, reckoning the orderly evolution of the yield curve and ensuing financial stability to be non-rivalrous and non-excludable for the use of all members of society. First, it brought a new and most dependable investor into the gilt market – the Indian saver, the *aam aadmi* – who can now hold a gilt securities account with the Reserve Bank itself. It is worthwhile to note that the Indian household was the only lender to the rest of the economy in 2019-20, the latest year for which full information is available. Second, it extended a dispensation of holding to maturity new securities purchased by banks. As a result, holdings of securities up to a level of ₹4 lakh crore will be insulated from interest rate fluctuations and hence banks will be protected from 'mark-to-market' losses. Third, for the first time, the Governor of the Reserve Bank provided forward guidance on liquidity and it is worthwhile to draw on it:

> *"The stance of liquidity management continues to be accommodative and completely in consonance with the stance of monetary policy. The RBI stands committed to ensure the availability of ample liquidity in the system and thereby foster congenial financial conditions for the recovery to gain traction….the CRR normalisation opens up space for a variety of market operations to inject additional liquidity. The underlying theme of our endeavour in these areas would be to flexibly use all instruments in our arsenal appropriately without jeopardising financial stability, which is at the core of RBI's policy objectives. As the government's debt manager and banker, the Reserve Bank will ensure the orderly completion of the market borrowing programme in a non-disruptive manner. In this context, we look forward to the continuance of the common understanding and cooperative approach between market players and the RBI…"*

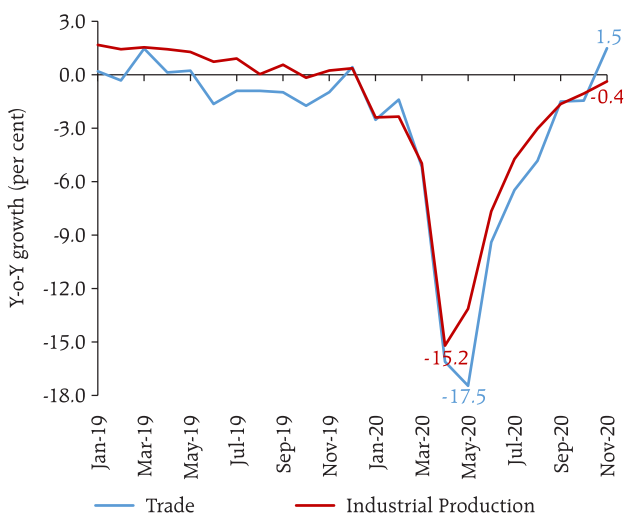
The message given is unambiguous: liquidity will remain ample [total absorption under the liquidity adjustment facility (LAF) was ₹7.1 lakh crore on February 25, 2021]; the Reserve Bank will ensure ample liquidity (up to February 19, 2021, the Reserve Bank has conducted open market purchases to the tune of ₹3.0 lakh crore while forex operations had expanded domestic liquidity by ₹5.4 lakh crore in 2020-21). The Reserve Bank will replenish the liquidity withdrawn *via* normalisation of the cash reserve ratio (CRR), roughly equivalent of ₹1.6 lakh crore; and the Reserve Bank will complete the borrowing programme of the government in an orderly manner. A pity that these stark messages were lost to naïve adventurism by some bond traders! The Reserve Bank's announcements were not intended to move earth and heaven, but that which we are, we are – one equal temper of heroic hearts[2].

II. The Global Setting

A strong rebound in global economic activity in Q3:2020, powered by pent-up consumption demand and adjustments to work-away-from-office logistics, tapered off in Q4 as surges of second/third waves of infections, especially of newer and more contagious strains and tighter lockdowns took their toll (Chart 3).

Vaccine approvals, the launch of vaccinations and announcements of additional policy stimulus in some countries infuse hope that the global economy will regain momentum towards the close of Q1 and in Q2. This has brightened the outlook for 2021. On the assumption of vaccine availability across most countries over the course of 2021-22, the International Monetary Fund (IMF) has revised global GDP projections for 2021 to 5.5 per cent in its January 2021 update of the World Economic Outlook (WEO)

Chart 3: Growth in World Industrial Production and World Trade Volume



Source: CPB Netherlands.

from 5.2 per cent projected in the October release (Table 1). Advanced economies (AEs) are likely to gain an edge from stockpiling of vaccine doses and additional policy support, with favourable spillovers to trading partners and capital flow spillovers to emerging market economies (EMEs) as risk appetite intensifies. The strength and pace of recovery can, therefore, be expected to remain uneven and divergent across countries. On a sinister note in this context, the World Health Organization (WHO) has indicated that if the pandemic continues to spread unabated in developing economies due to vaccine delays and if vaccine distribution is inequitable, it could lead to an erosion of US$ 4.4 trillion in world output in 2021 or

Table 1: GDP Growth Projections – Select AEs and EMEs

(Y-o-Y, per cent)

Country	2020		2021	
	Oct 2020	Jan 2021	Oct 2020	Jan 2021
 World	-4.4	-3.5	5.2	5.5
Advanced Economies				
 US	-4.3	-3.4	3.1	5.1
 Euro area	-8.3	-7.2	5.2	4.2
 UK	-9.8	-10.0	5.9	4.5
 Japan	-5.3	-5.1	2.3	3.1
Emerging Market Economies				
 Brazil	-5.8	-4.5	2.8	3.6
 Russia	-4.1	-3.6	2.8	3.0
 India	-10.3	-8.0	8.8	11.5
 China	1.9	2.3	8.2	8.1
 South Africa	-8.0	-7.5	3.0	2.8

Source: IMF.

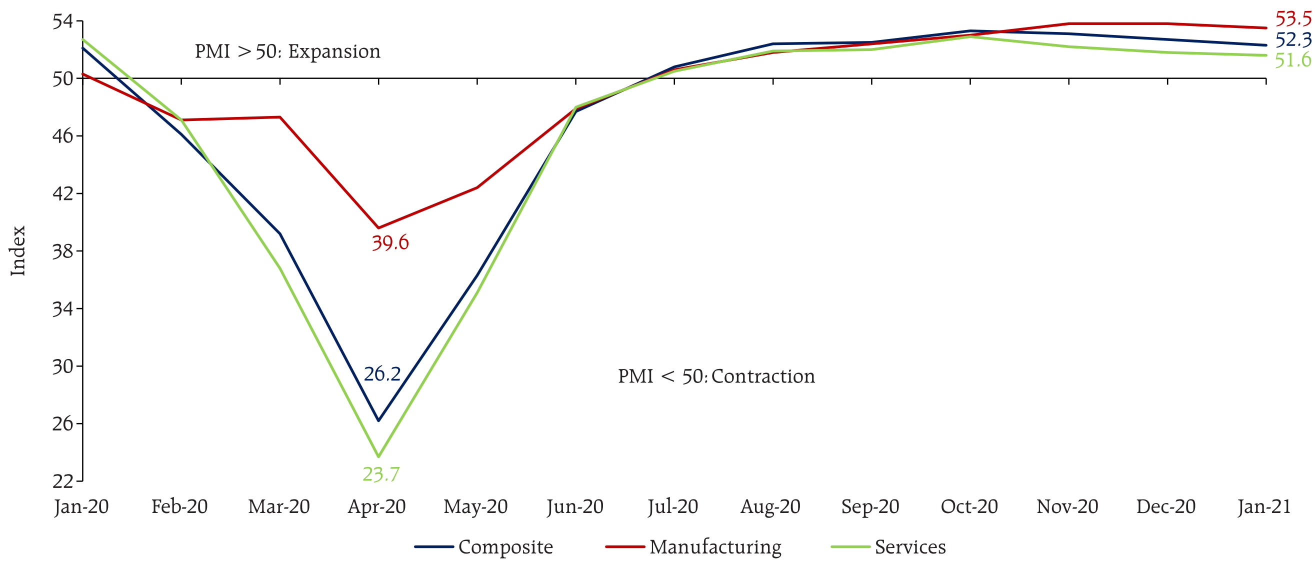
2 Lord Alfred Tennyson, from his poem *Ulysses*.

about 5.7 per cent of pre-pandemic global output[3]. AEs are expected to bear the brunt of this loss: consequent disruptions in global supply chains and trading activity could result in an output loss of up to US$ 2.4 trillion or 3.5 per cent of their annual GDP recorded before the pandemic. The IMF's January 2021 update of the Global Financial Stability Report (GFSR) also echoes this premonition – uneven access to vaccines could exacerbate risks of financial instability.

The global composite purchasing managers' index (PMI) moderated for the third consecutive month in January 2021 as both manufacturing and services activity lost steam at the outset of the year (Chart 4). The global manufacturing PMI fell to a three-month low of 53.5, while the services PMI slipped to a six-month low of 51.6 as growth of output and new orders moderated with new export orders sliding into near-stagnation. Global supply chains remain severely stretched, with vendor lead time lengthening to the highest in the PMI survey's history. In the wake of supply disruptions, purchase prices have surged, as manifested in high output charges, while input price pressures continue to build.

International crude oil prices continued to harden in early 2021, spurred by stimulus announcements and vaccine rollouts. Tightening supplies amidst falling crude inventories in the US have added further upsides. Saudi Arabia's announcement to cut production by 1 million barrels per day in February and March lifted both sentiments and prices - at an average of US$ 54.5 per barrel, Brent Crude was 9.4 per cent dearer in January (Chart 5). Furthermore, crude oil futures moved into backwardation since December 2020, reflecting tightening of the crude oil markets. Expectations of a substantial improvement in demand in the second half of the year, the organization of the petroleum exporting countries (OPEC) *plus* supply cuts along with hefty inventories draw down in a scenario where shale output response is likely to stay muted, are keeping prices supported.

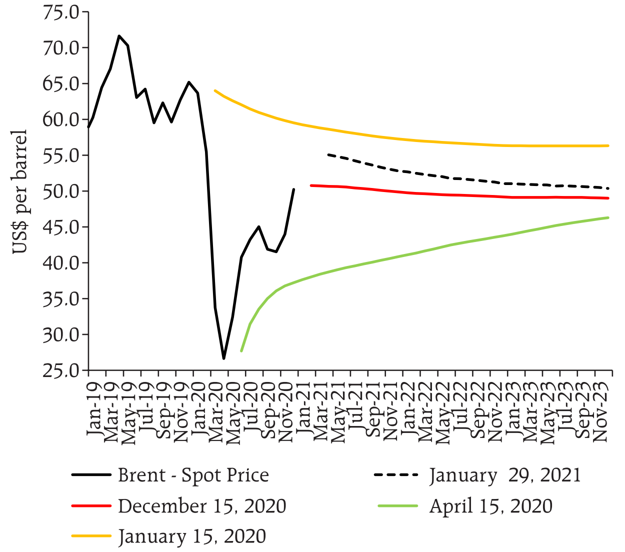
Chart 4: Global PMI Indices



Source: IHS Markit.

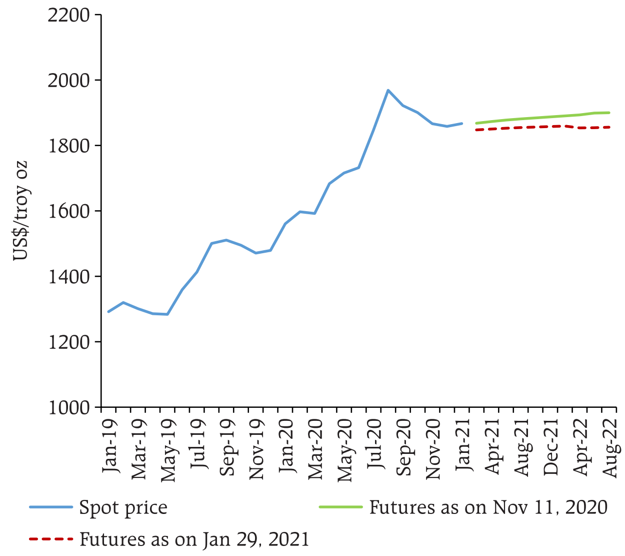
3 *https://www.ft.com/content/53c668bc-1066-4d8c-8c8d-5d29ba34a06e.*

Chart 5: Brent Futures



Source: Bloomberg.

Chart 6: Gold Futures



Source: Bloomberg.

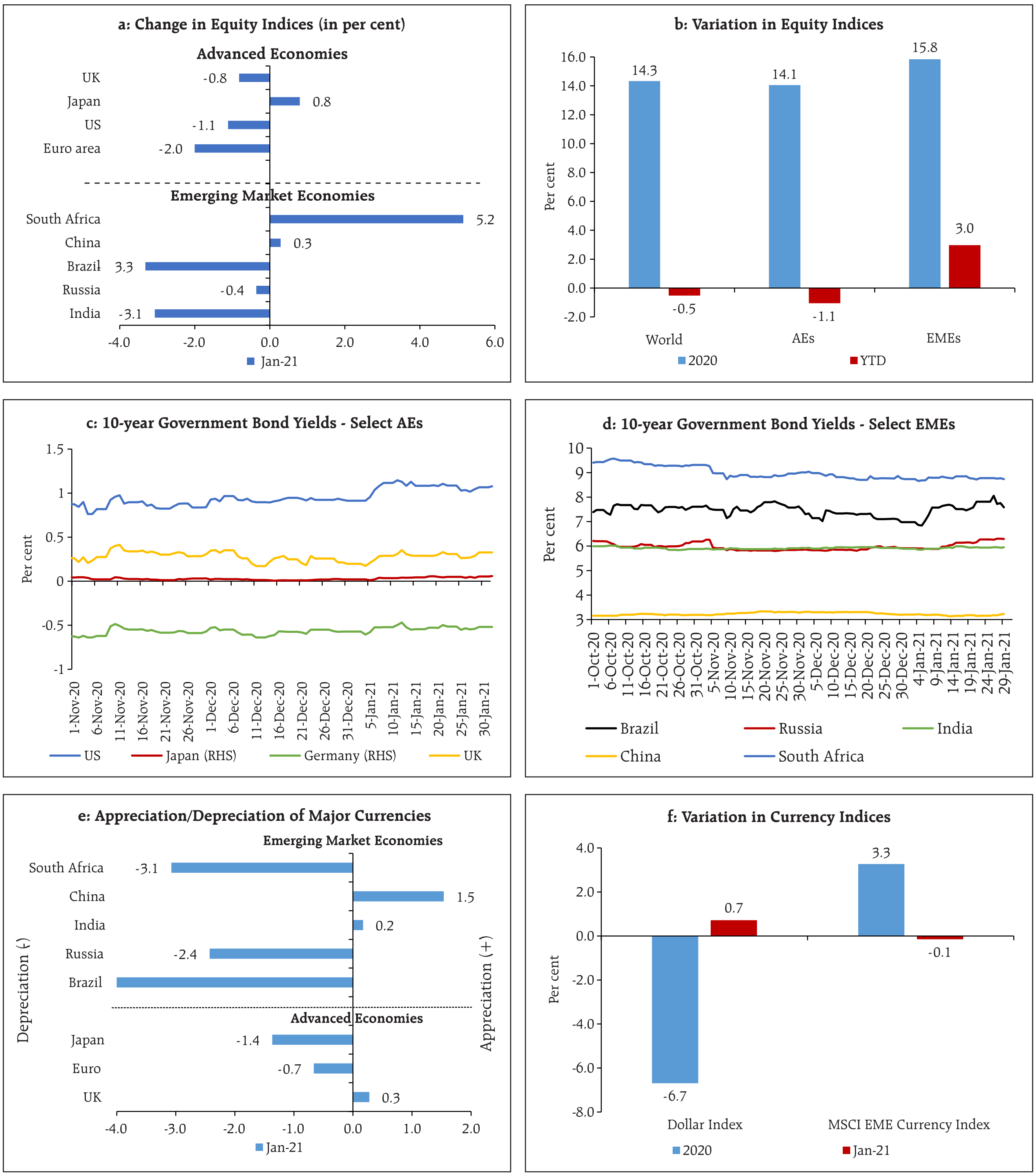
Gold lost its winning streak in 2021, with prices correcting by 2.7 per cent (Chart 6). The strengthening US dollar, rising US bond yields and strong risk-on sentiments reduced the sheen of the yellow metal. On the other hand, China's recovery and traction in factory activity, as mirrored in global manufacturing PMI, further boosted the prices of base metals.

On the trade front, the latest release dated January 26, 2021, by the World Trade Organization (WTO) reported contraction in global commercial services trade by 24 per cent year-on-year (y-o-y) in Q3:2020, moderating from a decline of 30 per cent in the preceding quarter. The decline in goods trade was relatively moderate – by 5.6 per cent. The slowdown in services trade is expected to persist as preliminary estimates for November predict services trade to be 16 per cent below 2019 levels. Most sub-sectors remain in contraction zone, with travel sector being the worst hit – down by 68 per cent globally in Q3:2020. Goods trade, on the other hand, posted a sequential improvement in value by 4 per cent in November 2020, as compared to their 2019 levels. Two factors primarily aided this recovery, *viz.*, deferred purchases in the early part of the year and a favourable base effect.

Global foreign direct investment (FDI) recorded a precipitous decline, plunging by 42 per cent to an estimated US$ 859 billion in 2020 from US$ 1.5 trillion a year ago, according to the Investment Trends Monitor of the United Nations Conference on Trade and Development (UNCTAD) released on January 24, 2021. Differential impacts were visible as developed countries remained the hardest hit, with flows plummeting by 69 per cent to an estimated US$ 229 billion, while developing economies saw a more moderate retrenchment by 12 per cent to US$ 616 billion. Despite the decline, FDI flows to developing countries accounted for 72 per cent of the total global FDI flows – the highest share on record – with China and India emerging as the largest recipients in 2020. Nevertheless, downside risks to the outlook of FDI flows remain in 2021 due to persistent uncertainty clouding the course of the virus.

Financial markets forged ahead, with some corrections in the last week of January reversing the early gains. The correction was due to a confluence of factors, *viz.*, rising concerns over patchy vaccine deployment amidst rapid spread of more contagious variants; weak economic data for European economies; and actions undertaken by retail investors in the US stock markets that overwhelmed some hedge funds. Overall, the Morgan Stanley Capital International (MSCI) stock indices for AEs ended the month in red, while for the emerging markets, the MSCI stock indices closed the month with net gains (Chart 7). With waning demand for safe haven assets, bond yields

Chart 7: Financial Markets

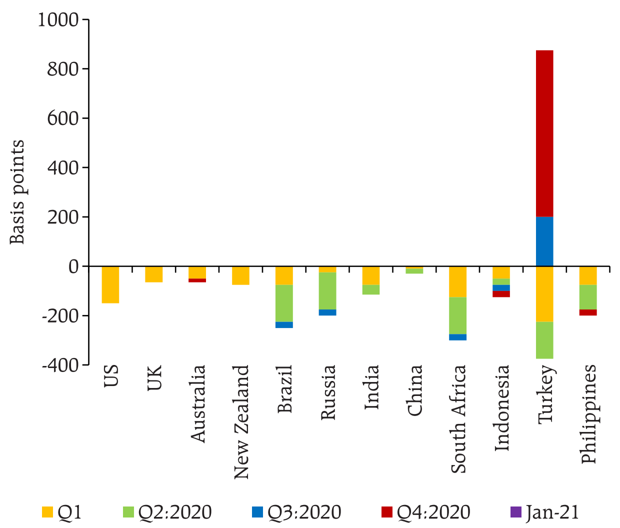


Sources: Bloomberg; and Thomson Reuters.

across major economies hardened, pushing the 10-year US treasury bond yield above 1.0 per cent in January 2021, for the first time since March 2020. On the other hand, bond yields in emerging market economies (EMEs) exhibited mixed movements, reflecting country-specific factors. In the currency markets, the US dollar which had weakened considerably in 2020, strengthened against major AE currencies in January, marking 0.7 per cent in gains. Concomitantly, the MSCI Emerging Markets (MSCI-EM) index depreciated by 0.1 per cent in January, though the Indian rupee and the Chinese yuan strengthened due to capital inflows.

On the monetary policy front, central banks across the world remain highly accommodative, with major economies holding *status quo* on interest rates in January 2021 (Chart 8). Turkey, the sole exception, raised rates by a cumulative 875 basis points in three steps since September 2020, before maintaining a pause in January 2021. The central bank of Brazil in its January meeting maintained a pause but withdrew the forward guidance that it had given in August 2020 as inflation expectations and projections inched closer to the target. The central bank, however, forewarned that the removal of the forward guidance does not imply interest rate increases, as the current uncertainties regarding growth required an extraordinarily strong monetary stimulus. On the fiscal front, total fiscal support offered globally till end-December 2020 amounted to US$ 14 trillion (IMF, Fiscal monitor update) or 13.5 per cent of global GDP, out of which 7.4 per cent was in the form of revenue foregone and additional spending, and 6.1 per cent in the form of liquidity support, including loans, guarantees, and equity injections by the public sector.

Chart 8: Policy Rate Action - Select Central Banks



Source: Central bank websites.

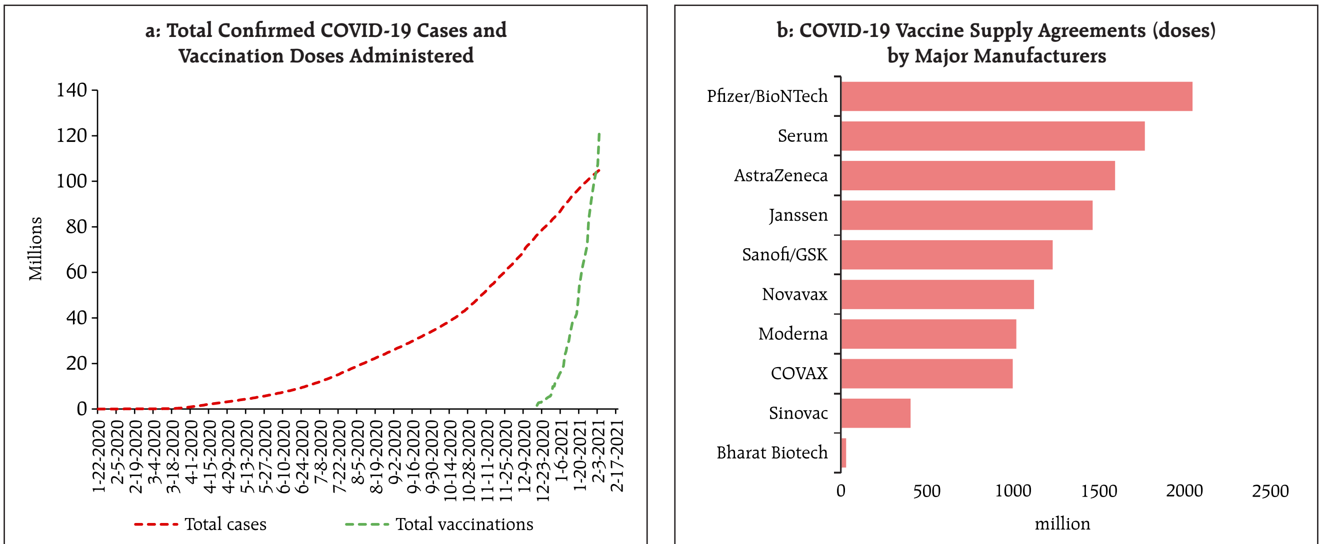
III. Domestic Developments

In India, economic activity is gaining steam as COVID-19 incidence recedes and the ongoing vaccine rollout releases pent-up optimism. Information pouring in from a host of indicators attests to a quickening pace of normalisation. By January 31, 2021 India's weekly COVID-19 fatalities fell below 1000, the lowest in the last 8 months. With the doubling rate[4] decreasing to 578.3 days, active cases accounted for just 1.4 per cent of the total cases. In fact, on January 31, 2021 the number of active cases had dropped below 1.7 lakh. The number of people that have recovered has surged to 1,05,34,505, pushing the recovery rate to over 97.0 per cent. Since mid-February, however, there has been a surge in COVID-19 cases, thereby resulting in the doubling rate falling below 600 days and active cases surging past the 1.6 lakh mark as on February 27, 2021. It is feared that new strains in India could be highly transmissible, with the possibility of causing re-infections in people who have already developed anti-bodies to the virus.

As the pace of vaccination gains traction across the world, the total number of COVID-19 vaccinations has crossed the total number of confirmed cases globally (Chart 9a), including in India. With India being the global leader in vaccine manufacturing,

[4] The doubling rate is defined as ln2/ ln (1+r), where r is the average of last seven days of growth in cumulative cases.

Chart 9: COVID-19 Vaccine Update



Source: Our World in Data.

Source: UNICEF.

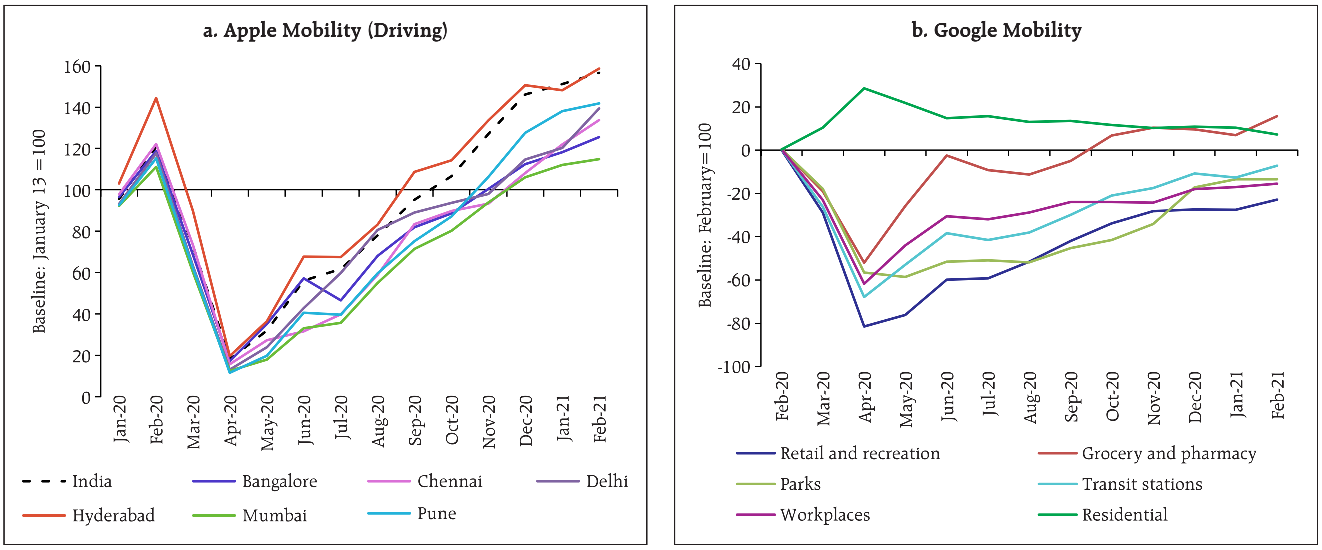
many domestic vaccine manufacturers have entered into supply agreements with a number of countries/ agencies by leveraging on existing infrastructure, foreign collaboration and a skilled labour force (Chart 9b). Under the "Vaccine *Maitri*" initiative, vaccines have been supplied to neighbouring countries free of cost, with plans to extend the initiative to other developing countries. A number of other countries have indicated their willingness to import vaccines from Indian pharma firms, given the comparative advantage in producing a large number of doses in a cost-effective manner.

Mobility indicators show that movement of people across all major cities in January and February 2021 was comparable to pre-pandemic levels (Chart 10). While mobility around groceries and pharmacies has risen above January 2020 levels, mobility around transit stations has been tempered by holidays and harsh winter conditions prevailing in some parts of the country. Footfalls at offices reached 84 per cent of pre-pandemic levels in February 2021 from 82 per cent in the previous month (Mint-tracker). Alongside, goods movement expanded considerably, with E-way bills growing by 10.5 per cent y-o-y in January and by 12.5 per cent in February – intra-state by 13.0 per cent and 15.1 per cent; inter-state by 6.8 per cent and 8.8 per cent, respectively. With product and factor mobility catching up with pre-pandemic levels rapidly, the stage is set for an enduring revival of demand in the economy.

Aggregate Demand

Aggregate demand conditions are on an upswing. Peak power demand touched a new high, hitting 189.6 gigawatts on January 30 and surpassing all previous records. Electricity consumption continued to expand through January and February 2021 for the fifth and sixth successive months, growing at 4.8 per cent and 7.3 per cent, respectively (Chart 11a). As per the Stated Policies Scenario (STEPS) of the International Energy Agency (IEA), that assumes the pandemic to be gradually brought under control in 2021, India's total energy demand is going to increase by 124.7 per cent from 2010 to 2040 (Chart 11b).

Chart 10: Mobility Indicators

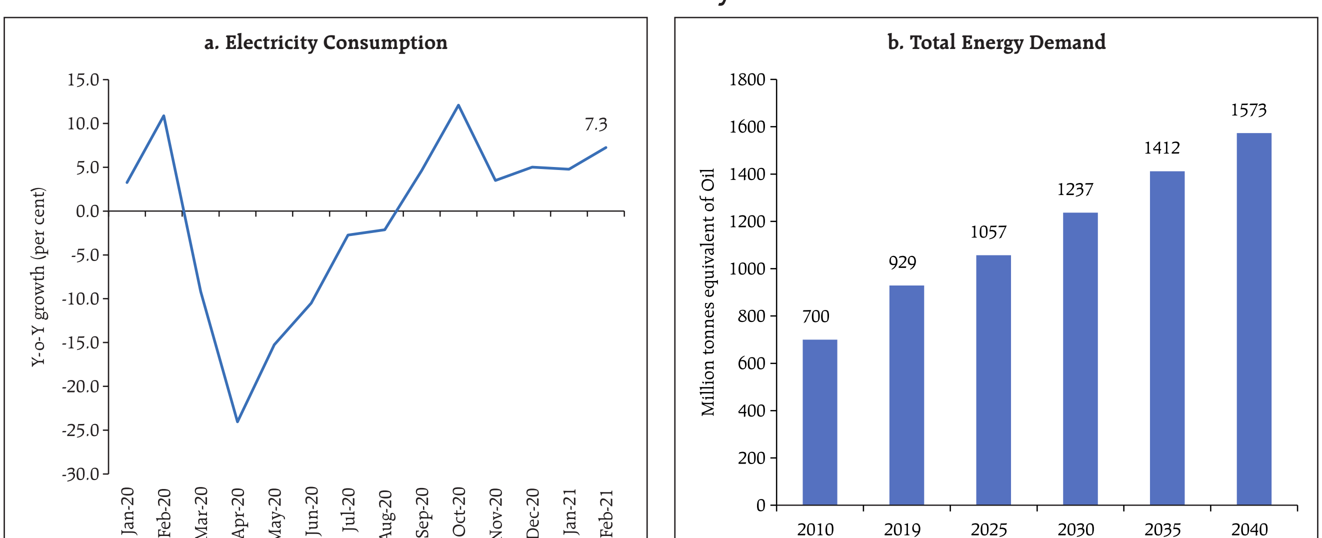


Source: Google and CEIC.

Collections under the goods and services tax (GST) remained above the ₹1 lakh crore mark for the fourth straight month in January 2021 at ₹1,19,847 crore. With a growth of 8.1 per cent, the GST recorded the highest monthly collection in the series (Chart 12). This is reflective of growing business and trading turnover going beyond the festival season, apart from better tax compliance. Disaggregated intra-state and inter-state analysis suggests that the best performing states are Telangana, West Bengal and Tamil Nadu, while activity remains in catch-up mode in the mainland belt comprising Rajasthan, Delhi, U.P and Haryana (Table 2).

Turning to consumption demand, the optimism surrounding the roll out of vaccination is captured in January 2021 round of the Reserve Bank's consumer

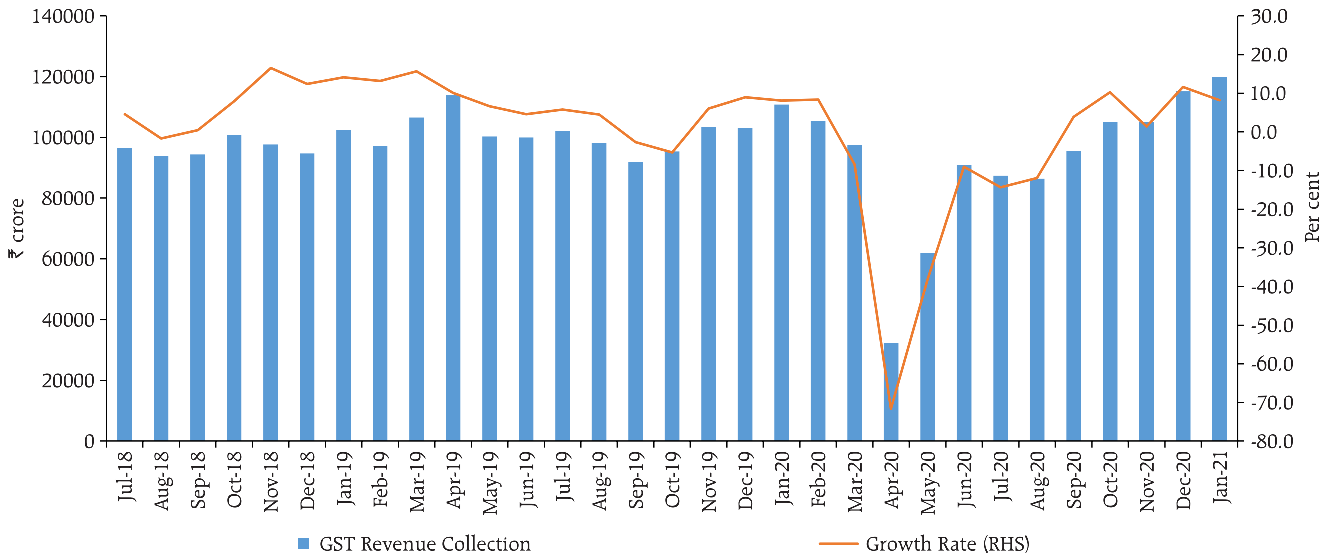
Chart 11: Electricity Demand



Source: Power System Operation Corporation (POSOCO).

Source: IEA.

Chart 12: GST Collections



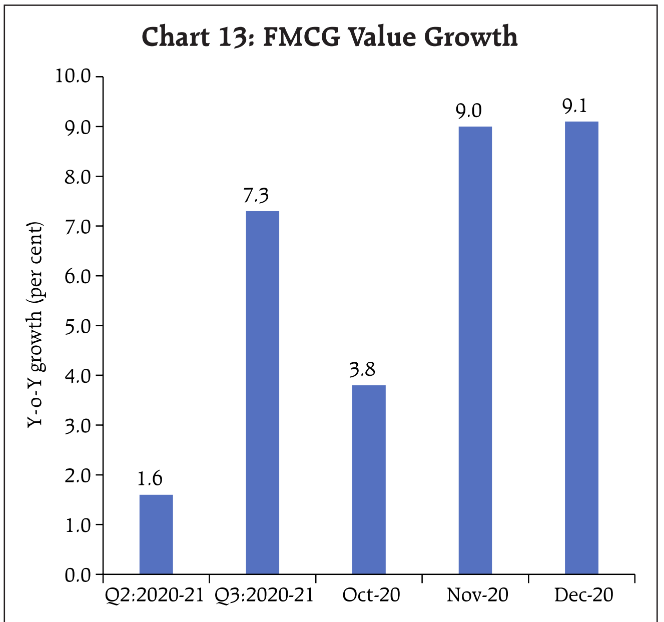
Source: Press Information Bureau.

confidence survey. Perceptions have improved significantly over all preceding rounds conducted since September 2020. For the year ahead, consumers expect an overall improvement in the general economic situation and in employment conditions. While there is abiding comfort on spending on essentials, lingering uncertainty continues to prevail about non-essential spending. Fast moving consumer goods (FMCG) companies are reporting a surge in demand on the back of increasing mobility, resumption of economic activity, consumer-relevant innovations and investments in market development (Chart 13). Most companies have also experienced revival in discretionary spending, signalling increase in demand for non-durables. According to Nielsen India, new launches have been made in the health and hygiene basket, with immunity being the focus in a 'new normal', including categories like hand sanitisers, floor cleaners, toilet cleaners, and antiseptic liquids. These new launches contributed 37 per cent in value

Table 2: E-way Bills Growth

a. Inter State (in per cent)										b. Intra State (in per cent)									
	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20		Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20
Telangana	-87	-59	-5	0	-5	16	27	18	32	Telangana	-53	-15	27	27	23	47	41	39	33
West Bengal	-92	-74	-22	-20	-27	2	14	7	30	M.P	-82	-34	19	30	33	47	37	20	27
Tamil Nadu	-92	-66	-35	-23	-13	-2	32	10	23	West Bengal	-76	-52	6	8	6	18	35	18	27
Andhra	-83	-57	-9	-7	0	15	28	9	23	Tamil Nadu	-88	-54	-26	-16	-7	11	21	5	24
Gujarat	-89	-66	-28	-16	-11	13	28	1	15	Andhra	-65	-30	8	6	6	21	19	16	22
Maharashtra	-90	-68	-33	-24	-16	-4	11	7	14	Karnataka	-77	-35	1	-8	2	19	25	16	17
Karnataka	-91	-62	-17	-18	-7	0	14	3	13	Punjab	-82	-32	13	22	23	22	23	11	16
Punjab	-88	-52	-5	8	3	4	21	13	13	U.P	-78	-46	-3	2	-4	10	17	3	14
M.P	-91	-62	-15	-3	0	12	27	12	11	Gujarat	-81	-50	-12	-2	1	18	36	7	14
Rajasthan	-93	-68	-19	0	4	6	19	6	10	Delhi	-82	-62	-25	-13	-11	0	8	0	14
Haryana	-90	-63	-18	-5	-4	7	21	9	10	Maharashtra	-85	-60	-23	-19	-7	7	17	6	12
U.P	-91	-69	-10	-1	-4	0	18	10	8	Haryana	-91	-66	-20	-5	6	15	29	7	11
Delhi	-90	-74	-37	-21	-21	-12	4	-2	6	Rajasthan	-81	-40	2	12	7	12	16	3	8

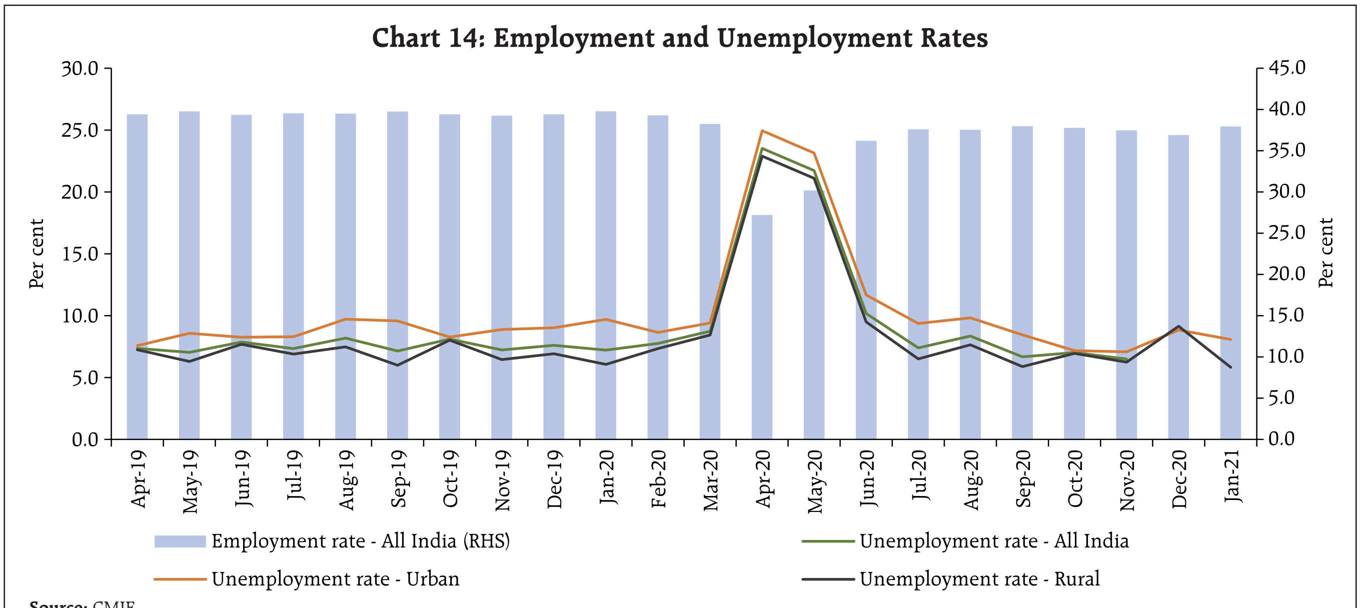
Source: CEIC.



Source: AC Nielsen.

terms to all new launches in the COVID-19 period. Advertising/ promotional spending of large FMCG companies exceeded pre-pandemic levels. In respect of passenger vehicles, wholesale sales registered a growth of 11.1 per cent in January 2021 as against 13.6 per cent in the preceding month. The rural sector has exhibited resilience, reflected in buoyant sales of tractors since June 2020. After remaining in contraction for 19 consecutive months, motorcycle sales entered expansion territory in August 2020 and have remained steadfast since then, registering a growth of 5.1 per cent in January 2021. Freight cargo carried by railway expanded by 8.7 per cent in January 2021, while earnings from freight grew by 5.9 per cent, underscoring the sustained spatial expansion of the rebound in demand. There has also been a perceptible shift among consumers towards shopping online. According to a Unicommerce-Kearney report, the last quarter of 2020 (October – December) saw a growth of 36 per cent and 30 per cent in terms of order volume and gross merchandise value (GMV), respectively. The biggest beneficiaries were personal care, beauty and wellness products.

The household survey of the Centre for Monitoring Indian Economy (CMIE) finds that employment conditions improved through January 2021, with the average employment rate inching up to 37.9 per cent from 36.9 per cent a month ago. Sectors like real estate, construction and services, which suffered employment losses during the lockdown, have evidently recovered to pre-COVID levels. Consequently, the average unemployment rate declined to 6.5 per cent in January 2021 from 9.1 per cent in December 2020 (Chart 14). The pace of improvement was stronger



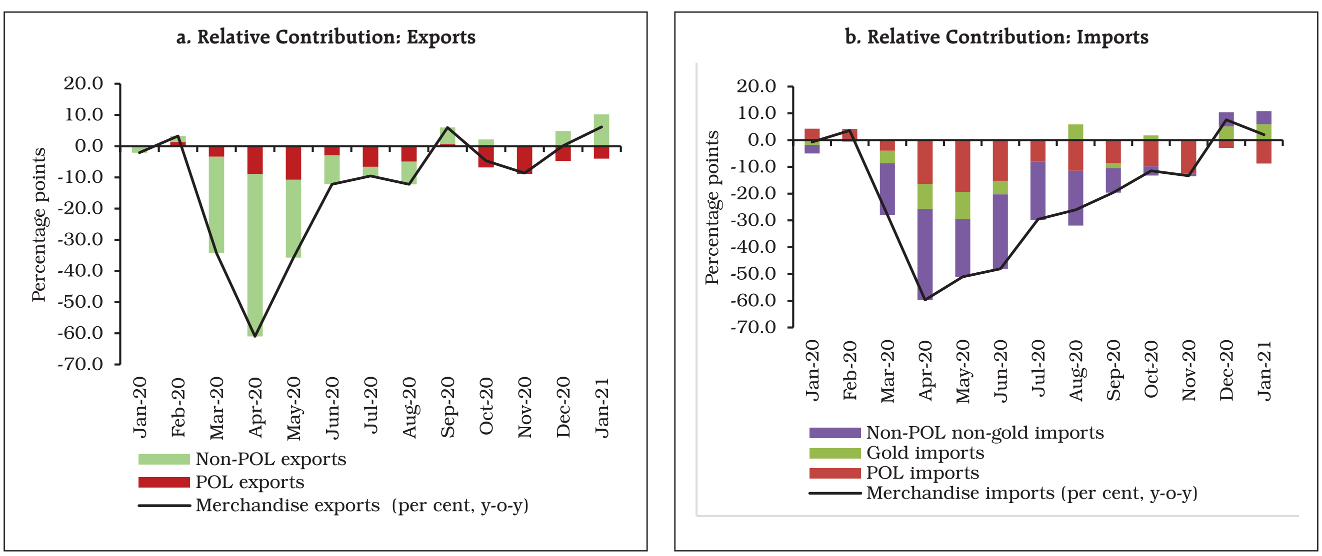
Source: CMIE.

in the case of rural employment than in urban areas, which suggests that India's rural economy is quickly shredding the debilitating restraints of COVID-19. In fact, the rural unemployment rate at 5.8 per cent is the lowest since July 2018. Although lagging, urban employment is picking up. Employment under the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) proved to be a boon for people during the pandemic. More recently, however, the demand for jobs under MGNREGA has registered a huge drop, with y-o-y growth down from 56.5 per cent in December to 37.3 per cent in January and 18.8 per cent in February (so far) indicating improved employment avenues in other activities. According to the Xpheno's recent active job outlook survey, the total job openings in January rose by around 50 per cent over a month ago. Entry level jobs and the technology sector have contributed the most to these job openings.

Defying the anaemic external environment, Indian merchandise exports held on to their upward trajectory, growing by 6.2 per cent (y-o-y) in January 2021 - the second consecutive month of expansion. The pick-up in exports has been broad-based, backed by the robust performance of drugs and pharmaceuticals, agriculture, and iron ore exports. A heartening development is that non-oil exports grew by 11.5 per cent, marking the fifth consecutive month of expansion (Chart 15a). Overall, 22 out of 30 major commodities or 71.3 per cent of the export basket led the overall export growth (Chart 16). In recent months, India has joined Asian peers in a broadening swathe that has lifted the region above others in terms of post-pandemic export recovery.

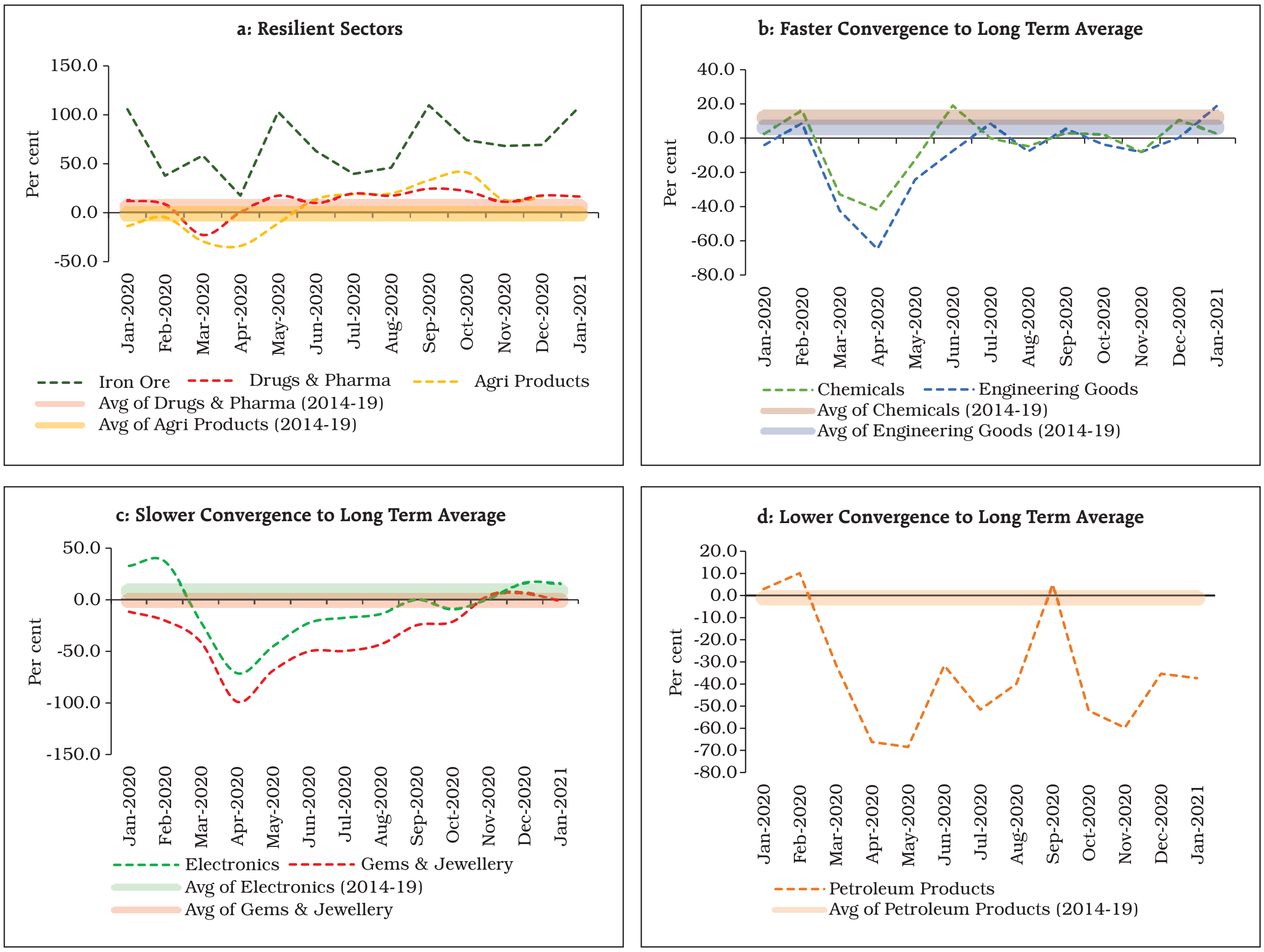
India's merchandise imports grew for the second consecutive month by 2.0 per cent in January 2021, testifying to the growing strength of underlying growth impulses in the domestic economy that are taking root (Chart 15b). The rebound in imports out of a prolonged contraction has also been broad-based with 18 out of 30 major commodities or 60.7 per cent of total imports registering an expansion. While oil imports remained subdued due to softer crude oil prices on a y-o-y basis, non-oil non-gold imports grew by 7.5 per cent. Gold, electronic goods, pearls and precious stones were the top three high growth importables, essentially intermediates in domestic final production and exportables.

Chart 15: India's Merchandise Trade



Source: DGCI&S.

Chart 16: Recovery Process Across Sectors - Convergence to Long Term Average



Sources: DGCI&S and authors' calculations.

India's agricultural exports have grown impressively over the last eight months, *i.e.*, consecutively since May 2020 in spite of COVID-19, with cereal exports turning in a stellar performance. India has emerged as the largest exporter of rice in the world, especially of the non-basmati varieties. While international demand has been strong due to stocking of rice by households in European countries to combat COVID-19 induced lockdowns, other major exporters including Vietnam and Thailand have been affected by supply side disruptions. As regards wheat, the US Department of Agriculture (USDA) has revised its forecast of Indian wheat exports for 2020-21 (July-June) to 1.8 million tonnes (MT) on January 14, 2021, over its earlier estimate of 1 MT, with industry representatives forecasting export potential of up to 3-4 MT in 2020-21. If realised, that would be the highest ever exports of wheat in the last six years.

Food processing is a sunrise export sector with strong linkages with agriculture and it is covered under the production-linked incentive (PLI) scheme. Food processing industry can transform our export profile from low-value raw material exports concentration to higher-value processed goods exports specialisation. As food processing is a capital-intensive industry, encouraging foreign direct investment (FDI) in this sector may be a game changer.

Besides a moribund international trading environment and a rising tide of protectionism, India's foreign trade is currently facing formidable logistical challenges. The continuing surge in container freight prices following COVID-19 induced disruptions and reported hoarding of containers have imposed unduly high costs on exporters (Chart 17a). Currently, India is ranked 18th globally in terms of ownership of shipping fleets (Chart 17b). The Union Budget for 2021-22 has proposed a scheme to support Indian shipping companies with the aim of enhancing their share in global shipping. The proposal is expected to reduce the dependence of Indian traders on foreign operated shipping companies and ease container availability.

Going forward, the Union Budget 2021-22 proposals on rationalisation of customs duty structure, improving trade facilitation measures, and its focus on enhancing ease of doing business (EoDB) coupled with a big push to infrastructure are expected to boost exports by unlocking the potential of Indian manufacturing.

The Union Budget has imparted a distinct pro-investment focus to the revival strategy by taking forward the theme of *Aatma Nirbhar Bharat* within

Table 3: Key Fiscal Indicators (per cent of GDP)

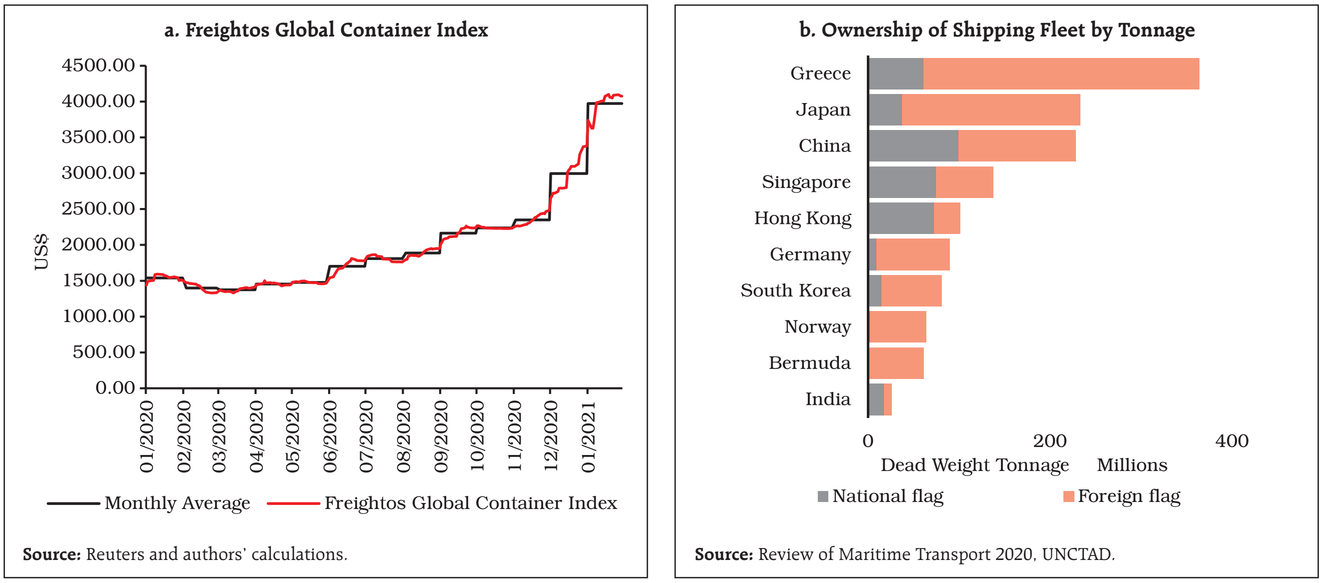
	2019-20	2020-21		2021-22
	Actual	BE	RE	BE
1. Gross Fiscal Deficit	4.6	3.5	9.5	6.8
2. Revenue Deficit	3.3	2.7	7.5	5.1
3. Primary Deficit	1.6	0.4	5.9	3.1
4. Gross Tax Revenue	9.9	10.8	9.8	9.9
5. Non-Tax Revenue	1.6	1.7	1.1	1.1
6. Revenue Expenditure	11.6	11.7	15.5	13.1
7. Capital Expenditure	1.6	1.8	2.3	2.5
8. Central Government Debt	52.3	50.6	64.3	62.5

Source: Union Budget.

a major reprioritisation of expenditure. Capital expenditure is slated to increase to 2.5 per cent of GDP in 2021-22 from an average of 1.7 per cent during 2010-20, even as the revenue expenditure is set to contract as a proportion to GDP from its level in 2020-21 (RE) (Table 3).

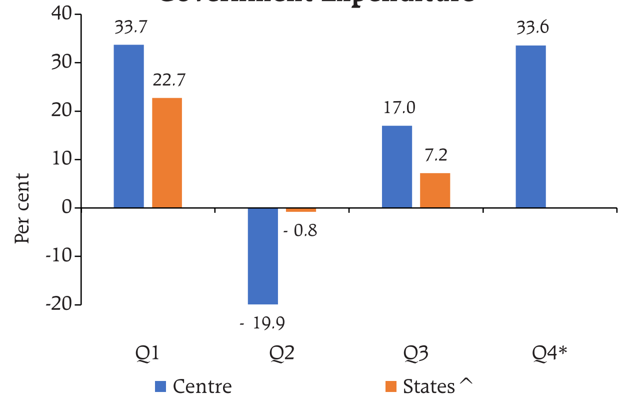
Quarterly movements in general government consumption expenditure in 2020-21 reveal that there has been a renewed thrust on revenue expenditure in Q3, which is expected to increase further in Q4 as states incur higher expenditure in the last quarter of the fiscal year. For the centre, a revenue expenditure

Chart 17: Global Freight Indicators

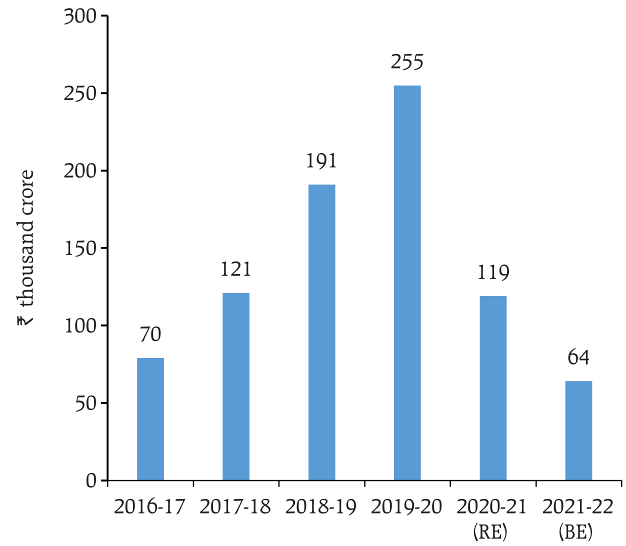


Source: Reuters and authors' calculations.

Source: Review of Maritime Transport 2020, UNCTAD.



Notes: * Growth rate for Q4 is not available for states and for centre it is imputed based on Revised Estimates for 2020-21.
^ Government consumption expenditure includes revenue expenditure net of interest payments and major subsidies for centre and revenue expenditure net of interest payments for 23 states.
Source: Union Budget Documents, Controller General of Accounts and Comptroller and Auditor General of India.



Source: Union Budget Documents.

growth of around 110 per cent is envisaged in Q4. However, a significant proportion of this increase is due to on-budgeting of subsidies/clearance of past dues; hence revenue expenditure less interest payments and major subsidies, a better indicator of government final consumption expenditure, is estimated to grow by 33.6 per cent in Q4 (Chart 18).

The fiscal push to investment is sought to be achieved by (i) increasing the buoyancy of tax revenues through improved compliance; and (ii) by mobilising receipts from monetisation of assets, including Central Public Sector Enterprises (CPSEs) and surplus land with the Government ministries/departments. Moreover, receipts from disinvestment are budgeted at ₹1.75 lakh crore, which includes privatisation of two public sector banks and one general insurance company.

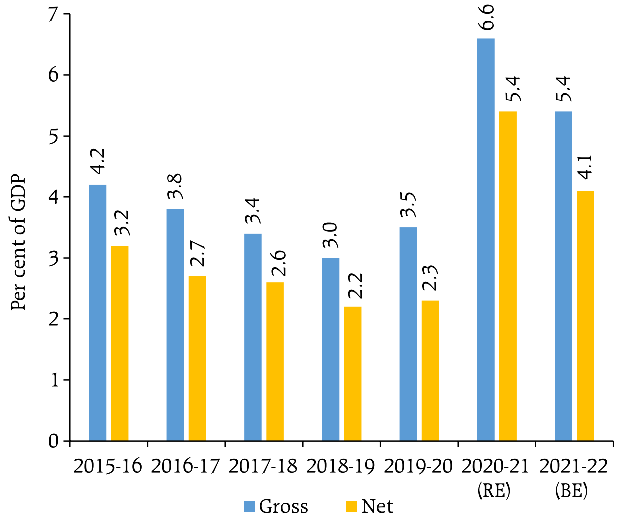
Overall, the Union Budget is expected to remain anti-inflationary. A significant part of the increase in expenditure is due to on-budgeting of outstanding loans availed in *lieu* of subsidies by the Food Corporation of India (FCI) from the National Small Saving Fund (NSSF), a practice that has been followed since 2016-17 (Chart 19). In fact, total expenditure is estimated to expand by only 1 per cent, with revenue expenditure budgeted to decline by 2.7 per cent. The inflationary impact of the new Agricultural Infrastructure Development Cess (AIDC) is largely offset by the reduction/rationalisation of customs duties on imported items and union excise duties in the case of petrol and diesel.

In the event, both gross and net market borrowings of the centre are budgeted to be lower in terms of GDP than a year ago (Chart 20).

Aggregate Supply

Aggregate supply conditions improved through January 2021. With the *rabi* sowing season nearing completion, crop sowing has been completed across 684.6 lakh hectares - 2.9 per cent higher than last year and 10.4 per cent over the full season normal acreage (5-year average) (Table 4). This is the highest ever sown area since independence, boding well for another record output.

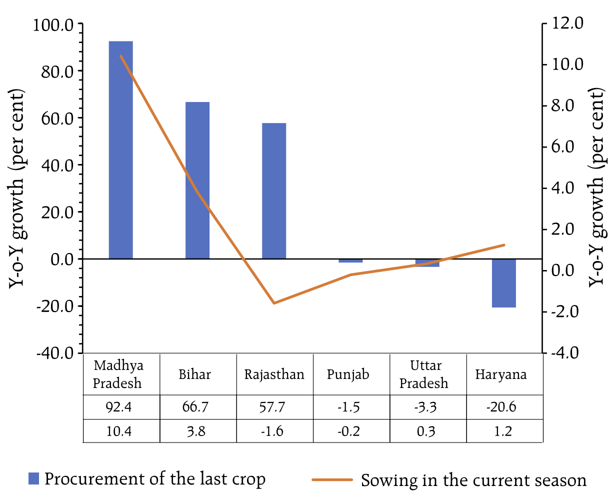
Chart 20: Market Borrowings of Union Government



Source: Union Budget Documents

The coverage under wheat has been impressive, with area sown turning out to be the highest ever – 14.1 per cent above the normal acreage. The commitment to continue with minimum support prices (MSPs), adequate irrigation and favourable soil moisture conditions augur well for the agricultural outlook (Chart 21). In the interregnum, the stock of cereals has gone up to 3.9 times the buffer norms.

Chart 21: Co-movement of Current Year Wheat Acreage with One Year Lagged Public Procurement



Sources: MOAFW: and FCI.

Table 4: All India Crop Situation - *Rabi* (2020-21) as on January 29, 2021

(In Lakh hectares)

Crop Name	Normal area for the full season	Sowing as on date		Percentage variation over normal full season
		This year (2021)	Last year (2020)	
1. Wheat	**303.3**	**346.4**	**336.4**	**14.2**
2. Rice	**41.8**	**35.2**	**30.2**	**-15.7**
3. Coarse Cereals	**57.1**	**51.7**	**56.1**	**-9.6**
a. Jowar	33.4	27.2	30.2	-18.6
b. Barley	6.4	6.8	7.8	7.3
c. Maize	17.4	16.9	17.5	-2.5
4. Total Pulses	**144.9**	**167.4**	**162.9**	**15.5**
a. Gram	92.8	112.0	107.3	20.7
b. Lentil	14.2	16.5	16.1	16.2
c. Peas	8.8	10.7	11.0	21.7
d. Kulthi (Horse Gram)	2.2	3.9	5.2	79.7
e. Urad	8.9	8.1	7.5	-9.4
f. Moong	9.9	6.6	6.7	-33.1
g. Lathyrus	4.0	3.1	3.3	-21.8
I. Total Foodgrains (1+2+3+4)	**547.1**	**600.6**	**585.6**	**9.8**
5. Oilseeds	**73.2**	**84.0**	**80.0**	**14.7**
a. Rapeseed & Mustard	59.4	73.9	69.1	24.4
b. Groundnut	7.3	4.8	4.8	-34.6
c. Sunflower	2.4	1.0	1.0	-56.9
d. Sesame	0.0	0.5	0.6	0.0
e. Safflower	1.2	0.6	0.6	-50.6
f. Linseed	2.7	2.9	3.5	6.9
All- Crops (1+2+3+4+5)	**620.3**	**684.6**	**665.6**	**10.4**

Note: Area figures are as per eye assessment of state Agriculture Departments.
Normal Area: Average area during the period of 2014-15 to 2018-19.
Source: Ministry of Agriculture and Farmer's Welfare (MOAFW).

Among oilseeds, mustard and rapeseed registered a record acreage this year - up by 14.7 per cent over the normal area. An increase in area under pulses also indicates a better output this year, reducing dependence on imports.

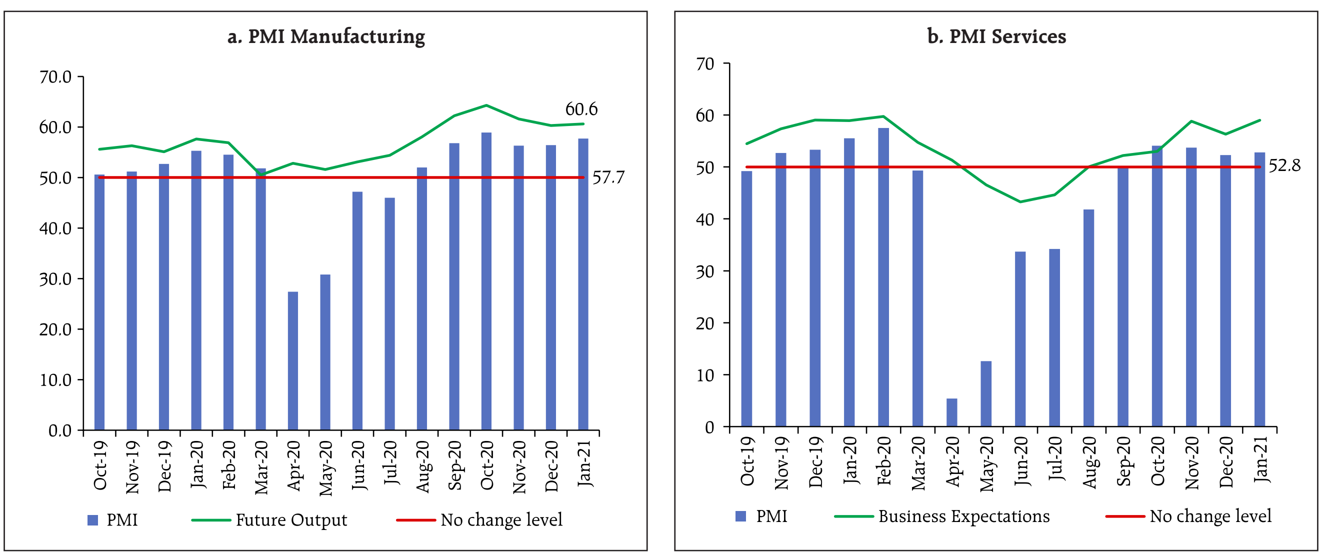
The Union Budget's focus on infrastructure development in agriculture and rural areas, a big push to fisheries and seaweed cultivation alongside enhancing credit flow to allied sectors could bolster agricultural growth even further by enhancing employment and creating opportunities for additional income for farmers. The Budget's proposal to expand 'Operation

Green' from 3 crops covered currently (onion, tomato and potato) to 22 perishable commodities is expected to improve supply chains, reduce excessive price oscillations and boost perishable agricultural exports. The extension of the agriculture infrastructure fund to Agricultural Produce Market Committees (APMCs) and integration of additional 1,000 APMC *mandis* with e-NAM[5] on top of 1,000 *mandis* already onboarded could boost marketing efficiency, thereby benefiting farmers with better access and remunerative returns in the years to come. The increase in the cap of FDI in insurance should help to expand the market for start-ups to be able to bring more customised insurance options for farmers and rural markets.

The headline manufacturing PMI expanded to 57.7 in January 2021 from 56.4 a month ago, led by new orders and output, supported by upturn in sales in consumer and capital goods sectors (Chart 22). Respondents to the 92nd round of the Reserve Bank's industrial outlook survey (IOS) conducted in Q3:2020-21 exuded optimism, with the business expectations index emerging out of two consecutive quarters of contraction. Manufacturers see further strengthening of production, order books and employment in the months ahead, driven by the unlock and re-commencement of businesses. Their sentiments on availability of finance through banks and internal resources improved. Over the next three quarters, *i.e.*, Q4:2020-21 and Q1 and Q2 of 2021-22, firms are upbeat on demand conditions and employment.

In the services sector, the recovery appears to be broad-based. PMI services expanded for the fourth consecutive month in January 2021 to 52.8 (from 52.3 a month ago), supported by new work and increased business activity. Price discounts, marketing strategies, and reopening of some outlets alongside pick up in overall demand spurred sales. In the light of the immunisation drive, business expectations improved to an eleven-month high at 59.0 in January 2021. The improvement was also reflected in the 27th round of the Reserve Bank's services and infrastructure outlook survey (SIOS) conducted in Q3:2020-21: firms expect

Chart 22: Purchasing Managers' Index (PMI)



Source: IHS Markit.

[5] National Agriculture Market (eNAM) is a pan-India electronic trading portal which networks the existing APMC *mandis* to create a unified national market for agricultural commodities.

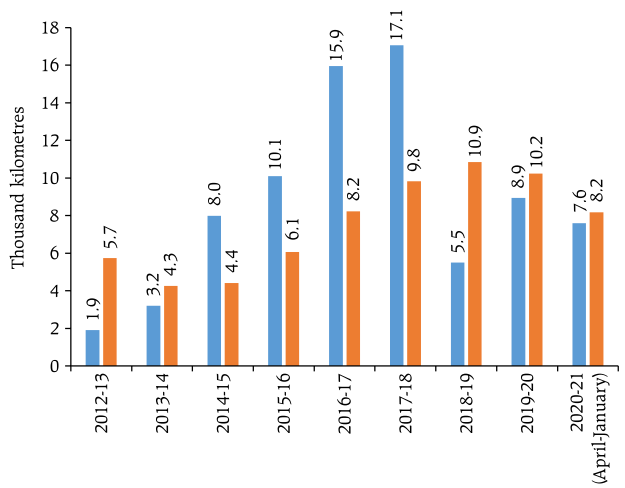
further advancement in turnover in Q4:2020-21. The rise in selling prices will likely offset the increase in input costs, thereby pushing up profit margins.

Among specific categories of services, construction activity is gaining pace, as evident in rising steel consumption, which registered a growth of 5.8 per cent in January 2021. Data from the Ministry of Road Transport and Highways reveal daily road construction at 28.16 kilometres during 2020-21 (April-January 15), up from 26.11 kilometres a year ago. The length of award of national highways at 7,573 kilometres also doubled during the same period. During the week ending January 15, a record length of 534 kilometres of national highways was constructed. The pace of construction is expected to increase beyond the target of 11,000 kilometres by March 31, with the remaining months of the current financial year being conducive for construction activity. A comparison of national highways awarded and constructed lengths indicate that both awarded length as well as length constructed recorded an increase in spite of the nationwide lockdown in the initial months[6] (Chart 23).

In the real estate sector, the latest release for the quarter ending December 2020[7] indicates that housing launches registered growth for the first time in eight quarters, boosting market sentiments to a three-year high[8]. The real estate sentiments index, which had plunged to an all-time low in Q2:2020, surged into optimism zone in Q4:2020, supported by a pick-up in demand for both residential units and office space. The near-term outlook reflects optimism across regions and stakeholders, with the western part of the country witnessing the sharpest jump in the future sentiment index. The Knight Frank-Ficci-Naredco Real Estate Sentiment Index survey released on January 27 indicated that the real estate sector is set to grow faster in the next six months and "sentiment" is much higher in east, south and west India than in north India (Chart 24).

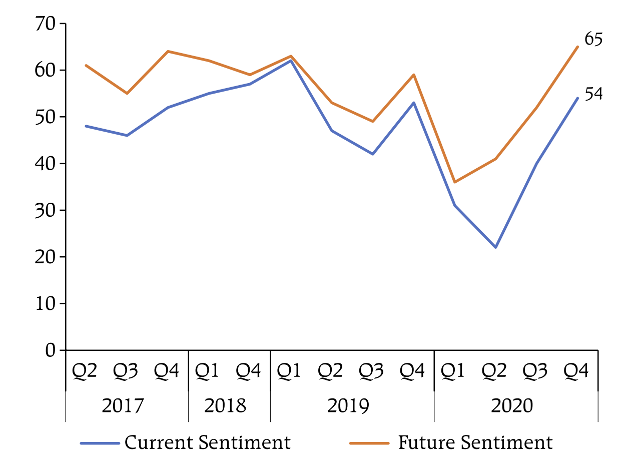
Measures such as reduced stamp duty in Maharashtra and Karnataka have also helped boost demand for housing. State wise monthly stamp and registration revenue receipts also corroborate a steady pick-up in the real estate sector (Chart 25).

Chart 23: National Highways: Award and Construction



Source: PIB.

Chart 24: Real Estate Sentiment Index



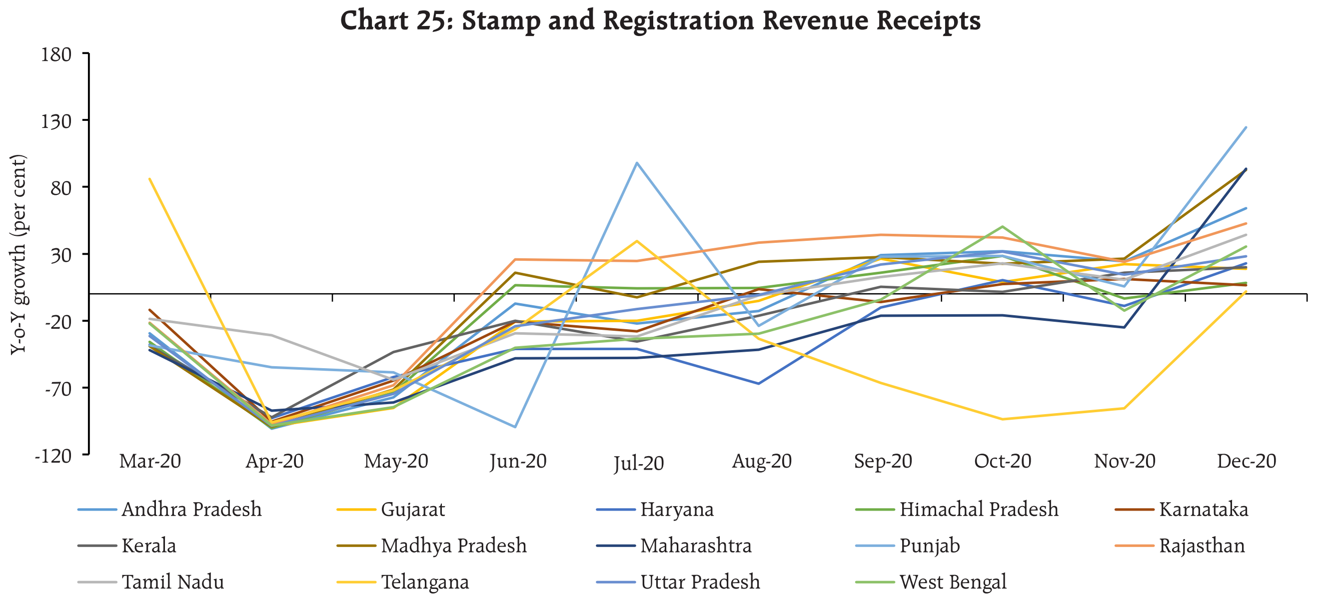
Score> 50: Optimism
Score <50: Pessimism
Score =50: Same/Neutral

Source: Knight Frank-FICCI-NAREDCO.

6 *https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1689402*

7 PropTiger data release.

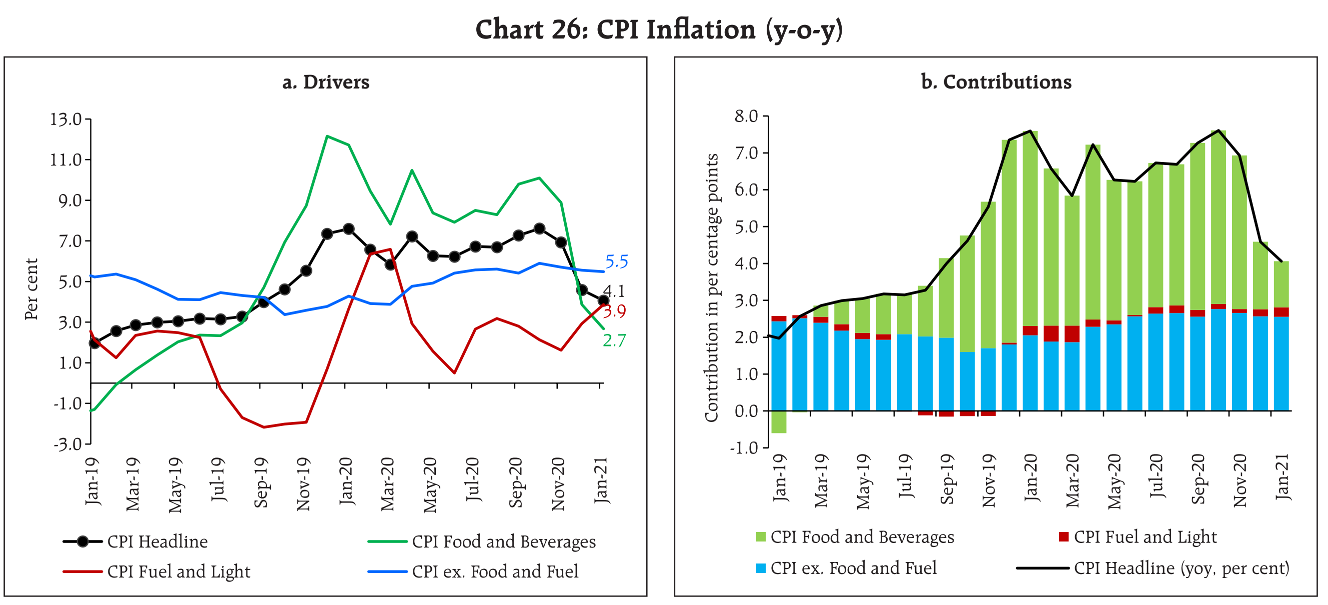
8 Real Estate Sentiment Index- Knight Frank, NAREDCO & FICCI.



Source: CEIC.

Inflation

Consumer price index (CPI) inflation continued to soften in January 2021, easing to 4.1 per cent from 4.6 per cent a month ago. Underlying this welcome development was a sharp retrenchment of food inflation – by 120 basis points (bps) from 3.9 per cent in December (Chart 26a). Deflation in prices of vegetables and sugar, alongside a decline in the rate of inflation of cereals, eggs, meat, fish, milk, pulses and spices, contributed to this substantial easing. Fuel inflation edged up, however, to 3.9 per cent from 2.9 per cent in December, primarily on account of a pick-up in LPG inflation. CPI excluding food and fuel at 5.5 per cent remained elevated, displaying persistence on



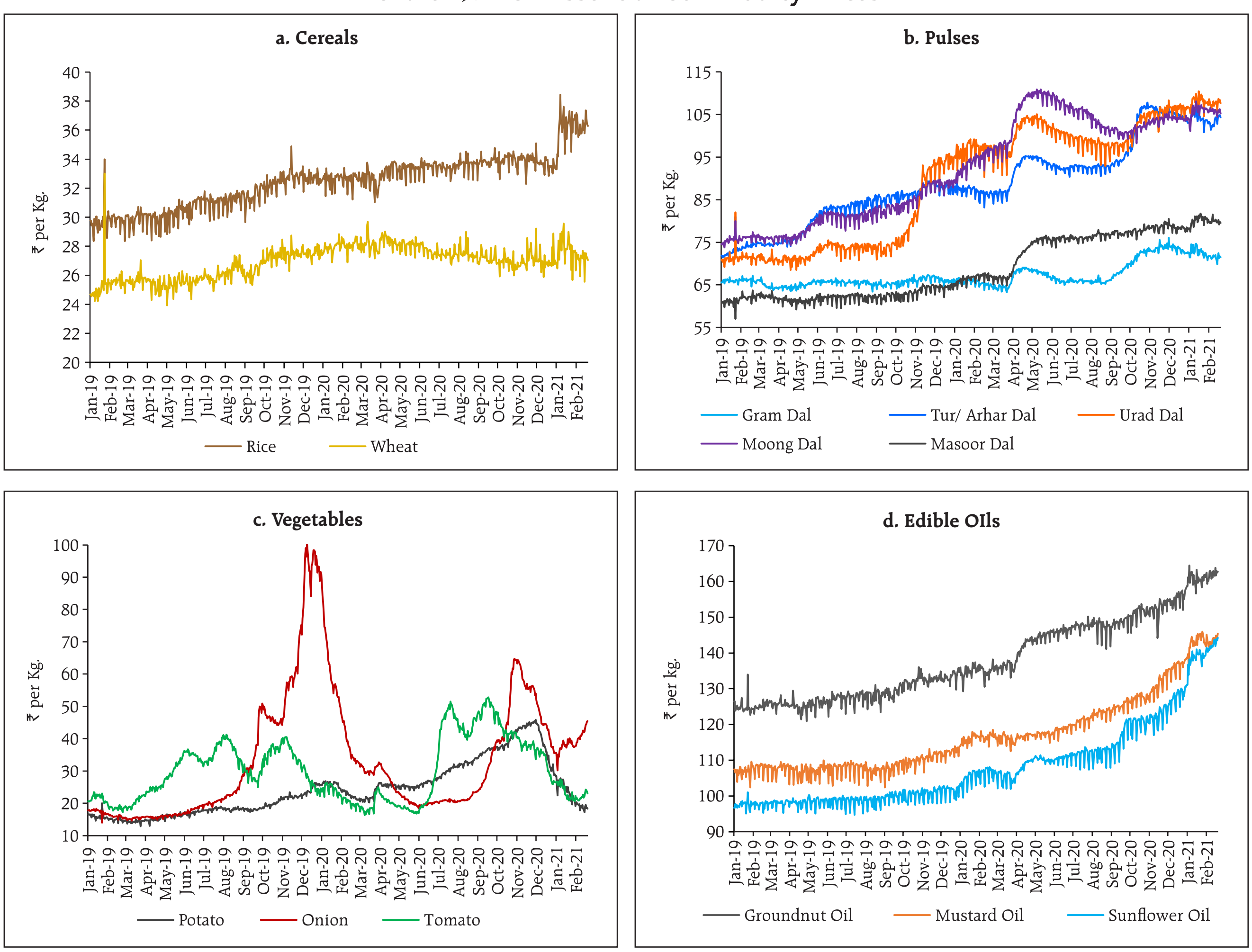
Sources: National Statistical Office (NSO); and RBI staff estimates.

account of price pressures in health, petrol, diesel, motor vehicles, transportation fares and recreation services. Double-digit inflation continued in prices of personal care due to gold, pan, tobacco and intoxicants, the latter reflecting indirect taxes post-lockdown. While inflation picked up in respect of clothing, it remained muted in respect of housing, household goods and services, and education. CPI excluding food and fuel (with a weight of 47.3 per cent) contributed 63 per cent of overall headline inflation (Chart 26b).

High frequency food price data from the Ministry of Consumer Affairs, Food and Public Distribution (Department of Consumer Affairs) for February so far (February 1-12) indicate month-on-month softening of price pressures in respect of cereals and vegetables. Pulses prices have also registered some softening across the board, although at still elevated levels. Among vegetables, potato and tomato prices remain in seasonal fall; however, onion prices have picked up on account of unseasonal rains. Edible oil prices edged up further in February (Chart 27).

Indian basket crude oil prices firmed up, averaging US$ 59 per barrel in February so far (February 1-12) from US$ 55 per barrel in January. Mirroring the pick-up in global crude oil prices, pump prices for petrol and diesel increased by around ₹2 per litre in February so far from the January levels, to around ₹90 per litre and ₹81 per litre, respectively. This is a historic high

Chart 27: DCA Essential Commodity Prices



Sources: Department of Consumer Affairs, GoI; and RBI staff estimates.

Table 5: Petroleum Product Prices (Average of Four Major Metros)

Item	Unit	Domestic Prices			Month-over-month (per cent)	
		Feb-20	Jan-21	Feb-21 ^	Jan-21	Feb-21
Petrol	₹/litre	75.01	87.57	89.60	1.5	2.3
Diesel	₹/litre	67.35	78.97	81.11	1.8	2.7
Kerosene	₹/litre	29.51	25.83	27.36	11.3	5.9
LPG	₹/cylinder	866.25	704.63	729.63	0.0	3.5

^: For the period February 1 -12, 2021

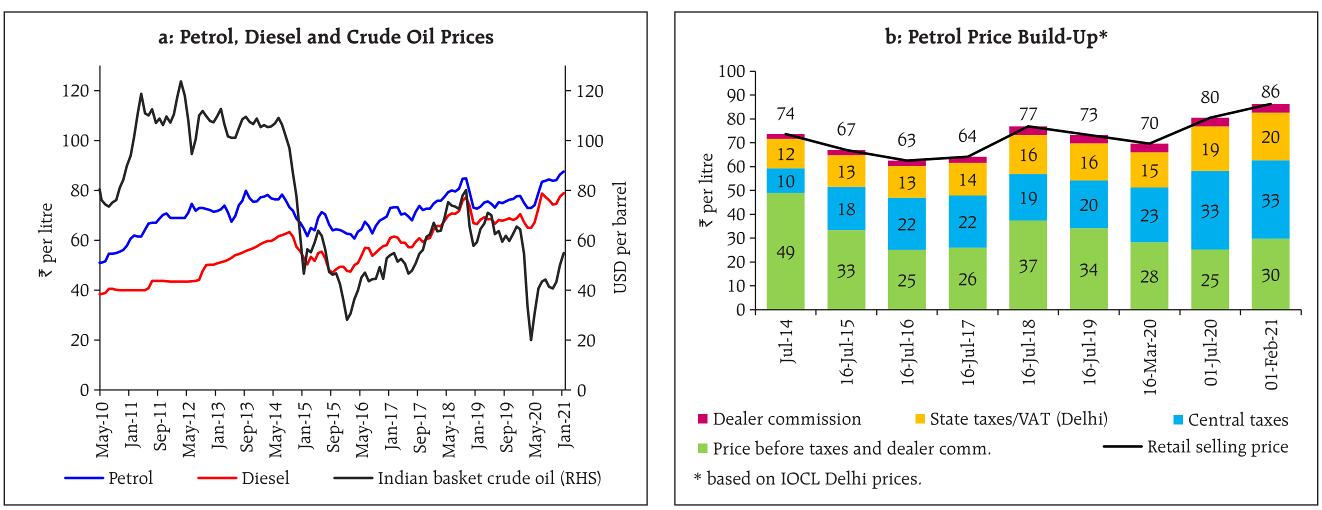
Note: Average of prices charged by Indian Oil Corporation Limited (IOCL) in four major metros (Chennai, Delhi, Mumbai and Kolkata).

Sources: IOCL; Petroleum Planning and Analysis Cell (PPAC); and RBI staff estimates.

for domestic pump prices – emanating mainly from hikes in indirect taxes. Domestic kerosene and LPG prices also registered an increase in February 2021 (Table 5).

Crude oil prices dropped from around US$ 110 per barrel in mid-2014 to a low of about US$ 20 per barrel in April 2020 before correcting and firming up to US$ 55 per barrel in January 2021 (Chart 28a). During this period, international petrol prices in rupee terms (after accounting for exchange rate movements[9] and shipping cost) also declined by around ₹19 per litre. Pump prices of petrol (represented by Delhi price), however, registered an increase from around ₹74 per litre in July 2014 to ₹86 per litre in early-February 2021, an increase of around ₹12 per litre, coming from sharp increases in central taxes on petrol by ₹23 per litre and State VAT (Delhi) by ₹8 per litre (Chart 28b). The share of excise and VAT in petrol pump prices (Delhi) saw an increase from around 30 per cent in July 2014 to 60 per cent in early- February 2021. As a result, over time, high levels of domestic petrol pump price have started to correspond to lower and lower levels of international crude oil prices. A petrol pump price of ₹80 per litre, which was consistent with a crude oil price of around US$ 110 per barrel in September 2013 has since then been consistent with US$ 73 per barrel during June-August 2018 and with US$ 41 per barrel in June 2020. The direct contribution of CPI petrol (with a weight of 2.2 per cent in CPI) to headline inflation jumped from 1.6 per cent in July 2014 to 4.8 per cent in January 2021.

Chart 28: Petroleum Product Prices



Note: Petrol and Diesel pump prices in Chart 28a denote the average of prices charged by Indian Oil Corporation Limited (IOCL) in four major metros (Chennai, Delhi, Mumbai and Kolkata).

Sources: PPAC; IOCL; Bloomberg; and RBI staff estimates.

[9] INR US$ exchange which was at around ₹60 per US$ in July 2014 depreciated to around ₹76 per US$ in April 2020 and thereafter appreciated to around ₹73 per US$ in January 2021.

Going forward, with prospects for *rabi* harvest getting buoyant on top of a bumper *kharif* crop, cereal inflation could remain contained. Onion prices may also start ebbing with *rabi* crop arrivals setting in. However, price pressures seen in edible oil are contingent upon softening of international prices. Core inflation pressures are likely to persist as cost-push pressures have further intensified. With petrol and diesel prices at record levels and broad-based increases in the cost of industrial raw-materials and intermediates, the risk of firms passing on input price increases to final goods and services remain, especially as the economic recovery gathers further traction and activity normalises to pre-COVID levels.

In a cross-country perspective, India had seen the least pass-through in the second half of the 2010s when crude oil prices had softened considerably. Due to additional taxes post lockdown, the wedge with international gasoline prices has increased and the pump prices paid by Indian consumer are among the highest in the world (Chart 29).

IV. Financial Conditions

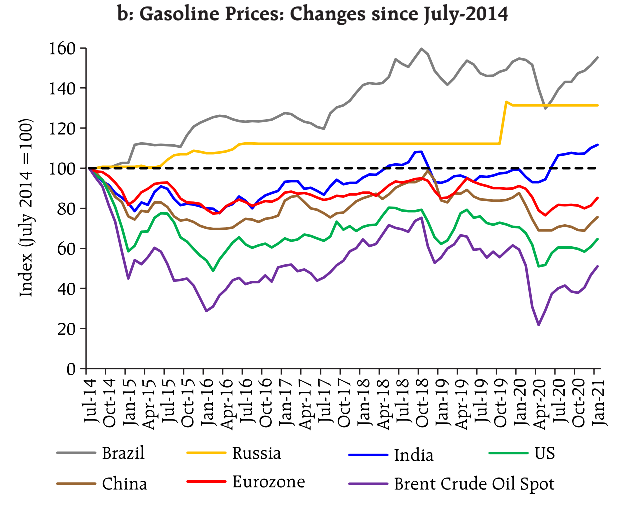
System liquidity moved in a zone of large surplus with the daily net liquidity absorption under the LAF ranging around ₹5.95 lakh crore in January 2021 and ₹6.40 lakh crore in February 2021 (up to February 25). As part of the gradual normalisation of liquidity management operations, the Reserve Bank conducted another variable rate reverse repo auction for an amount of ₹2 lakh crore on January 29, 2021 following up on an identical operation conducted on January 15 to commence the normalisation. The second auction was well received, with bidding offers exceeding 1.5 times the notified amount of ₹2 lakh crore. Two more such auctions were conducted on February 12 and 26, 2021, which elicited a similar response. Since January 15, 2021 liquidity absorbed through the fixed rate reverse repo has steadily increased from a fortnightly average of ₹4.33 lakh crore during January 16-29, 2021 to ₹5.21 lakh crore during January 30-February 25 (Chart 30).

Chart 29: International Gasoline Prices

a: Gasoline Prices in Local Currency

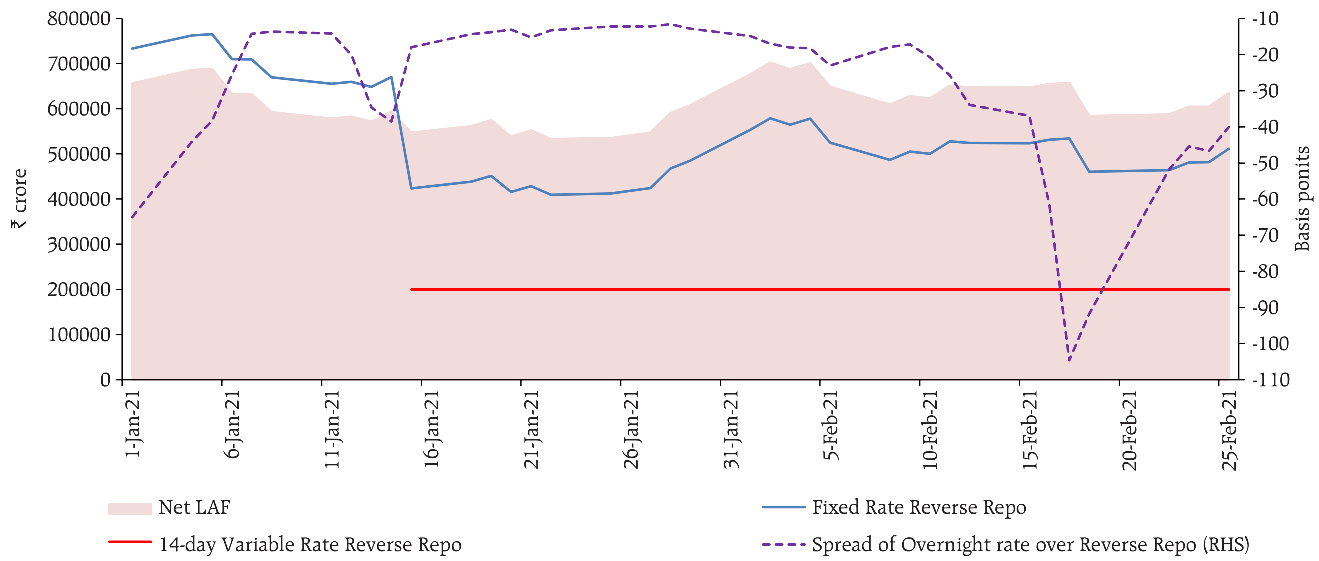
	Units	Jul-14	Jan-21
Brazil	Real/Litre	3.0	4.6
Russia	Rouble/Litre	32.3	42.4
India	Rupee/Litre	78.3	87.5
China	Yuan/Litre	8.0	6.0
US	USD/Gallon	3.6	2.3
Eurozone	Euro/Litre	1.6	1.4
Brent	USD/Barrel	107.0	54.6

b: Gasoline Prices: Changes since July-2014



Source: Bloomberg; and RBI staff estimates.

Chart 30: Fixed Rate Reverse Repo, Net LAF and Money Market Spread



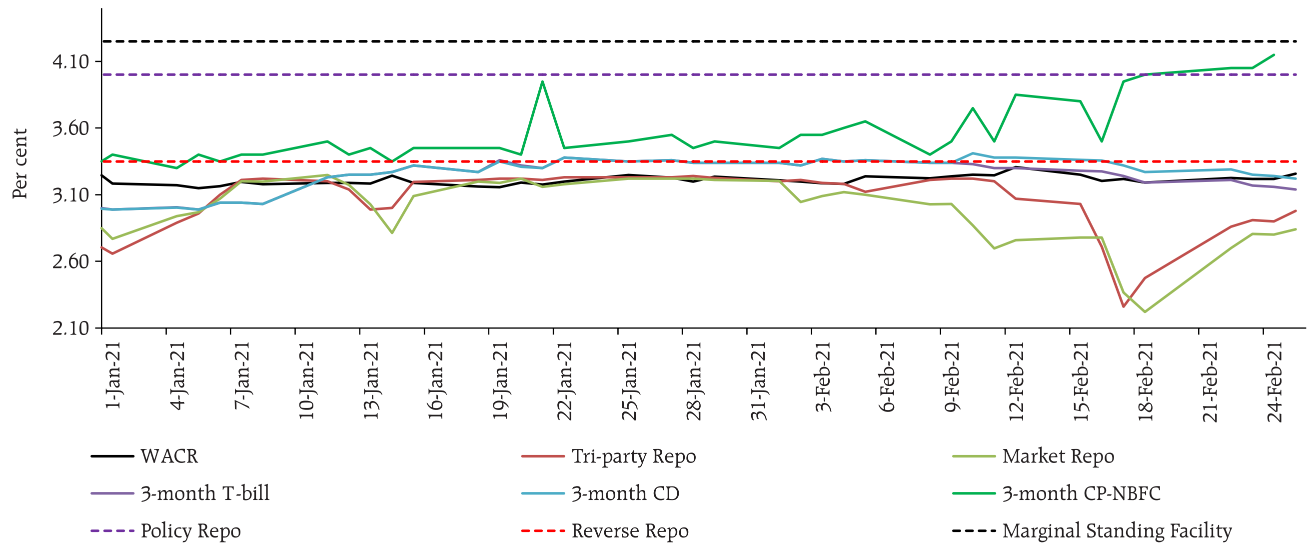
Source: RBI.

Adhering to its commitment to maintain ample liquidity in the system, the Reserve Bank conducted one open market operation (OMO) purchase auction on January 21, 2021 thereby injecting durable liquidity of ₹10,000 crore. It also conducted two special OMOs (Operation Twist) involving simultaneous purchase and sale of securities on January 7 and 14, 2021. In addition, the Reserve Bank undertook additional liquidity measures on February 5, 2021, which included (i) allowing lending by banks to non-banking financial companies (NBFCs) under the targeted long term repo operations (TLTRO) on Tap scheme for incremental lending to specified stressed sectors; (ii) gradual restoration of the cash reserve ratio (CRR) in two phases in a non-disruptive manner to 3.5 per cent effective from March 27, 2021 and 4.0 per cent effective from May 22, 2021; and (iii) extension of the facility for availing funds under the marginal standing facility (MSF) by dipping into the statutory liquidity ratio (SLR) up to 3.0 per cent of net demand and time liabilities (NDTL) until September 30, 2021. The Reserve Bank also conducted an OMO purchase auction for an enhanced amount of ₹20,000 crore on February 10, and a special OMO (Operation Twist) on February 25, 2021 to foster congenial financial conditions.

Mirroring surplus liquidity, overnight money market rates, *i.e.*, the weighted average call rate (WACR), the tri-party repo rate and the market repo rate continued to trail below the reverse repo rate, on an average, by 16 bps, 22 bps and 23 bps, respectively, in January and by 12 bps, 35 bps and 50 bps, respectively, in February (up to February 25, 2021). The rates on 3-month commercial paper (CP) issued by non-bank financial companies (NBFC), 3-month T-bills and 3-month certificates of deposit (CDs) inched above the reverse repo rate after a gap of two months in January 2021 (Chart 31). These rates, except CP (NBFC) rate, receded below the reverse repo rate in February 2021, reflecting surplus liquidity.

Corporate bond yields remained stable and spreads narrowed across the rating spectrum and issuer categories, reflecting waning risk premia and the congenial policy environment. The average spread of 3-year AAA rated corporate bonds over the G-sec yields of corresponding maturity issued by (i) public sector undertakings (PSUs), banks and financial

Chart 31: Policy Corridor and Money Market Rates



Sources: RBI; and Bloomberg.

institutions (FIs), (ii) corporates and (iii) NBFCs declined by 17 bps, 14 bps and 21 bps, respectively, in January. Even spreads on 3-year BBB- rated bonds - the lowest rated investment grade bonds - issued by these entities narrowed by 25 bps, 12 bps and 19 bps, respectively, reflecting reduced risk aversion and a system flush with liquidity (Table 6).

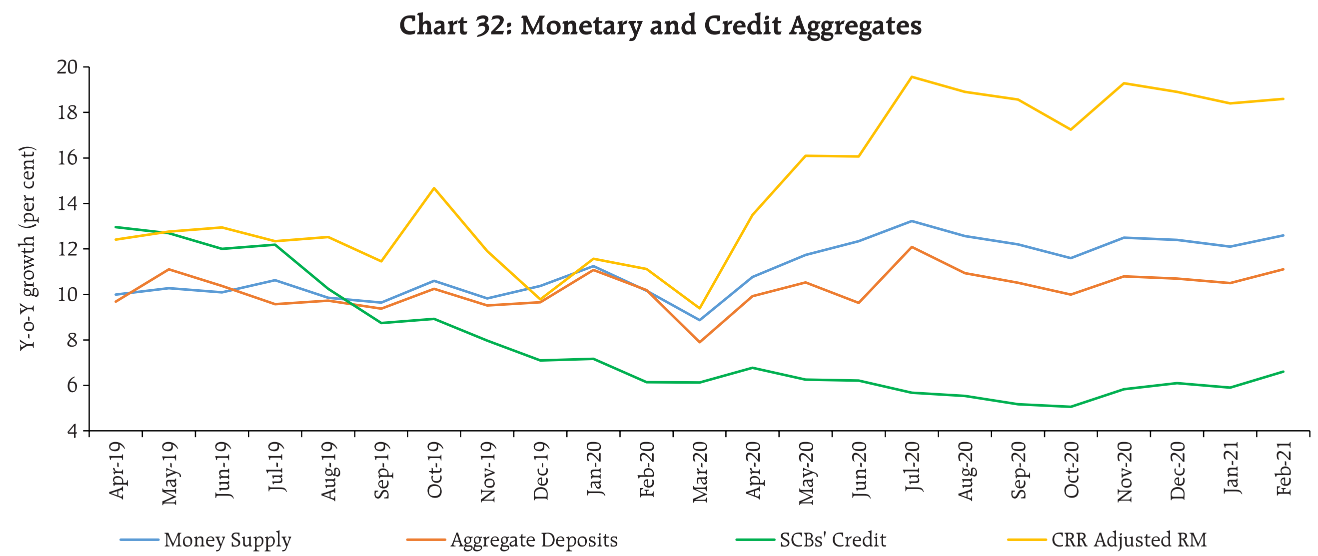
Table 6: Corporate Bond Yield and Spread

Issuer	Yield				Spread		
	Rating	Dec-20	Jan-21	Varia-tion	Dec-20	Jan-21	Varia-tion
		(Per cent)		(bps)	(bps)		
PSU, Banks and FIs	AAA	4.89	4.96	7	43	26	-17
	AA	5.56	5.62	6	114	92	-22
	BBB-	8.76	8.75	-1	430	405	-25
Corporates	AAA	4.76	4.85	9	30	16	-14
	AA	5.62	5.74	12	116	105	-11
	BBB-	9.57	9.69	12	512	500	-12
NBFCs	AAA	4.94	4.96	2	48	27	-21
	AA	6.28	6.34	6	182	164	-22
	BBB-	10.56	10.62	6	611	592	-19

Note: Yields and spreads are average of the month.
Source: FIMMDA.

Broader measures of liquidity also reflected the easing of monetary and credit conditions in the system. Reserve money (RM) adjusted for the first-round impact of changes in the cash reserve ratio (CRR) increased by 18.6 per cent on a y-o-y basis (February 19, 2021) (Chart 32), mainly driven by a growth of 20.3 per cent (11.9 per cent a year ago) in currency in circulation (CiC). With aggregate deposits growing at 11.1 per cent (February 12, 2021) alongside the high currency expansion, money supply (M3) expanded by 12.6 per cent on a y-o-y basis (9.5 per cent a year ago). Scheduled commercial banks' (SCBs') credit to the commercial sector recorded a growth of 6.6 per cent on February 12, 2021 (6.4 per cent a year ago).

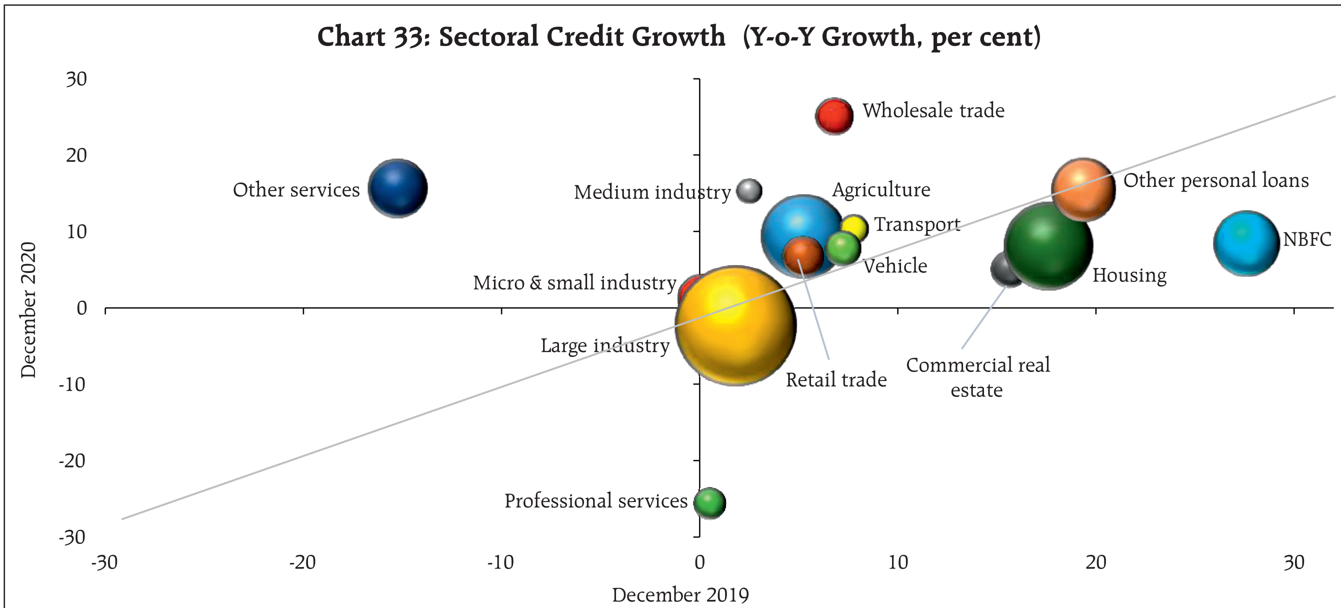
Within the gradual, yet steady recovery in overall credit growth, some bright spots are emerging. In December 2020, credit to agriculture, micro, small and medium industries, transport services, wholesale trade, retail trade and other services, and personal loans for purchase of vehicles, constituting 35 per cent of total credit, grew at a faster pace. Other personal loans[10], the second largest component in the personal loan segment, grew at a robust pace of 15 per



Note: 1. Data pertain to last reporting Friday of every month for money supply, aggregate deposits and bank credit; and last Friday of every month for reserve money.
2. For the month of February, reserve money data as on February 19, 2021, and money supply, aggregate deposits and SCBs' credit data as on February 12, 2021 are included.

Source: RBI.

cent in December 2020. Bank credit to large industries remained in contraction, however; several of these borrowers, particularly those with high ratings, are raising funds through bonds, debentures and other market-based instruments to take advantage of the prevailing low interest rate regime and also to retire past high cost debt. Loans for professional services were also in contraction. Growth in bank credit to non-bank finance companies (NBFC) slumped to 8 per cent in December 2020 as against a robust growth of 28 per cent a year ago (Chart 33). The recent initiative to allow banks to lend to NBFCs under TLTRO on tap scheme is expected to boost credit to stressed sectors, going forward.



Source: RBI.

[10] Other personal loan includes, *inter alia*, loans for domestic consumption, medical expenses, travel, marriage and other social ceremonies.

In the credit market, the 1-year median marginal cost of funds based lending rate (MCLR) of SCBs declined by 91 bps (from March 2020 up to January 2021). The median term deposit rate also moderated by 146 bps. The reduction in the cost of funds augurs well for transmission to lending rates (Table 7).

The yield on government securities (G-sec) continued to trade at decadal low levels aided by surplus liquidity and a host of measures taken by the Reserve Bank in the wake of COVID-19. The yield on the new 10-year G-sec benchmark (5.85 GS 2030) as well as the old 10-year G-sec benchmark (5.77 GS 2030), however, came under transitory pressure, closing at 5.91 per cent and 5.95 per cent, respectively, at end-January 2021. Bond market sentiment was weighed down by hardening US Treasury yields, the rise in crude oil prices during the month and the announcement of the centre's gross market borrowing plan of ₹12 lakh crore for 2021-22 along with an additional borrowing of ₹80,000 crore for the remaining period of 2020-21 in the Union Budget. Yields softened subsequently, aided by (i) the announcement and conduct of OMO purchases by the Reserve Bank for an enhanced amount of ₹20,000 crore on February 10, 2021 with the bulk of purchases in the 10-year segment alone; (ii) extension of the dispensation of enhanced Held to Maturity (HTM) of 22 per cent of NDTL up to March 31, 2023; (iii) providing retail investors with online access to the government securities market – both primary and secondary – directly through the Reserve Bank ('Retail Direct'), which could lower the cost of borrowing of the government through widening of investor base and tapping of household savings; and (iv) explicit forward guidance on the provision of ample liquidity to foster congenial financing conditions. Enthused by these measures, the new and the old 10-year benchmark yields softened by 17 bps and 13 bps, respectively, as on February 11, 2021, from the post Union Budget spike (Chart 34 and 35). Subsequently, these benchmark yields, however, firmed up to 6.23 per cent and 6.32 per cent, respectively, at end-February 2021 mainly driven by global factors such as hardening US yields and rising crude oil prices. As mentioned earlier in this article, the RBI conducted a special OMO (operation twist) of ₹10,000 crore on February, 25 which received a strong response with the bid-cover ratio of 4.9 on the purchase side and 3.3 on the sale

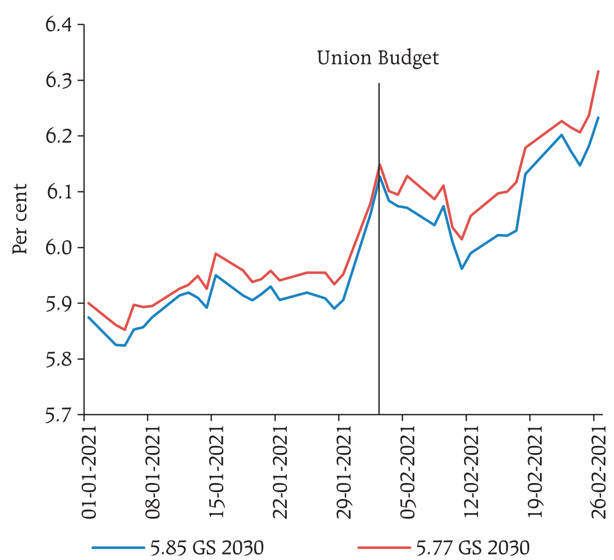
Table 7: Transmission from the Repo Rate to Banks' Deposit and Lending Rates

(Basis points)

Period	Repo Rate	Term Deposit rates		Lending rates		
		Median Term Deposit Rate	WADTDR	1 - Yr. Median MCLR	WALR - Outstanding Rupee Loans	WALR - Fresh Rupee Loans
Feb 2019 - Sep 2019	-110	-9	-7	-30	2	-40
Oct 2019 – Jan 2021*	-140	-175	-127	-118	-91	-144
Mar 2020 - Jan 2021*	-115	-146	-88	-91	-73	-113
Feb 2019 – Jan 2021*	-250	-209	-134	-145	-89	-184

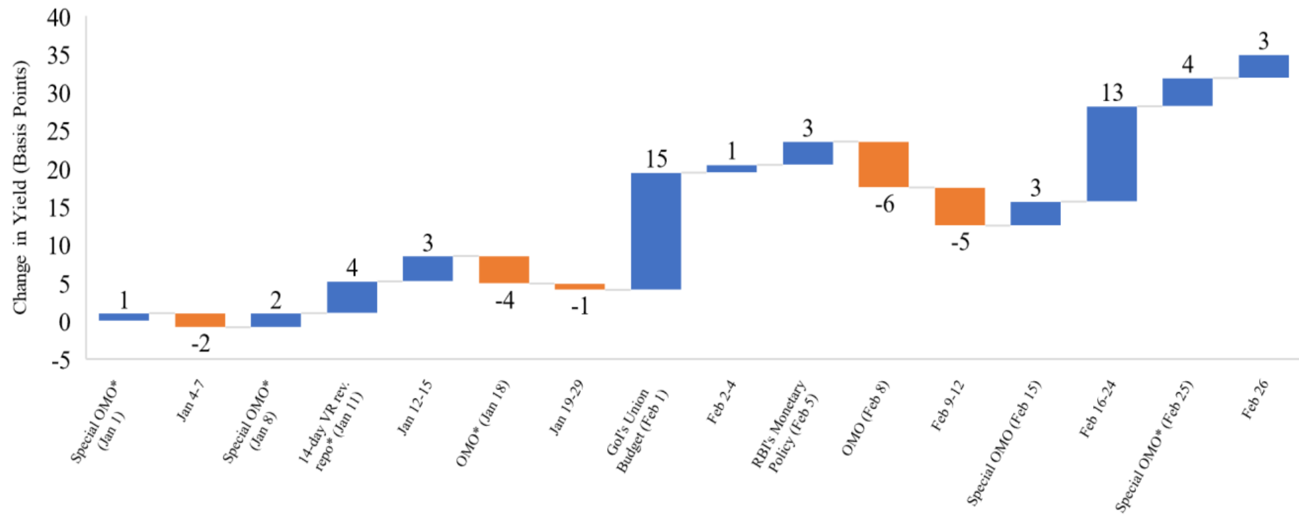
*: Latest data on WALRs and WADTDR pertain to December 2020.
WALR: Weighted Average Lending Rate. WADTDR: Weighted Average Domestic Term Deposit Rate;
MCLR: Marginal Cost of Funds-based Lending Rate.
Source: RBI.

Chart 34: 10-year Benchmark G-Sec Yields



Sources: CCIL and Bloomberg.

Chart 35: Impact of Announcement of Various Events on 10 Year G-Sec in 2021



* Announcements were made after the close of market trading hours on previous trading day.
Source: Bloomberg.

side of the operation. In continuation of its measures, another such operation is scheduled for March 4, 2021 for an enhanced amount of ₹15,000 crore.

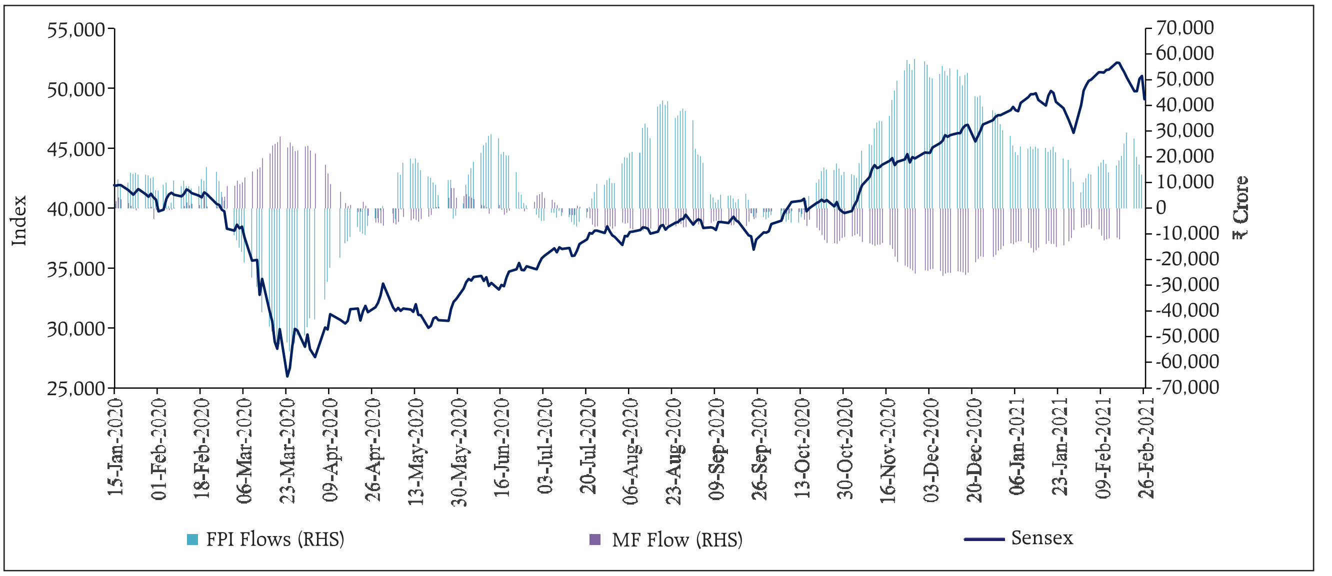
The Indian equity market scaled fresh highs in January 2021, with the BSE Sensex briefly crossing the historical 50,000 mark in intra-day trade (on January 21, 2021), before paring all the gains and registering losses towards the end of the month. Initially, the equity market soared on good news - expansion in manufacturing PMI for December 2020; Government's approval for two vaccines and their subsequent roll-out in the country; and optimism over corporate earnings results for Q3:2020-21. The momentum was reversed as markets turned volatile towards the close of the month on weak global cues triggered by the fallout of speculative trading by retailers in the US and sell-offs by foreign portfolio investors (FPIs).

Nevertheless, it is noteworthy that India's benchmark stock index registered its sharpest post Union Budget rally ever (in absolute terms) as the Finance Minister announced a slew of measures to invigorate the economic revival and encourage spending across sectors without any major change in taxes. The Sensex gained by 2,315 points (5 per cent) to close at 48,601 on February 1, 2021 (Chart 36). Investor sentiment was boosted by a number of schemes introduced in healthcare, infrastructure and the agriculture sector, including formation of an asset reconstruction company for management of non-performing assets (NPAs), strategic disinvestment of PSUs, privatisation of two public sector banks and one general insurance company, and increase in the foreign direct investment (FDI) limit to 74 per cent in the insurance sector. A sharp increase in capital expenditure also buoyed overall sentiment.

The market capitalisation of BSE-listed companies crossed the historic ₹200 lakh crore mark for the first time in February 2021, reflecting accretion of significant wealth for investors, driven by continuous rallies. The country's market capitalisation to GDP ratio is more than 100 per cent. In fact, since January 2021, India's equity markets gained the most, next only to Hong Kong among the world's top 10 markets. India's stock market has now become the eighth largest in the world, in terms of market value.

Earnings results declared by Indian listed corporates for Q3:2020-21 provide further evidence of

Chart 36: BSE Sensex and Institutional Flows

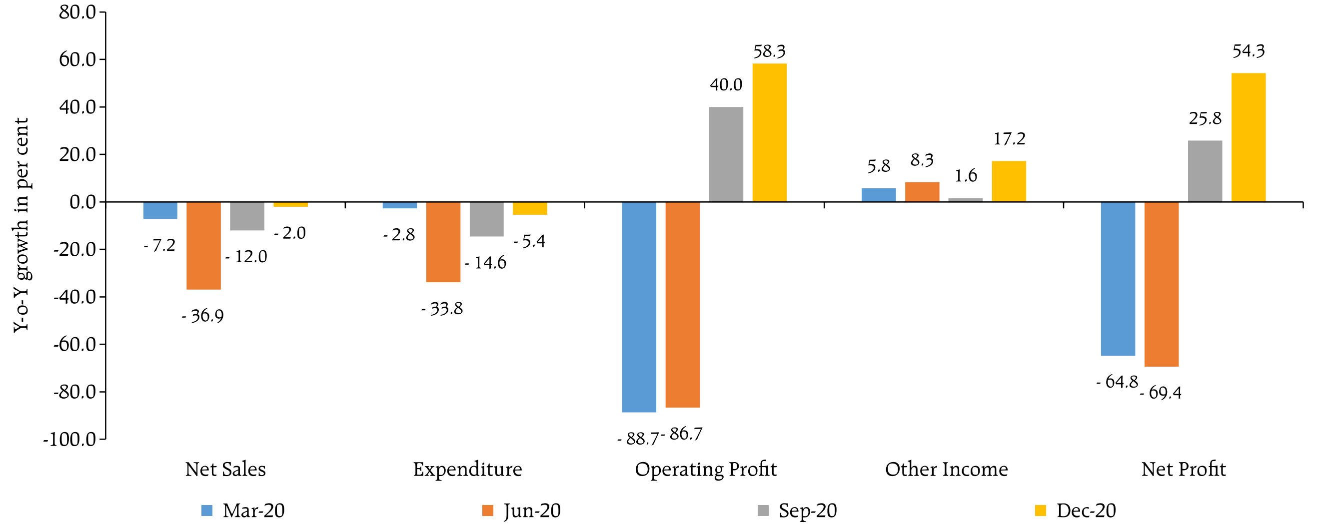


Note: FPI and MF investments are represented on 15 days rolling sum basis.
Source: Bloomberg.

a strong rebound in economic activity. For the 3,014 non-financial listed companies declaring results, net sales growth remained in contraction in Q3[11] although at a moderate pace relative to the preceding three quarters. Nevertheless, the fall in raw material costs and cost savings on account of lower interest expenses caused expenditures to fall faster than sales and operating profits rose (Chart 37).

A disaggregated analysis of the non-financial

Chart 37: Performance of the Listed Non-Financial Companies



Note: Excludes extraordinary items.
Sources: Prowess; and RBI staff calculations.

[11] Excluding refining sector, net sales of the remaining non-financial companies have increased by 2.4 per cent y-o-y during Q3:2020-21 from contraction of 8.4 per cent during Q2:2020-21.

Table 8: Sector-Wise Corporate Performance

Select Sectors	Net Sales Growth (Y-o-Y, per cent)				Operating Profit Growth (Y-o-Y, per cent)				Net Profit Growth (Y-o-Y, per cent)			
	Mar-20	Jun-20	Sep-20	Dec-20	Mar-20	Jun-20	Sep-20	Dec-20	Mar-20	Jun-20	Sep-20	Dec-20
IT	7.4	4.3	4.5	6.0	20.2	12.5	19.0	24.1	15.4	6.3	12.5	18.4
Refining	-5.0	-49.2	-25.2	-17.4	-170.8	-37.8	65.2	27.5	-143.5	-6.1	85.5	29.2
FMCG	0.2	-6.4	7.5	6.9	-16.7	-13.1	16.2	12.7	-20.2	-2.1	7.4	8.1
Pharmaceuticals	5.5	5.5	9.8	10.2	2.1	28.0	38.8	45.1	9.8	16.2	33.9	63.7
Steel	-18.7	-39.1	10.5	16.8	-28.9	-401.3	n.m.	n.m.	46.3	-604.3	34.2	n.m.
Auto & Auto Ancillaries	-17.2	-65.2	3.4	20.3	-55.0	-198.0	8.5	56.7	-37.5	-157.6	-11.3	50.8
Cement	-11.8	-33.4	4.6	11.2	5.3	-44.8	83.9	107.4	12.7	-36.9	70.6	111.7

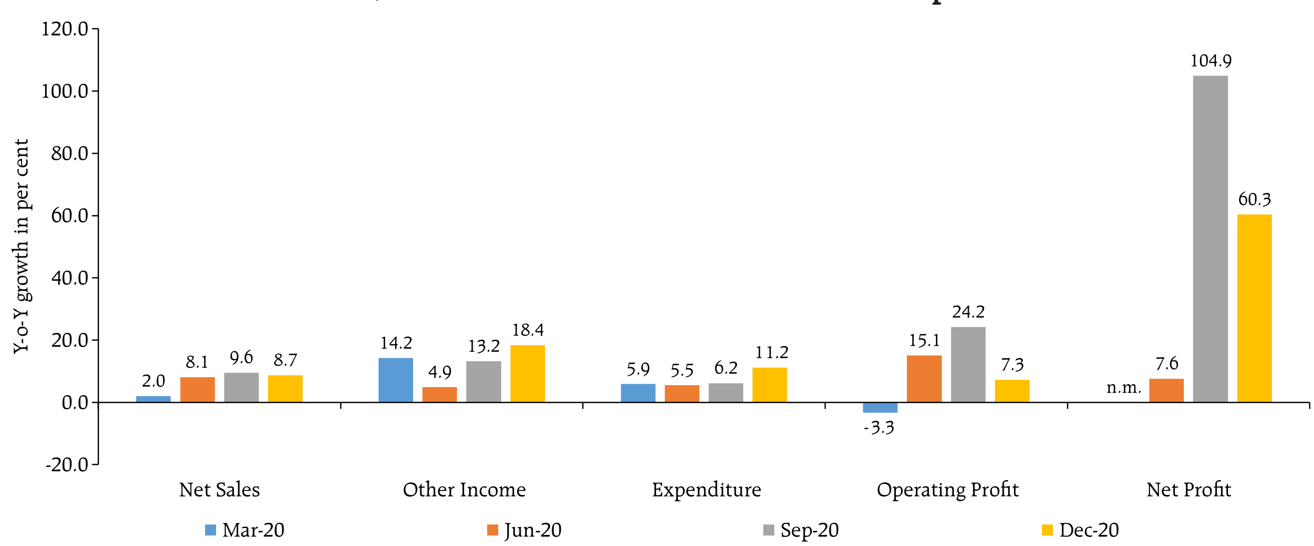
Note: Excludes extraordinary items. n.m. is not meaningful.
Sources: Prowess; and RBI staff calculations.

sector indicates that the economically sensitive sectors such as auto, steel and cement registered an impressive performance during Q3:2020-21, as stated earlier (Table 8). Furthermore, the information technology (IT) sector companies have accelerated their sales growth, recording the strongest quarterly performance during Q3:2020-21 in past several years.

Similarly, earnings results of 853 listed banking and financial sector companies in India indicate a robust performance during Q3:2020-21 (Chart 38). Net sales, which primarily include interest income, registered a healthy increase while other income, which included flows like profit/ loss from sale of assets and investments, picked up as capital markets remained buoyant during the quarter. Total expenditure growth increased on account of rise in employee costs, leading to a moderate rise in operating profits. Furthermore, a sharp fall in provisioning on loans and advances due to favourable base effects on account of huge provisioning by private banks in Q3:2019-20 resulted in a sharp increase in net profits.

India remained the bright spot in an otherwise shadowy year for foreign direct investment (FDI), as global inflows plunged by 42 per cent y-o-y in 2020

Chart 38: Performance of the Listed Financial Companies

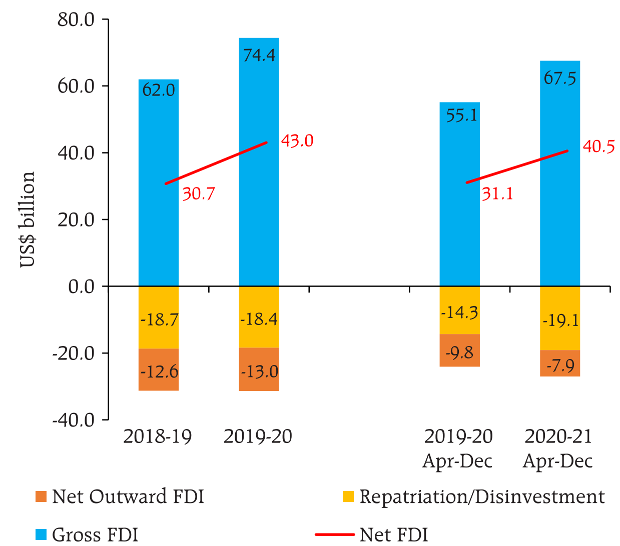


Note: Excludes extraordinary items. Operating profit refers to operating profit before provisions and contingencies. n.m. is not meaningful.
Source: Prowess and RBI staff calculations.

(US$ 859 billion), the lowest level since the 1990s, according to UNCTAD's 'Investment Trends Monitor' released on January 24. India clocked a 13 per cent (US$ 57 billion) y-o-y rise, the highest growth among nations, boosted by flows into the digital sector. Net FDI flows remained strong in December 2020, following a surge through August-November 2020. Consequently, net FDI increased to US$ 40.5 billion in April-December 2020 from US$ 31.1 billion a year ago (Chart 39). A surge in FDI equity inflows in August-December 2020 was largely driven by a few mega deals in digital services (Chart 40).

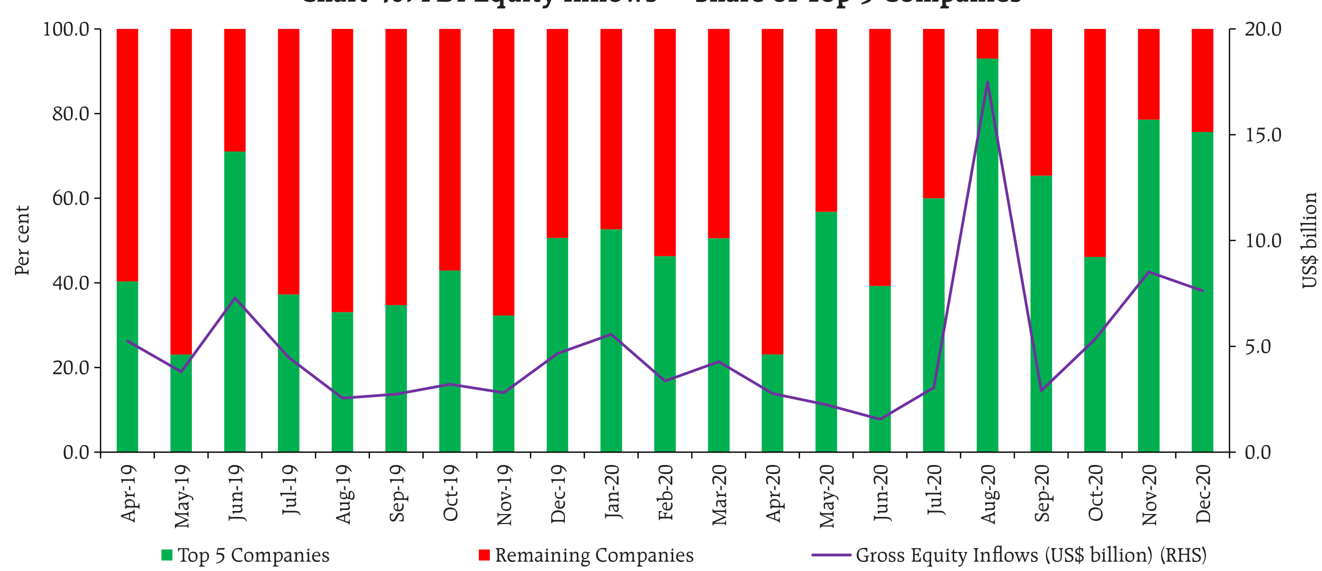
FPIs continued as steady net buyers in the domestic capital market in January 2021, though on a modest scale compared to a month ago. Although better-than-expected earnings, signs of economic revival, declining COVID infections and the ongoing vaccination drive continued to enthuse FPIs, they reduced their exposure mainly due to pre-budget profit booking. While net FPI inflows of US$ 1.2 billion were largely driven by equity purchases of US$ 2.0 billion, they remained net sellers in the debt segment (Chart 41). While pre-budget volatility in FPI flows was observed in January 2021, pro-reform budget with greater focus on capital expenditure and privatisation of PSUs boosted FPI inflows in February 2021. Cumulatively, FPIs net investment in equities hit US$ 36.1 billion so far in 2020-21, the highest ever since 2012-13.

Chart 39: Foreign Direct Investment



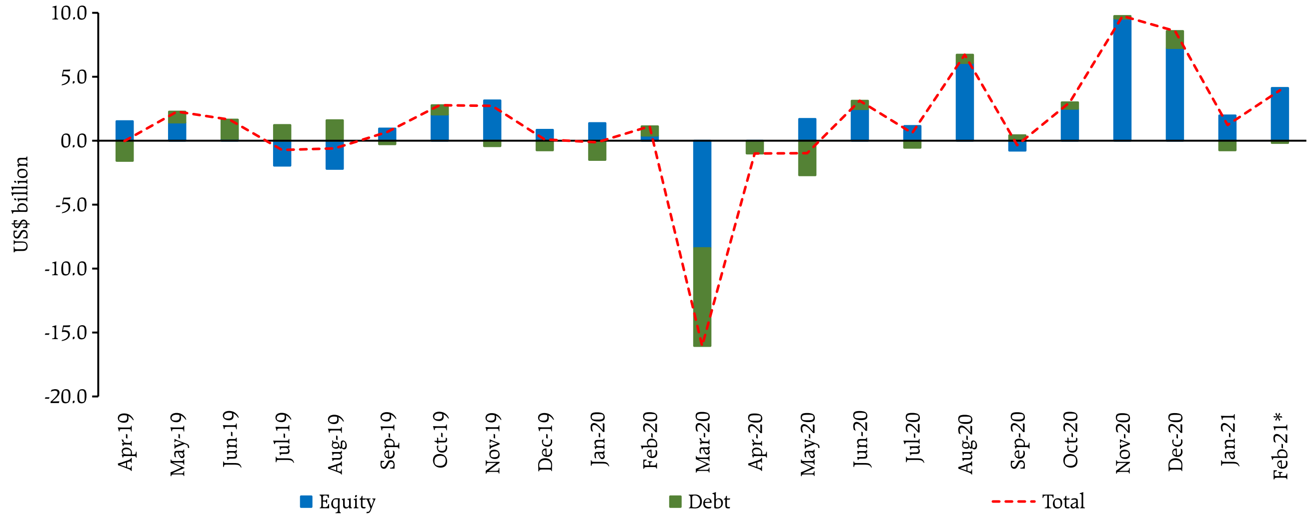
Source: RBI.

Chart 40: FDI Equity Inflows – Share of Top 5 Companies



Source: RBI.

Chart 41: Net Foreign Portfolio Investment

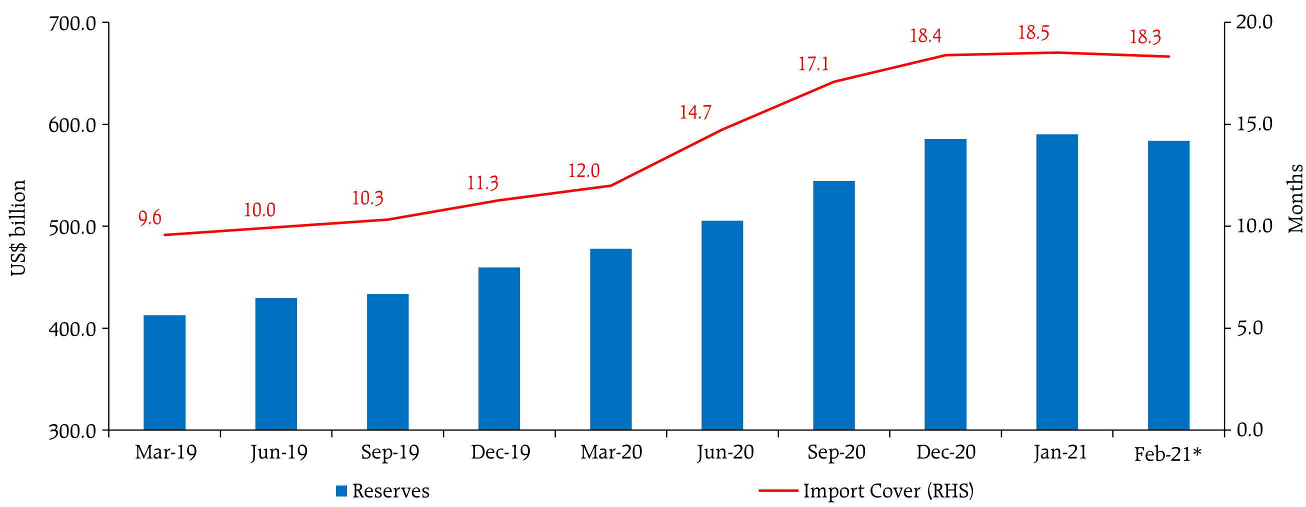


*: Up to 25th
Source: National Securities Depository Limited (NSDL).

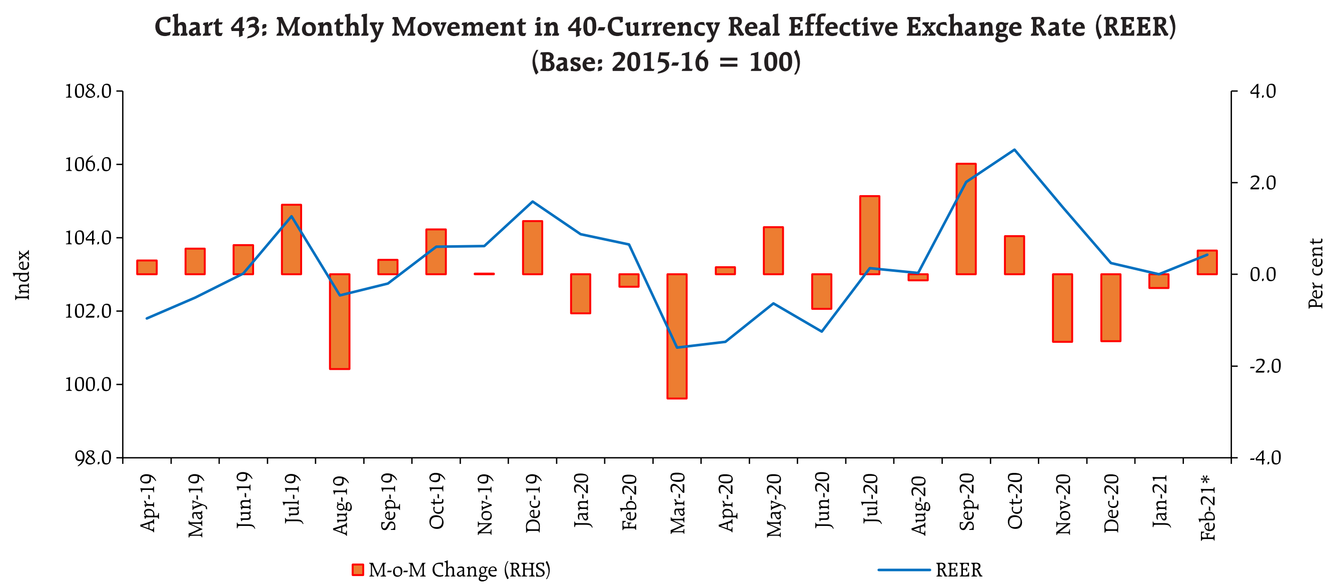
The recent Union Budget's proposal to allow debt financing by FPIs in real estate investment trusts (REITs) and infrastructure investment trusts (InvITs) would open up alternate sources of funds for these entities, besides bringing down the cost of funds, and providing foreign investors a relatively secure debt investment option in India. With the Union Government indicating a big push to capex, foreign investors have evinced greater interest in green bond offerings from India for financing roads, ports and other infrastructure projects in the country than before.

Foreign exchange reserves touched an all-time high of US$ 590.2 billion on January 29, 2021 and were at US$ 583.9 billion on February 19, 2021 (Chart 42).

Chart 42: Foreign Exchange Reserves and Import Cover



*: As on February 19, 2021.
Note: Figures on import cover for December 2020 and January 2021 are based on balance of payments data released for Q2:2020-21 and earlier quarters.
Source: RBI.



*: Up to 19th.

Source: RBI.

In the foreign exchange market, the Indian rupee (INR) continued to strengthen and was 0.5 per cent higher against the US dollar in February 2021 over its level a month ago, riding high on the back of robust foreign investments, weakening of the US dollar and the vaccination roll out. As at end-February 2021, the INR appreciated by 3.2 per cent over its level at end-March 2020, and reached ₹73.04 against the US dollar, a level last seen in the beginning of September 2020. In terms of the 40-currency real effective exchange rate index, the INR appreciated by 2.5 per cent in February 2021 over its level in March 2020 (Chart 43).

Payment System

India's digital ecosystem demonstrated its commitment to serve as a catalyst in the economic revival. Accordingly, it sustained growth momentum in both wholesale and retail segments in January 2021 on top of a spectacular performance in the preceding month. Market estimates predict that by 2025, digital payments in India could grow three-fold to over ₹7,000 trillion on account of the policies for ushering in financial inclusion and the rapid digitisation of merchants[12].

Coursing through January 2021, wholesale transactions *via* the Real Time Gross Settlement (RTGS) system continued to post double digit growth of 14.1 per cent (y-o-y) in volume, over and above 20.2 per cent in the month gone by (Table 9). In the

Table 9: Transaction Values in 2020-21

(in ₹ crore)

	RTGS	NEFT	UPI	IMPS
Apr-20	64,43,653	13,06,406	1,51,141	1,21,141
May-20	70,41,869	14,81,750	2,18,392	1,69,402
Jun-20	86,51,978	19,06,586	2,61,835	2,06,951
Jul-20	83,35,279	19,63,113	2,90,538	2,25,775
Aug-20	72,92,380	19,30,552	2,98,308	2,35,137
Sep-20	94,89,066	21,65,515	3,29,032	2,48,662
Oct-20	84,96,046	22,35,389	3,86,107	2,74,645
Nov-20	79,87,655	22,18,252	3,90,999	2,76,459
Dec-20	1,06,59,120	25,58,304	4,16,176	2,92,325
Jan-21	91,70,162	21,65,869	4,31,182	2,88,538

Source: RBI.

[12] "*Digital payments market in India likely to grow 3-folds to ₹7,092 trillion by 2025: Report*", Economic Times, August 23, 2020

retail segment, the volume and value of transactions through the National Electronic Funds Transfer (NEFT) increased by 10.3 per cent and 12.3 per cent, respectively, on top of the high growth recorded in the preceding two months. Estimates for February indicate acceleration in growth for both RTGS and NEFT. Transactions through the Immediate Payment Service (IMPS) recorded growth in volume and value at 33.5 per cent and 33.1 per cent, respectively, on top of 38.7 and 38.6 per cent growth registered in the previous month. Unified Payments Interface (UPI) transaction volume accelerated to 76.5 per cent - a jump of 6 percentage points over December 2020, while value growth was steady at an impressive 99.4 per cent. Recent transaction volume caps enforced on Third Party App Providers (TPAPs) on the UPI by the National Payments Corporation of India (NPCI) are likely to promote competition in this space, further bolstering innovation, accessibility and customer convenience.

There was an uptick in bill payments through the Bharat Bill Payment System (BBPS), with a growth of 84 per cent in volume (86.2 per cent last month) and 106 per cent in value (97.9 per cent last month). BBPS activity has been buoyed by increasing consumer affinity for digital modes and the swift response of billers by on-boarding on to the system.

Reflecting vehicular movement in tandem with the economic revival, the growth of National Electronic Toll Collection (NETC) displayed sequential improvement at 60.4 per cent in volume and 48.1 per cent in value on top of 115.2 per cent and 83.3 per cent, respectively, in the previous month. The turnover in Aadhaar Enabled Payments System (AePS) and National Automated Clearing House (NACH) reveal a boost in demand from the countryside, owing to the disbursal of funds under the PM *Kisan Samman Nidhi.* It is worthwhile to note that NACH growth accelerated in the months of April, August and December in 2020 on account of the disbursal of funds to beneficiary farmers' accounts in the form of triennial instalments under the scheme. Mirroring these credits, upticks were witnessed in cash withdrawals through the AePS in these months or the months immediately thereafter; 89.1 per cent in volume and 92.3 per cent in value in January 2021. Rural India could turn out to be the inflection point of digital payments in the near future, with the penetration of payment alternatives like Quick Response (QR) codes, AePS and offline payments, for which the Reserve Bank is striving to provide an enabling policy environment aimed at promoting digital inclusion.

The month of January 2021 was also packed with significant actions on the regulatory front. Taking cognisance of unfair lending practices being adopted by certain unauthorised digital lending platforms and mobile apps, the Reserve Bank has constituted a Working Group to study all aspects of digital lending activities among regulated as well as unregulated financial entities to ensure establishment of an appropriate regulatory approach that strikes a balance between financial innovation and consumer protection. In February, the Reserve Bank has issued a "Master Direction on Digital Payment Security Controls" laying down minimum standards for banks and card-issuing entities to ensure safety of digital transactions. As an additional safety measure, the Positive Pay System for cheques has commenced from January 1, 2021, to enhance the safety of cheque-based transactions. Working towards achieving the vision of Digital India, the Reserve Bank has operationalised its Payment Infrastructure Development Fund, effective from January 1, 2021, which is aimed at scaling up digital payments infrastructure in Tier III to VI centres. To ensure speedy grievance redressal, the Reserve Bank will set up a 24X7 digital payment helpline and roll out a "One Nation, One Ombudsman" scheme to integrate the current three ombudsman facilities into one. The major news from the innovation space is the commencement of the test phase of the first cohort of the Regulatory Sandbox with the theme 'Retail Payments' and announcement of the second cohort with the theme 'cross-border payments'. In response to increasing popularity of contactless payments during the pandemic, the Reserve Bank has enhanced the limits for contactless card transactions and e-mandates for recurring transactions through cards (and UPI) from ₹2,000 to ₹5,000 from January 1, 2021.

Conclusion

The outlook for the global economy is suddenly besieged by surges in new, speedily communicable strains of the virus against which vaccine makers must rapidly adapt. It is in this context that a well-coordinated and swift strategy for deployment of vaccines globally assumes urgency. India, like a few other countries, has rolled out a rapid deployment programme that already involves more than 20 countries in the form of grants and commercial supplies, and more supplies and more vaccines are in the pipeline in spite of a recent surge in infections in a few states and the isolation of an Indian mutation. Considerable uncertainty surrounds the outlook although on balance, the gathering strength of the recovery and its broadening ambit hold out optimism and the will to survive and revive.

The second advance estimates of national income released on February 26 by the National Statistical Office confirmed the conviction of this article – real GDP in Q3 shrugged off the contraction of H1 and reclaimed positive territory. The second advance estimates of the Ministry of Agriculture placed 2020-21 foodgrains production at 303 million tonnes, the highest ever, spread across all principal crops and in both *rabi* and *kharif* seasons. With this emergence from recession as businesses reopen and consumers venture back to offices and shops, the Indian economy has turned a corner. These developments are all inflation positive. With pulses production 6 per cent higher than a year ago, inflationary pressures on the food front are set to ebb, but core inflation will warrant deft and dogged attention. While disproportionately high excise duties on petroleum products are hostage to the state of public finances, buoyancy in other heads of revenue could loosen this stranglehold, bring down pump prices of petrol, diesel and of cooking gas to more internationally comparable levels, improve the inflation outlook and expand consumer welfare. From an internationally competitive perspective too, it is important for India to recover from being an inflation outlier and turn to structural reforms that reposition the economy to reap the gains of productivity and efficiency.

The evolution of financial conditions as 2020-21 draws to a close and the new financial year commences will pose a challenge. Fiscal policy authorities face the 'rock' of stimulating the economy and the 'hard place' of ensuring sustainable finances. Monetary authorities encounter a similar dilemma of conflicting pulls – ensuring an orderly evolution of the interest rate structure in the face of still enlarged borrowing needs against the need to remain accommodative and support the recovery. While policy authorities exhibit resoluteness in their commitment, markets are assailed by uncertainty and sporadic shifts between hunts for returns and flights to safety. A shared understanding and common expectations will likely be the anchor in this turbulence. Markets have to rely on the track record of authorities during the most trying year in a century – of keeping markets and institutions functioning; of easing borrowing costs and spreads; of keeping finance flowing – in fact, there is very little else to hang a hat on. An orderly evolution of the yield curve serves all. A vibrant and self-sustaining economy will lift all boats and markets can do no better than supporting policy authorities as they struggle to regain that stride.

There is little doubt today that a recovery based on a revival of consumption is underway. The jury leans towards such recoveries being shallow and short-lived. The key is to whet the appetite for investment, to rekindle the animal spirits - *a spontaneous urge to action rather than inaction, and not as the outcome of a weighted average of quantitative benefits multiplied by quantitative probabilities*[13]. All engines of aggregate demand are starting to fire; only private investment is missing in action. The time is apposite for private investment to come alive. Fiscal policy, with the largest capex budget ever and emphasis on doing business better, has offered to crowd it in. Will Indian industry and entrepreneurship pick up the gauntlet?

[13] John Maynard Keynes in The General *Theory of Employment, Interest and Money, 1936.*

*Sectoral Deployment of Bank Credit in India: Recent Developments**

Bank credit growth, which witnessed a slowdown in 2019-20, experienced a further setback in 2020-21 in the wake of COVID-19-induced lockdown. However, with the gradual resumption of economic activity, credit to agriculture and services sectors has registered accelerated growth in the recent period. Even in the industrial sector, credit growth to medium industries has accelerated. Empirical estimates indicate that non-food credit is sensitive to interest rate changes with a lag, with industry and services sectors exhibiting greater sensitivity.

Introduction

Bank credit is the predominant source of finance for various sectors of the economy in a developing country like India though market-based sources of finance have also gained in importance in the recent years. Adequate and equitable distribution of bank credit among productive sectors of the economy has been an abiding concern among academics and policy makers (Yakubu & Affoi, 2014; Makinde, 2016).

Non-food credit growth, which was quite robust in 2018-19, touching a peak year-on-year (y-o-y) growth of 15.3 per cent in November 2019, slowed down significantly during 2019-20 in line with deceleration in economic growth. The slowdown was exacerbated in 2020-21 due to the COVID-19-induced lockdown with economic growth turning negative in two successive quarters, *viz.*, Q1 and Q2: 2020-21. Due to the shutdown of economic activities, credit demand was impacted severely resulting in a further deceleration in credit growth to various sectors of the economy. The Reserve Bank and the Government of India have taken a number of measures aimed at facilitating adequate and unimpeded flow of credit to the productive sectors of the economy to support economic recovery, as bank credit channel is an important channel of monetary policy transmission in India.

In view of the importance of bank credit flows to various productive sectors of the economy, the Reserve Bank has been compiling and publishing sectoral deployment of bank credit data on the last working day of every month with a lag of about a month. These data covering important sectors of the economy are being collected from select banks, accounting for around 90 per cent of the total non-food credit extended by all scheduled commercial banks (SCBs) in India, through sectoral and industrial bank credit (SIBC) return.

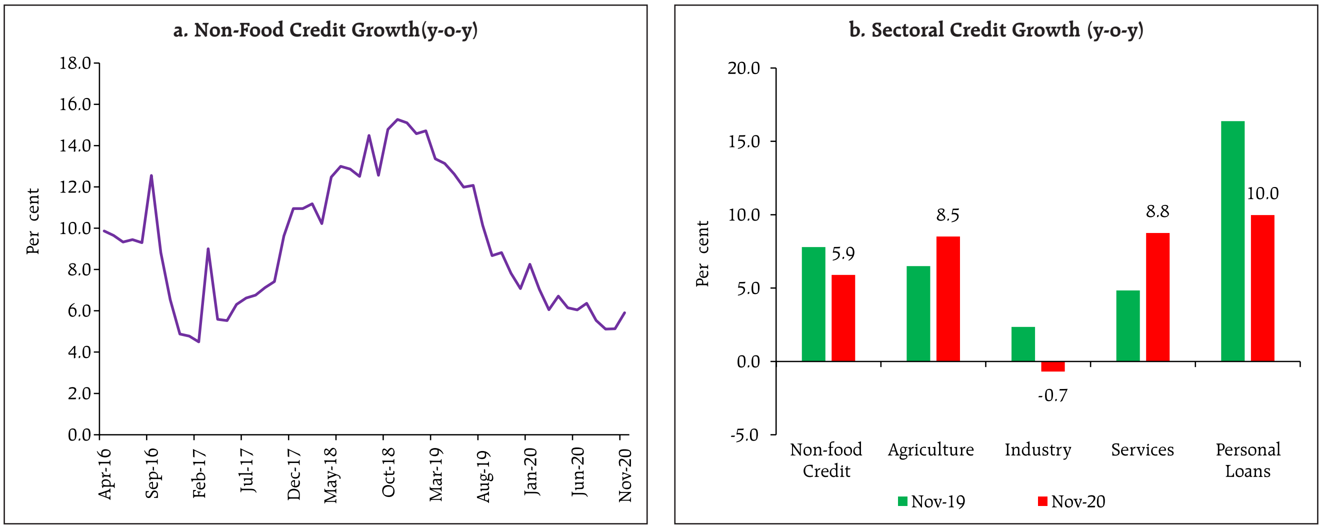
This article analyses the developments in sectoral deployment of bank credit during the period preceding the COVID-19 pandemic and compares them with developments during the COVID-19 period, *i.e.*, during April-November, 2020-21. The article empirically estimates sensitivity of non-food credit to interest rate changes. The article is organised as follows: Section II presents important developments relating to non-food credit growth during 2020-21. Section III presents trends in sectoral credit in the recent period with special focus on key sectors. The empirical findings on interest rate sensitivity of credit to major sectors of the economy are presented in Section IV along with the concluding observations in Section V.

II. Non-Food Credit Growth in 2020-21: Important Developments

Non-food credit growth, which was robust in 2018-19, slowed down significantly in 2019-20; the growth was 6.1 per cent in March 2020 as compared to 13.4 per cent a year ago. The growth further decelerated

* This article has been prepared by Anand Prakash and Sujeesh Kumar of Monetary Policy Department, Reserve Bank of India. The authors are thankful to Dr. Rajiv Ranjan for his guidance and encouragement. The authors are also thankful to Shri. Sagar Sunil Badhe for the assistance rendered by him in preparing this article. The views expressed in the article are those of the authors and not of the Reserve Bank of India.

Chart 1: Non-food Credit Growth - Major Sectors

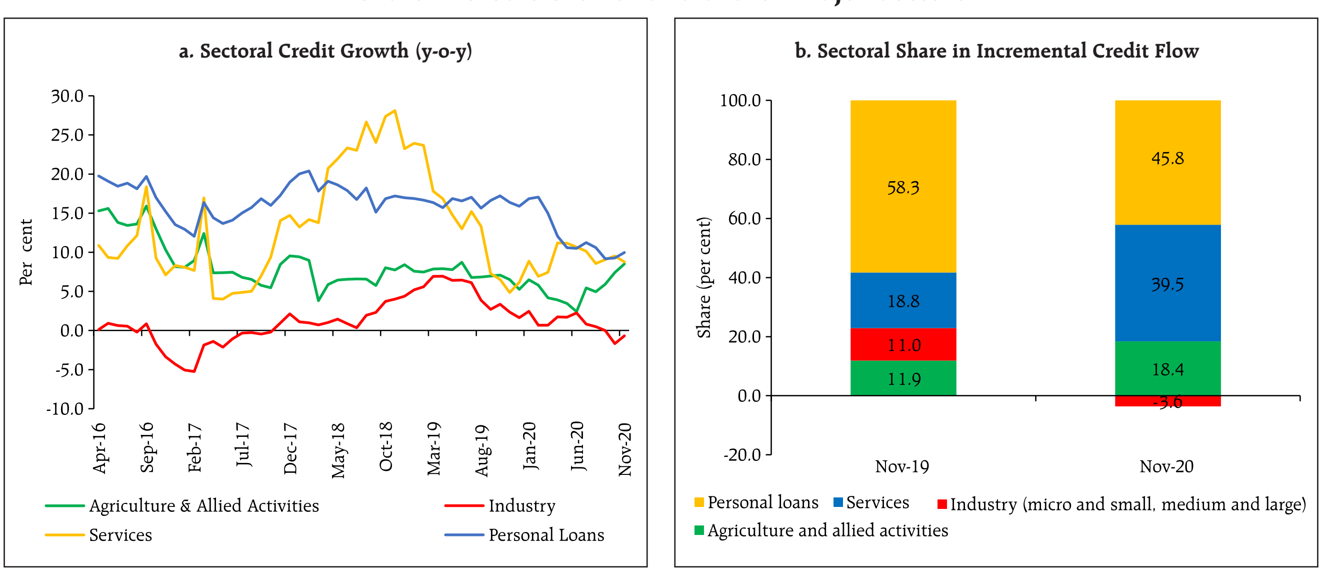


Note: Non- food credit data are based on section 42 return submitted by all SCBs.
Sectoral credit data relate to select banks, which cover about 90 per cent of total non-food credit extended by all SCBs.

to 5.9 per cent in November 2020 from 7.8 per cent a year ago (Chart 1a). The slowdown was broad-based with credit to all major sectors witnessing a lower growth due to the economic slowdown. The lockdown imposed in the wake of the pandemic resulted in a sharp contraction in overall economic activity in H1: 2020-21. However, credit growth to agriculture sector has exhibited a turnaround in the more recent months. Credit growth to the services sector, which had slowed down significantly in H2: 2019-20, too has accelerated in the recent months (Chart 1b and 2a).

Owing to the turnaround in growth, there was a significant increase in the share of the services sector in the incremental credit flow between November 2019 and November 2020 (Chart 2b). Industrial credit growth, which turned negative between November

Chart 2: Credit Growth and Share - Major Sectors



Note: Data relate to select banks, which cover about 90 per cent of total non-food credit extended by all SCBs.

2019 and November 2020, reported a negative share in the incremental credit flow during this period. The share of personal loans in the total incremental credit flow also decreased from 58 per cent in November 2019 to around 46 per cent in November 2020, owing to a deceleration in the growth of credit to this sector.

A further analysis of sectoral credit data reveals that private sector banks (PVBs), accounting for 31.9 per cent share in non-food credit in November 2020, played a significant role in the credit slowdown. The non-food credit extended by PVBs registered a decelerated growth of 9.0 per cent in November 2020 as compared to 13.5 per cent a year ago. However, public sector banks (PSBs), which accounted for around 65 per cent share in non-food credit, registered a higher growth of 5.2 per cent in November 2020 as compared to 4.5 per cent in November 2019. While PSBs have been primarily responsible for an accelerated growth in credit to agriculture and services sectors in the recent period, they have also been instrumental in the contraction in the overall industrial credit. Given that PVBs have a significant presence in the personal loans segment, they have driven the sharp deceleration in the growth of personal loans. It is evident from the above that PSBs are leading the revival of credit growth in the pandemic period (Table 1).

Table 1: Credit Growth to Major Sectors with their Share in Total Credit

Major Sectors	Public Sector Banks		Private Sector Banks		All Banks	
	Nov-2019	Nov-2020	Nov-2019	Nov-2020	Nov-2019	Nov-2020
Non-food Credit	4.5 (65.4)	5.2 (64.8)	13.5 (31.1)	9.0 (31.9)	7.2 (100)	6.0 (100)
Agriculture	4.4 (76.4)	7.6 (75.7)	13.1 (22.2)	10.7 (22.7)	6.5 (100)	8.5 (100)
Industry	0.4 (67.8)	-2.1 (66.9)	8.0 (27.8)	4.3 (29.2)	2.4 (100)	-0.7 (100)
Services	3.2 (62.7)	9.1 (62.9)	7.0 (32.3)	8.8 (32.3)	4.8 (100)	8.8 (100)
Personal Loans	12.1 (59.9)	9.1 (59.4)	25.6 (37.8)	12.5 (38.7)	16.4 (100)	10.0 (100)

Note: Data relate to select banks, which cover about 90 per cent of total non-food credit extended by all SCBs. Figures in brackets indicate share in the total. The share in total will not add up to 100 as share of foreign banks is not included.

The sharp deceleration in credit growth since H2: 2019-20, has resulted in the credit-deposit (C-D) ratio declining sharply between March 2019 and September 2020. The greater increase in deposits than credit has resulted in surplus liquidity in the banking system making banks invest more in government securities. The decline in C-D ratio was observed in the case of both PSBs and PVBs (Table 2).

II.1 Credit Flow During 2020-21 (up to October 2020)

Credit flow data pertaining to April-February 2019-20 represent the pre-pandemic period, while April-October 2020 represent the pandemic period.[1] The growth (y-o-y) of fresh credit disbursed came down sharply to 8.1 per cent during the pandemic period as compared to 22.8 per cent growth in the pre-pandemic period (Chart 3). Prepayments were much higher in the pre-pandemic period with a y-o-y growth of 32.4 per cent as against 17.8 per cent during the pandemic period. Even repayments have come down and rollovers have increased during the pandemic period *vis-à-vis* the pre-pandemic period. Thus, the extent of deleveraging taking place in the pre-pandemic period seems to have come down during the pandemic period. It also appears that corporates and households have utilised the moratorium on loan repayments to tide over the funding pressures induced by the crisis.

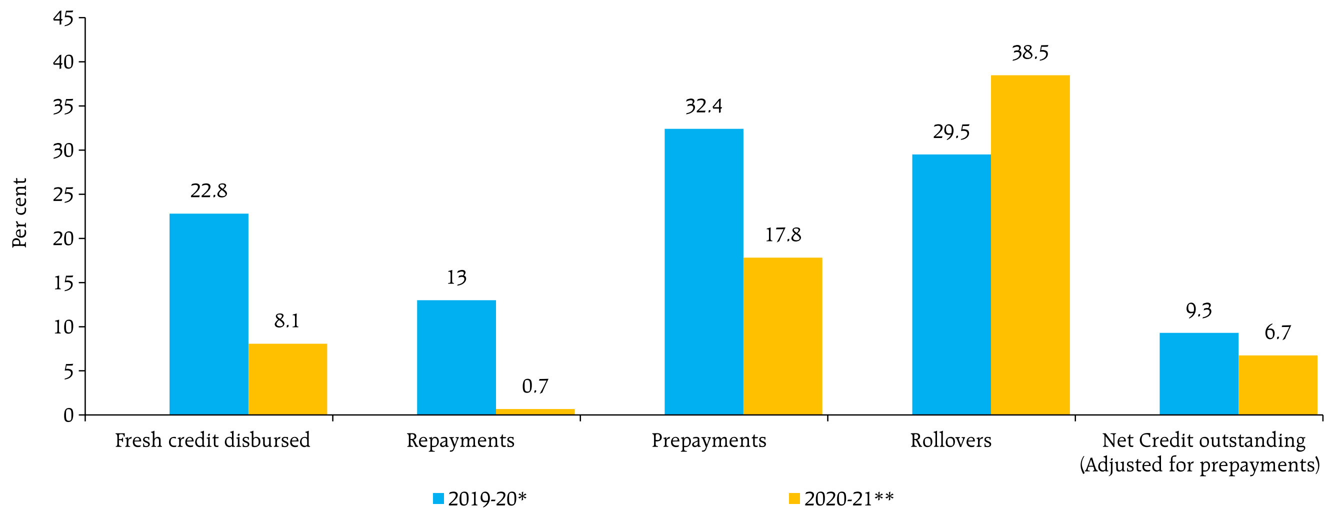
Table 2: Credit Deposit Ratio of SCBs

Bank Group	Pre-COVID-19 period		COVID-19 period
	Mar-19	Mar-20	Sep-20
Public Sector Banks	72.85	70.18	66.40
Private Sector Banks	91.36	90.45	86.73
All Banks	78.18	76.00	72.04

Source: RBI; DBIE

[1] Credit flow data are being collected from select banks on as-needed basis and not as part of regular SIBC return.

Chart 3: Growth (y-o-y) in Credit Flows during 2019-20 and 2020-21



Note: Data are based on credit extended by select banks, which accounted for around 72 per cent and 83 per cent, respectively, of the outstanding non-food credit as at end- February 2020 and end-October 2020.
* Credit flow growth rates for 2019-20 are for the period April-February, ** Credit flow growth rates for 2020-21 are for the period April-October.

III. Bank Credit to Key Sectors of the Economy

III.1 Agriculture and Allied Activities

As noted earlier, credit growth to agriculture and allied activities accelerated in November 2020 as compared to a year ago. Credit growth to this sector has been increasing in the recent months with the growth in November 2020 being the highest since June 2019. The increase in credit to agriculture sector, which is a part of priority sector lending, is indicative of good performance of this sector.

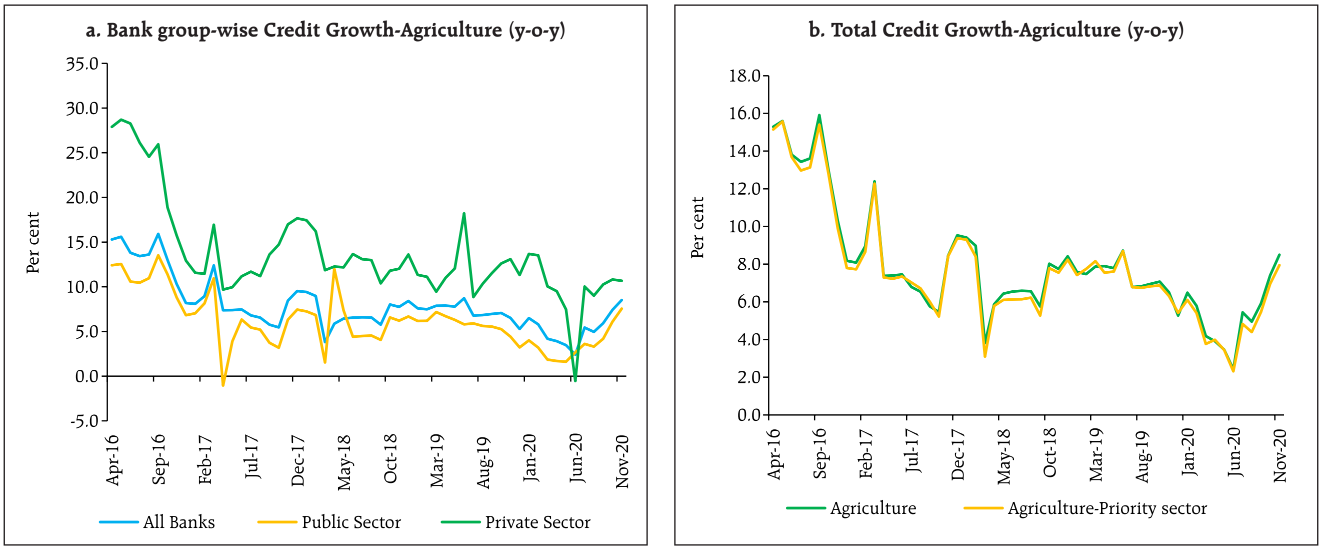
Agriculture accounted for a higher share in the total loan portfolio of PSBs as compared to PVBs. While agricultural credit growth increased for both PSBs and PVBs, it was higher in the case of PVBs. Because of the higher growth, even though agriculture accounted for about 13 per cent share in outstanding non-food credit of SCBs, its share in the incremental bank credit accelerated significantly between November 2019 and November 2020. Notwithstanding the lockdown, agriculture sector has performed relatively well on the back of record production in 2019-20. The good performance of agriculture sector augurs well for rural consumption and revival in the industrial sector, which may have a salutary impact on credit to the industrial sector going forward (Chart 4, Annex- T1 and T2).

III.2 Industry

Industrial credit includes credit to micro and small, medium and large industries, depending upon the firms' investment in plant and machinery and their turnover.[2] Large industries constituted around 82 per cent of the credit offtake to the industrial sector, while the micro, small and medium together constituted the rest in November 2020. Credit to the industrial sector has generally remained weak in the recent years. A peak of 6.9 per cent was achieved in April 2019 but there has been a continuous decline in credit offtake since then with credit growth turning negative in October 2020. The recent decline in credit growth was mainly due to large industries. Owing to the stressed assets in large industries, there

2 Information on outstanding credit to the industrial sector and 18 broad sub-categories of the industrial sector, in line with the classification in the Basic Statistical Returns (BSR) System/National Industrial Classification (NIC), is collected through the SIBC return.

Chart 4: Credit Growth to Agriculture



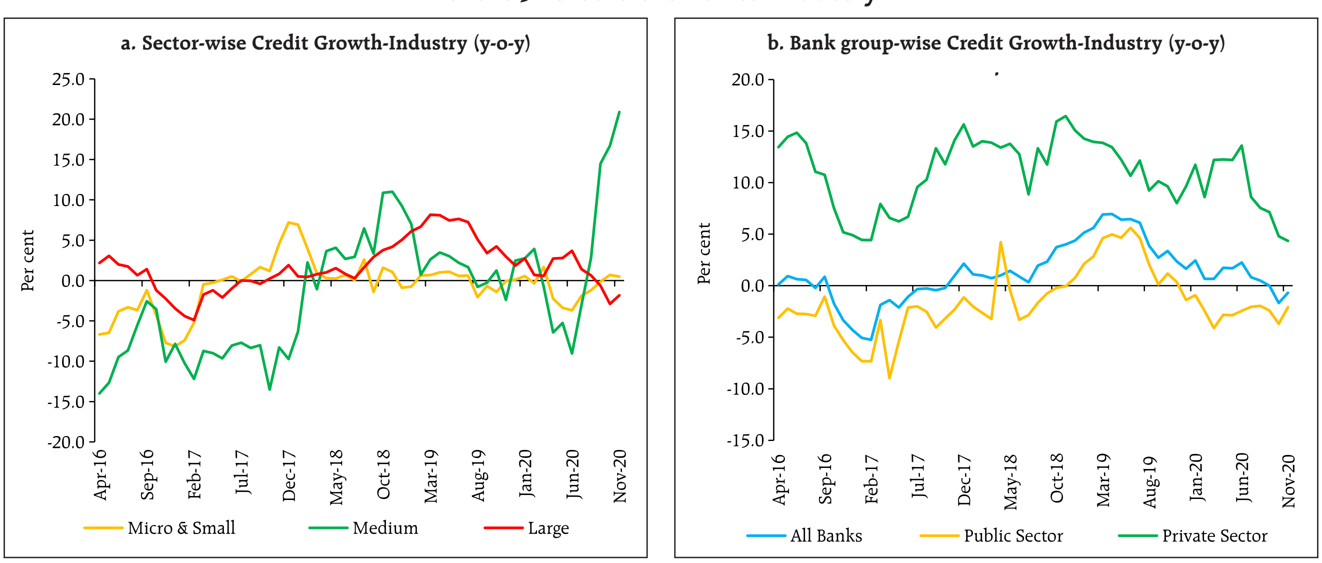
Note: Data relate to select banks, which cover about 90 per cent of total non-food credit extended by all SCBs.

was a general reluctance on the part of bankers to lend to these industries, with the problem getting compounded by the pandemic.

Although credit growth to large industries turned negative in November 2020, the silver lining has been the robust growth of credit to medium industries. Credit to micro and small industries registered a moderate increase between November 2019 and November 2020 (Chart 5.a).

The contraction in credit extended by PSBs to the industrial sector started in December 2019 and has continued unabated in 2020. Industrial credit growth by PVBs was mostly in double digit till June 2020. However, it has also decelerated quite sharply since

Chart 5: Credit Growth to Industry



Note: Data relate to select banks, which cover about 90 per cent of total non-food credit extended by all SCBs.

then, touching a low of 4.3 per cent in November 2020 (Chart 5.b). With the Indian economy poised to recover in 2021 and beyond, a turnaround in credit offtake to the industrial sector is expected.

III.2.a. Credit to the Industrial Sub-Sector

Insofar as credit to industrial sub-sectors is concerned, credit to 'food processing', 'petroleum, coal products and nuclear fuels', 'leather and leather products', 'paper and paper products', 'mining and quarrying', 'glass and glassware', 'textile', 'beverages and tobacco' and 'vehicles, vehicle parts and transport equipment' registered an accelerated growth in November 2020. However, credit growth to 'rubber plastic and their products', and 'construction' decelerated, while credit to 'cement and cement products', 'all engineering', 'gems and jewellery', 'infrastructure' and 'basic metal and metal products' contracted (Chart 6).

III.2. b. Micro, Small and Medium Enterprises (MSMEs)

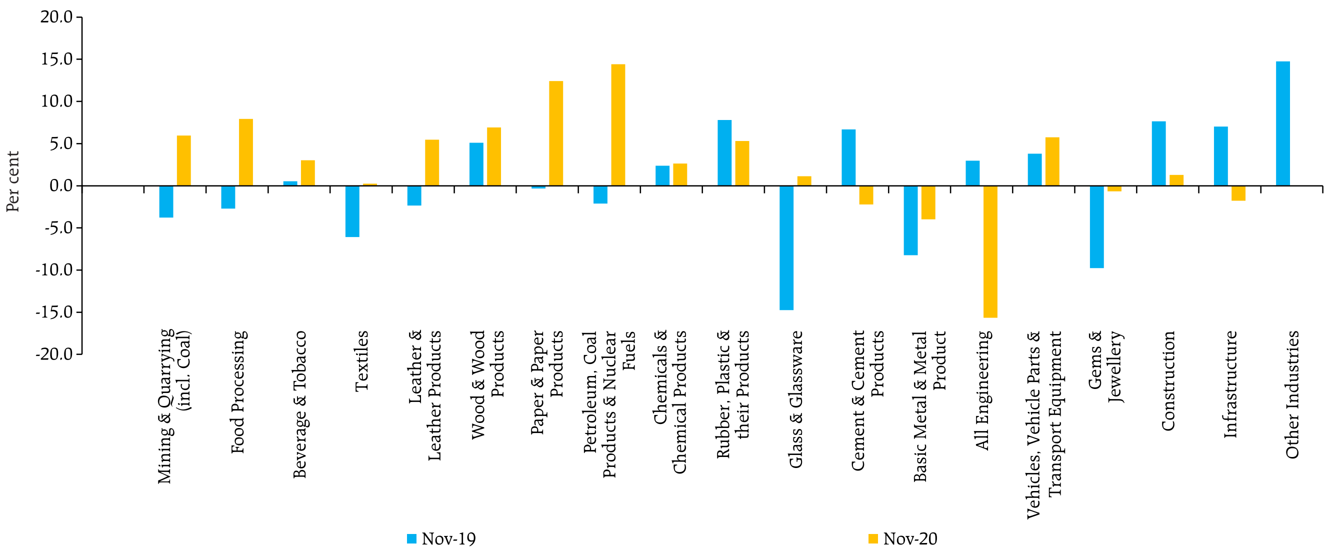
MSME sector accounted for a share of around 18 per cent in the total credit to industry and around 5 per cent in the total non-food credit extended by the SCBs in November 2020. Credit growth to MSMEs which has generally remained subdued in the recent years, received further setback due to the pandemic. However, there has been a turnaround in credit to this sector in the recent months mainly due to a sharp increase in credit extended to the medium industries.

Owing to the sharp increase in credit growth to medium industries, the overall credit to MSMEs in November 2020 accelerated to 5.0 per cent as compared to a contraction of 0.6 per cent a year ago. This reflects the positive effect of a number of measures taken by the Government of India and the Reserve Bank to contain the impact of pandemic on this sector. Some revival in credit disbursal to the MSME sector by both PSBs and PVBs has been witnessed since July 2020 (Chart 7a and 7b).

III.2. c. Infrastructure

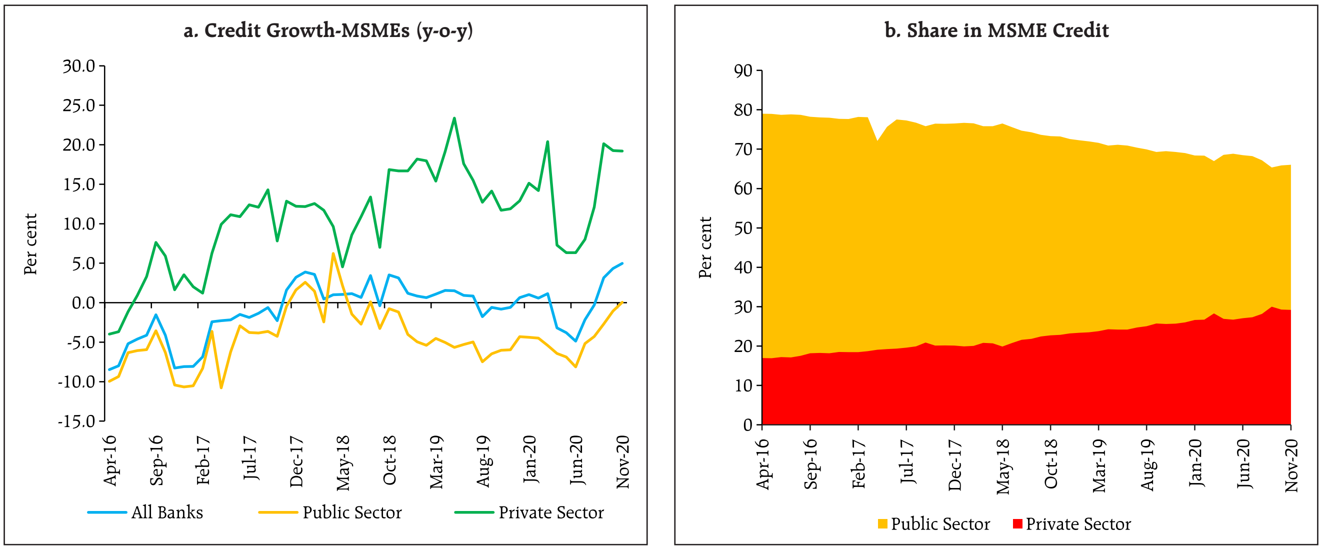
The infrastructure segment accounted for around 36.6 percent of total industrial credit in November 2020. Credit to infrastructure sector, which had witnessed declining trend since 2009-10 and had contracted during 2016-17 and 2017-18, staged a

Chart 6: Credit Growth to Major Industrial Sectors (y-o-y)



Note: Data relate to select banks, which cover about 90 per cent of total non-food credit extended by all SCBs.

Chart 7: Credit to MSMEs



Note: Data relate to select banks, which cover about 90 per cent of total non-food credit extended by all SCBs.

turnaround in 2018-19. The sharp pick up in credit growth to infrastructure sector during 2018-19 was on the back of fresh loan disbursements by the banks mainly to investors in sectors like power, roads and ports, telecommunications, and other infrastructure like construction, railways, oil terminals and waterways. However, the momentum could not be sustained in 2019-20 and 2020-21.

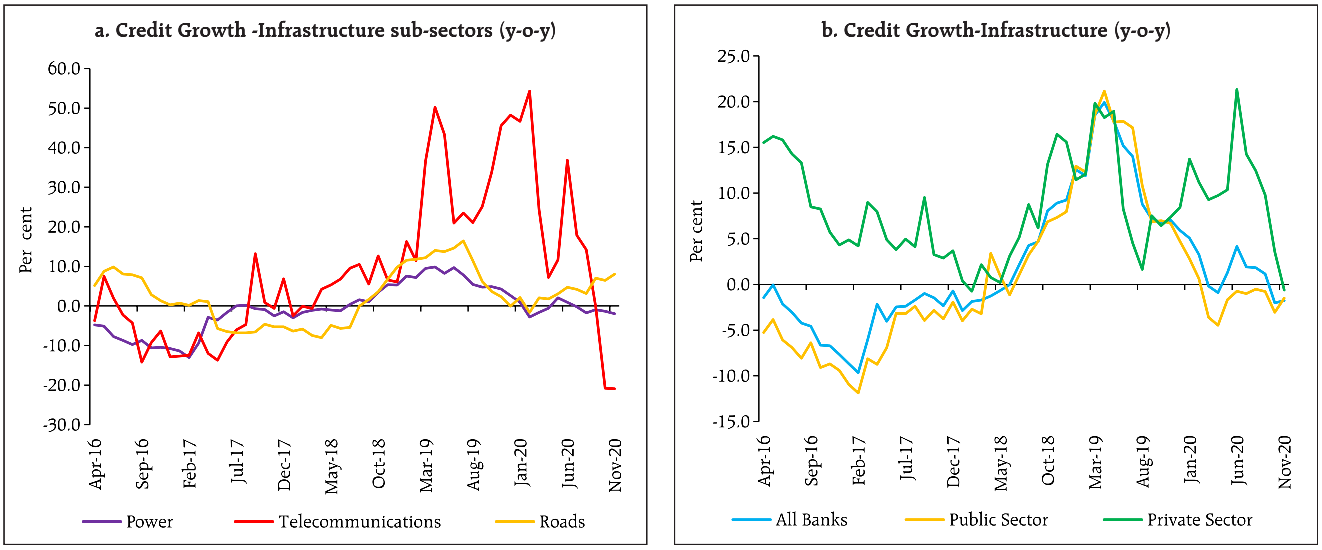
Power sector accounts for the highest share of 55 per cent in infrastructure credit followed by roads and ports (around 20 per cent) and telecommunications (10 per cent). Credit to telecommunications segment along with roads and ports has hitherto been the major driver of infrastructure credit growth but in the recent period, credit growth to only roads and ports is increasing, while that of telecommunications and power sector has shown declining trend (Chart 8a).

PSBs, which are at the forefront, accounting for 76 per cent of infrastructure credit, have led the decline. PVBs, which were quite resilient earlier, have also witnessed sharp deceleration in credit growth to infrastructure sector in the recent months (Chart 8b).

III.3 Services sector

Though credit growth to the services sector was quite robust in 2018-19, the momentum lost its pace in 2019-20. However, unlike the sharp moderation in growth of industrial credit and personal loans due to the pandemic, credit growth to the services sector has bucked the downtrend and posted an accelerated growth; this acceleration has been primarily due to 'transport operators' and 'trade'. Further, 'tourism, hotels and restaurants' also registered accelerated growth notwithstanding the pandemic. However, growth in credit to non-banking financial companies (NBFCs), being the single-largest constituent of services sector, decelerated sharply (Chart 9a). Importantly, credit extended by both PSBs and PVBs to the services sector has exhibited resilience in 2020-21 so far (Chart 9 b).

Chart 8: Credit to Infrastructure

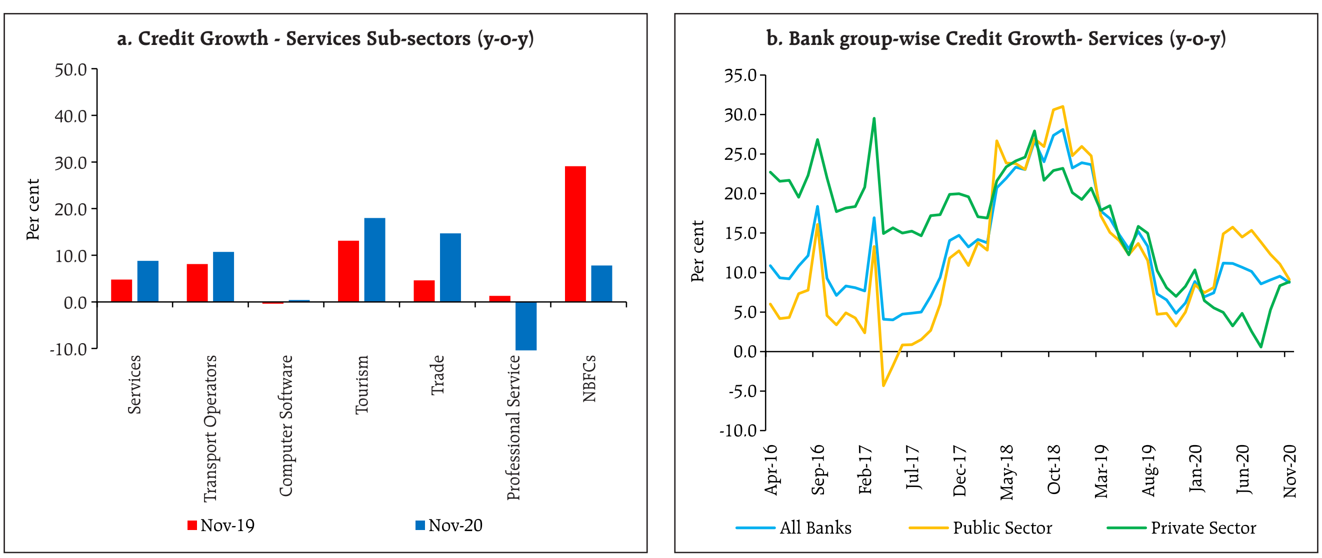


Note: Data relate to select banks, which cover about 90 per cent of total non-food credit extended by all SCBs.

III.3.a NBFC sector

Non-banking financial companies (NBFCs) serve as an alternative channel of finance to the commercial sector. The credit growth extended by SCBs to this sector moderated during the last decade and almost halved in 2017-18 as compared to 2007-08. Credit growth to this sector declined substantially from November 2016, though the sector witnessed an uptick in 2018-19. The credit growth extended by the SCBs to this sector moderated in 2019-20 due to the liquidity stress and rating downgrades faced by the NBFCs in the aftermath of the Infrastructure Leasing and Financial Services (IL&FS) crisis in August 2018 with banks turning cautious over funding to

Chart 9: Credit to Services



Note: Data relate to select banks, which cover about 90 per cent of total non-food credit extended by all SCBs.

this sector. Consequently, NBFC sector witnessed a decelerated credit growth in March 2020. The lockdown compounded the slowdown with credit growth to this sector further decelerating in November 2020.

The Reserve Bank has taken a number of steps to address the liquidity issues faced by this sector, including recent introduction of targeted long-term repo operations (TLTROs) aimed at liquidity support to NBFCs, especially smaller ones, and micro-finance institutions (MFIs). The inclusion of NBFCs in TLTRO on tap scheme by the Reserve Bank in its monetary policy statement of February 5, 2021 is expected to facilitate lending by NBFCs to various sectors of the economy.

III.3.b Trade

The trade sector has performed well during the pandemic period with credit growth to this sector increasing steadily since July 2020. Credit growth to both wholesale and retail trade sectors remained upbeat, especially when the economy gradually opened up after the lockdown. This sector also witnessed growth on a financial year basis, *i.e.*, November 2020 over March 2020. Consequently, the share of trade in annual incremental bank credit accelerated steeply to 14.1 per cent in November 2020 from merely 3.8 per cent in November 2019 (Annex-T2).

III.4. Personal Loans

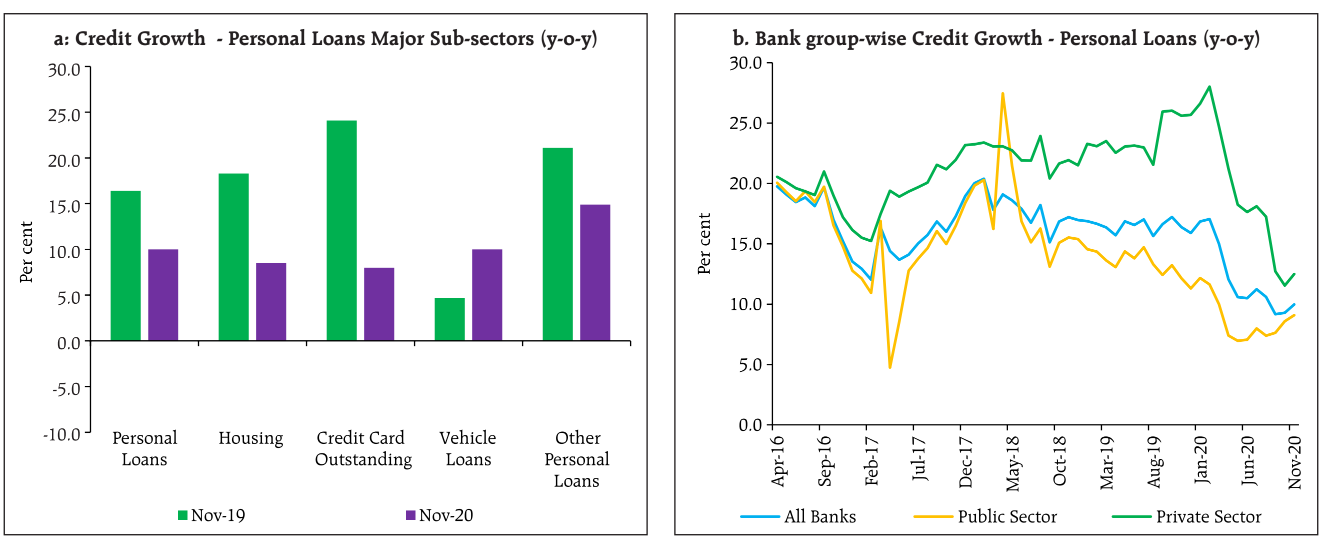
Personal loans segment has generally performed well in the recent years, registering double digit growth. Some moderation was witnessed in this segment in 2019-20 mainly due to deceleration in growth of housing loans and credit cards outstanding. However, after the imposition of the lockdown, personal loans registered a sustained deceleration in growth. Within this sector, however, 'vehicle loans' continued to perform well. Housing loans, which constitute the largest component of personal loans, lost the growth momentum by November 2020 (Chart 10a).

PVBs have been at the forefront in the personal loans segment. However, the pandemic has led to a slowdown in growth of personal loans by PVBs. Some recovery is, however, visible in November 2020 *vis-à-vis* October 2020 (Chart 10b).

III.4.a Vehicle Loans

Vehicle loans segment generally covers vehicle loans for personal use, *i.e.*, mainly for cars and two wheelers. Though the implementation of regulatory

Chart 10: Personal Loans



Note: Data relate to select banks, which cover about 90 per cent of total non-food credit extended by all SCBs. Other personal loans include mainly loans for domestic consumption, medical expenses, travel, marriage and other social ceremonies, loans for repayment of debt, *etc.*

requirements like Bharat VI norms, new insurance norms, and GST had impacted vehicle sales, vehicle loans bounced back in 2019-20. This segment has also exhibited resilience during 2020-21 due to the increased preference for personal vehicles over public transport due to the pandemic.

III.4.b Credit Card Outstanding

The credit card segment has gained in importance with greater recourse to digital payments in the recent years. The credit card outstanding was growing at a robust rate of over 20 per cent before the pandemic but the imposition of lockdown led to a sharp fall in its growth. This was because most of the business establishments, including e-commerce portals, were closed during the lockdown. With the opening up of the economy, growth in credit card outstanding has revived; it has been helped, to some extent, by moratorium on payment of credit card dues announced by the Reserve Bank.

III.4.c. Housing Loans

Housing loans accounted for over 50 per cent of personal loans extended by the banks in November 2020. This sector has been the major driver of growth in personal loans segment. Housing loan growth decelerated moderately in March 2020 and this deceleration extended further into 2020-21 due to the pandemic. The sharp deceleration is a cause of concern because of the adverse effect it may have on sectors like steel, cement, construction, *etc.* There are signs of a turnaround, as evidenced by a spurt in property purchases in the recent period mainly on the back of support extended by the Government to this sector. As the economy gathers momentum in 2021 and beyond, housing loans are expected to pick up.

IV. Interest Rate Sensitivity of Sectoral Credit Demand: Some Empirical Findings

The interest rate sensitivity of credit demand, total non-food credit as well as credit to the major sectors of the economy, has been empirically estimated with respect to changes in weighted average call rate (WACR). Since WACR is the operating target of the monetary policy and is closely aligned with the policy rate, it has been used as a proxy for policy rate in the empirical analysis.

The interest rate sensitivity of credit demand is estimated using the following equation:

$$\Delta credit_t = cons + \sum_{i=1}^{2} \alpha_i \Delta credit_{t-i} + \sum_{j=0}^{p} \beta_j \Delta gdpn_{t-j} + \sum_{k=0}^{q} \gamma_k call_{t-k} + \sum_{l=0}^{r} \delta_l gnpa_{t-l} + dum + \varepsilon_t$$

Where $\Delta credit$ refers to the seasonally adjusted annualised quarter-on-quarter (q-o-q) growth in (nominal) credit during a quarter [*i.e.*, $\Delta credit_t = \ln(\frac{credit_t}{credit_{t-1}}) \times 400$]; Δgdp refers to seasonally adjusted annualised q-o-q growth in nominal GDP during a quarter [*i.e.*, $\Delta gdpn_t = \ln(\frac{gdpn_t}{gdpn_{t-1}}) \times 400$]; *call* stands for weighted average call money rate; *gnpa* is gross non-performing assets to total advances ratio; *dum* takes value 1 for 2016-17:Q3 and zero otherwise, representing the demonetisation period. The parameter γ measures the elasticity of credit growth to interest rate changes. *p*, *q*, *r* are the lag lengths of the variables[3]. The estimation is based on the quarterly data for the period 2007-08:Q1 through 2019-20:Q4. The first two quarters of 2020-21, being outliers, have not been considered for the estimation as the economy was in sharp contraction due to the pandemic. The underlying variables used in the regression are in nominal terms. The regression results are reported in Annex-T3.

The empirical estimates indicate that non-food credit is sensitive to interest rate changes with a lag, with industry and services sectors exhibiting greater sensitivity. However, the analysis could not

[3] Credit, GDP and call rate affect credit with a lag of up to 2 periods, while GNPA affects credit with a lag of up to 1 period.

find evidence of any statistically significant impact of interest rate change on credit demand in agricultural sector. This is possibly because credit to agriculture is covered under the priority sector and gets the benefit of interest rate subvention and, hence, may not be very sensitive to interest rate changes. NPAs have a lagged negative impact on non-food credit growth as well as on industrial credit growth.

V. Conclusion

The analysis of sectoral credit data provides insights into the flow of credit to various important sectors of the economy. The muted credit offtake in the recent past needs to be seen in the context of economic slowdown coupled with the COVID-19-induced lockdown. Bank credit growth, which had already started decelerating in 2019-20, experienced a further setback in 2020-21 in the wake of the pandemic. However, with the gradual resumption of economic activity, credit to agriculture and services sectors has registered accelerated growth in the recent period. Even in the industrial sector, credit growth to medium industries has accelerated, indicative of positive impact of several measures taken by the Government and the Reserve Bank. However, contraction in credit to large industries and infrastructure remains a cause of concern. The Reserve Bank has taken several measures to facilitate credit flow to various sectors of the economy, especially to the MSME and NBFC sectors. The inclusion of NBFCs in the TLTRO on tap scheme and measures to incentivise credit flows to MSME entrepreneurs in the monetary policy statement of February 5, 2021 are steps in this direction. Credit offtake is expected to pick up as the economy is poised to stage a smart recovery in 2021-22 on the back of decline in COVID infections and swift rollout of the vaccination programme in addition to a number of measures announced by the Government in the Union Budget 2021-22 to accelerate the growth momentum.

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Annex-T1: Sectoral Deployment of Credit by Major Sectors

(Annual Variation in per cent)

Serial. No	Sectors	Nov.19/Nov.18	Dec.19/Dec.18	Jan. 19/ Jan. 20	Feb. 20/ Feb. 19	Mar. 20/ Mar. 19	Apr. 20/ Apr. 19	May. 20/ May. 19	Jun. 20/ Jun. 19	Jul. 20/ Jul. 19	Aug. 20/ Aug. 19	Sep. 20/ Sep. 19	Oct. 20/ Oct. 19	Nov.20/Nov.19
Non-food Credit (1 to 4)		**7.2**	**7.0**	**8.5**	**7.3**	**6.7**	**7.3**	**6.8**	**6.7**	**6.7**	**6.0**	**5.8**	**5.6**	**6.0**
1	**Agriculture Activities**	**6.5**	**5.3**	**6.5**	**5.8**	**4.2**	**3.9**	**3.5**	**2.4**	**5.4**	**4.9**	**5.9**	**7.4**	**8.5**
2	**Industry (Micro, Medium and Large)**	**2.4**	**1.6**	**2.5**	**0.7**	**0.7**	**1.7**	**1.7**	**2.2**	**0.8**	**0.5**	**0.0**	**-1.7**	**-0.7**
	2.1 Micro	-0.1	0.1	0.5	-0.4	1.7	-2.2	-3.4	-3.7	-1.9	-1.2	-0.1	0.7	0.5
	2.2 Medium	-2.4	2.5	2.8	3.9	-0.7	-6.4	-5.3	-9.0	-3.1	2.8	14.5	16.7	20.9
	2.3 Large	3.0	1.8	2.8	0.7	0.6	2.7	2.8	3.7	1.4	0.6	-0.6	-2.9	-1.8
3	**Services**	**4.8**	**6.2**	**8.9**	**6.9**	**7.4**	**11.2**	**11.2**	**10.7**	**10.1**	**8.6**	**9.1**	**9.5**	**8.8**
	3.1 Transport Operators	8.1	7.8	6.1	5.3	4.3	5.5	5.5	3.5	5.5	5.2	3.5	6.5	10.7
	3.2 Computer Software	-0.4	-2.8	-0.4	0.1	8.2	8.2	7.6	12.5	16.2	7.1	5.6	1.6	0.4
	3.3 Tourism, Hotels & Restaurants	13.1	15.3	17.4	16.9	17.9	15.0	17.6	16.8	18.8	17.6	19.7	12.0	18.0
	3.4 Shipping	5.1	5.0	-10.9	-11.8	-15.4	0.1	-16.0	-15.2	-11.9	-16.3	-14.5	-9.0	-20.5
	3.5 Professional Services	1.3	0.5	2.0	-2.9	3.2	1.2	1.5	3.1	6.2	3.6	2.2	5.0	-24.7
	3.6 Trade	4.6	5.8	4.8	6.7	4.6	7.5	6.1	6.1	9.2	12.5	11.5	14.0	14.7
	3.6.1 Wholesale Trade (other than food procurement)	2.8	6.8	8.6	13.6	5.1	10.0	11.4	10.9	16.5	19.9	21.2	22.6	26.5
	3.6.2 Retail Trade	6.0	5.0	1.7	1.2	4.1	5.4	1.9	2.2	3.2	6.7	4.2	7.5	5.7
	3.7 Commercial Real Estate	17.6	15.6	14.7	15.1	13.6	14.8	13.6	11.6	11.8	6.6	5.5	3.5	5.6
	3.8 Non-Banking Financial Companies	29.1	27.6	32.2	22.3	25.9	30.3	29.0	25.7	24.6	17.1	12.5	9.2	7.8
	3.9 Other Services	-19.5	-15.2	-8.4	-6.8	-8.6	-2.4	-0.2	1.2	-3.7	-2.3	7.0	10.8	15.8
4	**Personal Loans**	**16.4**	**15.9**	**16.9**	**17.0**	**15.0**	**12.1**	**10.6**	**10.5**	**11.2**	**10.6**	**9.2**	**9.3**	**10.0**
	4.1 Consumer Durables	68.0	66.2	41.3	43.4	47.6	43.7	43.5	53.3	62.3	65.1	22.3	23.8	26.2
	4.2 Housing (Including Priority Sector Housing)	18.3	17.6	17.5	17.1	15.4	13.9	12.9	12.5	12.3	11.1	8.5	8.2	8.5
	4.3 Advances against Fixed Deposits (Including FCNR (B), NRNR Deposits etc.)	-7.7	-7.0	-2.2	6.9	-4.1	0.8	-4.3	-8.4	-4.0	-0.1	-1.6	-2.3	2.6
	4.4 Advances to Individuals against share, bonds, etc.	-16.5	-17.8	-11.2	-11.6	-14.9	-15.4	-18.5	8.1	18.5	24.1	23.9	24.5	-6.6
	4.5 Credit Card Outstanding	24.1	25.3	31.6	33.0	22.5	4.8	-0.8	2.8	7.9	7.4	6.3	4.9	8.0
	4.6 Education	-3.3	-3.2	-3.1	-3.4	-3.3	-3.4	-3.3	-3.9	-3.8	-5.2	-4.5	-2.7	-2.6
	4.7 Vehicle Loans	4.7	7.2	9.8	10.3	9.1	8.6	6.3	7.1	8.1	8.4	8.8	8.4	10.0
	4.8 Other Personal Loans	21.1	19.4	20.7	20.6	19.7	13.7	12.3	12.1	13.3	13.0	13.2	14.3	14.9
5 (*memo*)	**Priority Sector**	**3.5**	**6.1**	**4.0**	**0.3**	**5.8**	**3.0**	**2.5**	**1.9**	**4.1**	**4.4**	**4.5**	**5.9**	**8.9**
	5.1 Agriculture Activities	6.3	5.4	6.1	5.4	3.8	4.0	3.4	2.3	4.8	4.4	5.5	7.0	7.9
	5.2 Micro Enterprises	6.2	5.7	8.1	6.7	7.7	3.3	1.5	6.5	5.1	5.4	6.7	6.8	6.1
	5.2(a) Manufacturing	-0.1	0.1	0.5	-0.4	1.7	-2.2	-3.4	-3.7	-1.9	-1.2	-0.1	0.7	0.5
	5.2(b) Services	9.8	8.9	12.4	10.7	11.0	6.2	4.0	11.9	8.7	8.8	10.2	10.0	9.1
	5.3 Housing	12.3	11.9	7.6	6.3	4.0	6.4	7.0	5.4	5.1	6.4	2.2	1.5	1.9
	5.4 Micro-Credit	45.7	47.0	53.8	50.1	58.7	28.6	26.1	24.9	3.9	2.4	0.8	0.7	-2.6
	5.5 Education Loans	-6.0	-6.1	-6.2	-6.4	-3.8	-3.4	-3.8	-4.1	-4.1	-3.6	-3.8	-3.6	-3.6
	5.6 State - sponsored Orgs. for SC/ST	13.5	16.9	7.8	35.1	-2.3	0.8	3.9	4.2	6.5	10.2	25.6	36.0	51.9
	5.7 Weaker Sections	16.7	18.3	17.5	14.1	10.4	9.9	8.9	5.6	9.5	9.0	6.8	3.3	9.8
	5.8 Export Credit	-28.7	-18.1	-22.9	-13.2	3.5	9.7	20.8	17.1	7.6	6.2	2.6	-1.4	-2.3

Note: 1. Data are provisional and relate to select banks which cover about 90 per cent of total non-food credit extended by all SCBs.

2. Export credit under priority sector relates to foreign banks only.

3. Micro & small under item 2.1 includes credit to micro & small industries in manufacturing sector.

4. Micro & small enterprises under item 5.2 includes credit to micro & small enterprises in manufacturing as well as services sector.

5.Priority Sector is as per old definition and does not conform to FIDD Circular FIDD.CO.Plan.BC.54/04.09.01/2014-15 dated April 23, 2015.

Annex-T2: Composition of Incremental Non-food Bank Credit

(Annual Variation in Per cent)

Serial. No	Sectors	Nov.19/Nov.18	Dec.19/Dec.18	Jan. 19/ Jan. 20	Feb. 20/ Feb. 19	Mar. 20/ Mar. 19	Apr. 20/ Apr. 19	May. 20/ May. 19	Jun. 20/ Jun. 19	Jul. 20/ Jul. 19	Aug. 20/ Aug. 19	Sep. 20/ Sep. 19	Oct. 20/ Oct. 19	Nov.20/Nov.19
Non-food Credit (1 to 4)		**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100**
1	**Agriculture Activities**	**11.9**	**9.9**	**10.1**	**10.4**	**8.0**	**7.0**	**6.6**	**4.8**	**10.5**	**10.7**	**13.4**	**17.4**	**18.4**
2	**Industry (Micro, Medium and Large)**	**11.0**	**7.9**	**9.7**	**3.1**	**3.4**	**7.9**	**8.2**	**11.1**	**4.0**	**2.6**	**0.0**	**-9.7**	**-3.6**
	2.1 Micro	0.0	0.1	0.3	-0.2	1.1	-1.3	-2.1	-2.4	-1.2	-0.8	-0.1	1	0.3
	2.2 Medium	-0.4	0.5	0.4	0.7	-0.1	-1.1	-1.0	-1.7	-0.6	0.6	3.1	4	4.1
	2.3 Large	11.5	7.3	9.0	2.6	2.4	10.4	11.3	15.1	5.8	2.9	-3.0	-14	-8.0
3	**Services**	**18.8**	**24.0**	**28.4**	**25.9**	**31.0**	**41.8**	**44.1**	**42.7**	**40.9**	**39.2**	**43.1**	**46.4**	**39.5**
	3.1 Transport Operators	1.8	1.8	1.2	1.2	1.0	1.3	1.3	0.9	1.4	1.4	1.0	2	2.9
	3.2 Computer Software	0.0	-0.1	0.0	0.0	0.3	0.2	0.2	0.4	0.5	0.3	0.2	0	0.0
	3.3 Tourism, Hotels & Restaurants	0.9	1.0	1.0	1.1	1.2	1.0	1.2	1.2	1.3	1.4	1.6	1	1.5
	3.4 Shipping	0.1	0.1	-0.1	-0.1	-0.2	0.0	-0.2	-0.2	-0.1	-0.2	-0.2	0	-0.3
	3.5 Professional Services	0.4	0.2	0.5	-0.9	1.0	0.3	0.4	0.9	1.8	1.2	0.7	2	-8.0
	3.6 Trade	3.8	4.9	3.4	5.6	4.2	6.1	5.4	5.5	8.2	12.3	11.7	15	14.1
	3.6.1 Wholesale Trade (other than food procurement)	1.0	2.5	2.7	5.0	2.2	3.7	4.5	4.4	6.6	8.6	9.3	10	11.0
	3.6.2 Retail Trade	2.8	2.4	0.7	0.6	2.0	2.5	0.9	1.1	1.6	3.7	2.4	4	3.1
	3.7 Commercial Real Estate	5.7	5.2	4.2	4.9	4.8	4.8	4.7	4.2	4.3	2.8	2.4	2	2.4
	3.8 Non-Banking Financial Companies	28.3	27.5	25.8	21.1	28.7	30.5	31.2	28.6	27.3	22.6	17.9	14	10.9
	3.9 Other Services	-22.1	-16.5	-7.4	-7.0	-9.9	-2.4	-0.2	1.2	-3.8	-2.6	7.7	12	16.0
4	**Personal Loans**	**58.3**	**58.2**	**51.8**	**60.6**	**57.6**	**43.2**	**41.0**	**41.5**	**44.6**	**47.5**	**43.4**	**45.9**	**45.8**
	4.1 Consumer Durables	0.4	0.4	0.3	0.3	0.5	0.4	0.5	0.5	0.6	0.7	0.2	0	0.3
	4.2 Housing (Including Priority Sector Housing)	34.0	33.7	28.1	31.9	30.9	26.2	26.3	26.1	25.8	26.2	21.5	22	20.7
	4.3 Advances against Fixed Deposits (Including FCNR (B), NRNR Deposits etc.)	-0.9	-0.9	-0.2	0.8	-0.6	0.1	-0.5	-1.0	-0.5	0.0	-0.2	0	0.3
	4.4 Advances to Individuals against share, bonds, etc.	-0.2	-0.2	-0.1	-0.1	-0.2	-0.1	-0.2	0.1	0.2	0.2	0.2	0	-0.1
	4.5 Credit Card Outstanding	3.5	3.7	3.8	4.5	3.4	0.7	-0.1	0.5	1.3	1.4	1.3	1	1.6
	4.6 Education	-0.4	-0.4	-0.3	-0.4	-0.4	-0.4	-0.4	-0.5	-0.4	-0.7	-0.6	0	-0.3
	4.7 Vehicle Loans	1.6	2.5	2.8	3.4	3.2	2.8	2.2	2.5	2.9	3.3	3.6	4	4.0
	4.8 Other Personal Loans	20.3	19.3	17.3	20.2	20.6	13.6	13.3	13.2	14.8	16.3	17.5	20	19.3
5 (*memo*)	**Priority Sector**	**15.6**	**27.9**	**15.5**	**1.2**	**27.4**	**13.1**	**11.8**	**9.1**	**19.5**	**23.6**	**25.0**	**34.0**	**45.8**
	5.1 Agriculture Activities	11.5	10.2	9.4	9.7	7.2	7.1	6.5	4.5	9.3	9.5	12.3	16	17.1
	5.2 Micro Enterprises	10.6	10.0	11.9	11.3	14.2	5.6	2.7	12.2	9.3	10.9	14.2	15	12.3
	5.2(a) Manufacturing	0.0	0.1	0.3	-0.2	1.1	-1.3	-2.1	-2.4	-1.2	-0.8	-0.1	1	0.3
	5.2(b) Services	10.7	9.9	11.6	11.5	13.1	7.0	4.8	14.6	10.5	11.8	14.3	14	12.0
	5.3 Housing	8.6	8.5	4.7	4.5	3.0	4.5	5.3	4.2	3.9	5.5	2.0	1	1.6
	5.4 Micro-Credit	1.8	2.0	1.8	2.0	2.4	1.3	1.2	1.3	0.2	0.1	0.1	0	-0.2
	5.5 Education Loans	-0.6	-0.6	-0.5	-0.6	-0.4	-0.3	-0.4	-0.4	-0.4	-0.4	-0.4	0	-0.4
	5.6 State - sponsored Orgs. for SC/ST	0.0	0.0	0.0	1.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0.0
	5.7 Weaker Sections	17.2	19.2	15.3	14.2	11.9	10.8	10.4	6.8	11.2	11.9	9.5	5	13.0
	5.8 Export Credit	-0.9	-0.6	-0.6	-0.4	0.1	0.2	0.5	0.4	0.2	0.2	0.1	0	-0.1

Note: 1. Data are provisional and relate to select banks which cover about 90 per cent of total non-food credit extended by all SCBs.
2. Export credit under priority sector relates to foreign banks only.
3. Micro & small under item 2.1 includes credit to micro & small industries in manufacturing sector.
4. Micro & small enterprises under item 5.2 includes credit to micro & small enterprises in manufacturing as well as services sector.
5.Priority Sector is as per old definition and does not conform to FIDD Circular FIDD.CO.Plan.BC.54/04.09.01/2014-15 dated April 23, 2015.

Annex- T 3: Estimated Regression Coefficients

Variable	Non - food credit		Industry		Services		Agriculture	
	Coef.	P-value	Coef.	P-value	Coef.	P-value	Coef.	P-value
$cons$	18.82	0.00	19.29	0.01	31.91	0.00	31.89	0.00
$\Delta credit_{t-1}$	-0.05	0.66	0.04	0.77	-0.16	0.22	-0.37	0.01
$\Delta credit_{t-2}$	0.34	0.01	0.38	0.00	0.36	0.00	-0.00	0.97
$\Delta gdpn_{t-1}$			0.30	0.08	-0.24	0.37	0.03	0.84
$\Delta gdpn_{t-2}$	0.07	0.61						
$call_{t-1}$	-1.13	0.04	-1.61	0.02			-0.51	0.48
$call_{t-2}$					-2.45	0.03		
$gnpa_{t-1}$	-0.58	0.09	-1.18	0.04	-0.24	0.64	-2.00	0.00
dummy					-30.23	0.00	-20.5	0.00
R^2	0.47		0.61		0.37		0.40	
LM Test (P-value)	0.61		0.43		0.77		0.36	
ARCH Test(P-value)	0.84		0.66		0.85		0.29	

Note: Data relate to select banks, which cover about 90 per cent of total non-food credit extended by all SCBs. The estimation is based on the quarterly data for the period 2007-08: Q1 through 2019-20: Q4.

*Assessing the Markets' Expectations of Monetary Policy in India from Overnight Indexed Swap Rates**

This article examines the behavior of Overnight Indexed Swap (OIS) rates in India to identify market expectations of the future course of monetary policy. It computes ex post "excess return" as the difference between the OIS fixed rate and the floating overnight reference rate and studies their statistical properties. It finds that OIS rates of tenors 1, 9 and 12 months provide credible measures of market expectations of the future path of policy repo rate, particularly during normal times.

Introduction

Households, firms and the government often base their current economic decisions on expectations about the near-term trajectories of key macro-financial variables. The expectations of future interest rate is one such key variable that can influence the decision of agents on whether to borrow now or later. They may advance (or postpone) their borrowing decision if they 'expect' the interest rates to rise (or decline) in the near future.

One category of agents who monitor the economy closely and tend to be forward looking in decision making are the participants in financial markets, such as banks and non-bank financial intermediaries, including pension/mutual funds, insurance companies, and primary dealers. These market participants base their expectations of future interest rates on the information set they possess as well as on their forecasts of variables that normally condition the path of monetary policy interest rate.

Central banks make use of the markets' expectation of monetary policy in various ways. While some use the information on policy rate expectations as an input for generating projection of macroeconomic indicators, such as inflation and GDP (Joyce and Meldrum, 2008). Others use the markets' expected policy rate as an input in the formulation of the monetary policy.

While monetary policy generally intends to be predictable to be effective, at times, central banks do 'surprise' markets. When they do so, it usually leads to market volatility (Fisher, 2017). Studies in the United States showed that unexpected movements in the Fed Funds Rate significantly affected Treasury Bill yields (Kuttner, 2001) and stock prices (Bernanke and Kuttner, 2005). However, markets usually stabilise when the central bank effectively communicates the rationale for its decisions. Fisher (2017), however, argued that avoiding 'unintended surprises' is beneficial to both the parties: the financial markets alter the financial conditions smoothly when there is clarity about the central bank's reaction function, which in turn helps the central bank to meet its policy targets. Furthermore, the relationship between the central bank and the financial market remains conducive, making the central bank's job easier in pursuing its policy objectives.

The literature identifies various ways to empirically assess market's expectation of future short-term interest rates. Lloyd (2018) categorised these measures under three broad (though, mutually non-exclusive) categories: survey-based; model-based; and financial market-based. The survey-based and financial market-based measures are used most commonly.

Survey-based method, as the name suggests, involves seeking answers to questions on policy rate expectations through various economic and financial

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surveys (see Zulen and Wibisono (2018) for a review). For instance, the Bank of Indonesia uses outcome of Bloomberg survey to gather expectations on policy rate. Further, Christensen and Kwan (2014) utilised results of the monthly Blue-Chip Financial Forecast survey and Survey of Primary Dealers to assess alignment of market participants' expectations with expectations of the Federal Open Market Committee (FOMC). In India, the Reserve Bank has been conducting the Survey of Professional Forecasters (SPF) since September 2007. The responses, received from a panel of analysts, are presented in terms of median values of forecasts along with quarterly paths for key variables. The policy repo rate is one of the key macroeconomic indicators for which quarterly forecasts are gathered through the survey.

The financial market-based measures assess interest rate expectations from financial market transactions data. The use of the overnight indexed swap (OIS) rate as a measure of monetary policy expectation is gaining popularity in the literature, particularly for the advanced economies. An OIS is an interest rate derivative contract in which two entities agree to swap/exchange a fixed interest rate payment (the OIS rate) *vis-à-vis* a floating interest rate payment computed over a notional principal amount during the tenor of the contract. The floating rate is usually the overnight (unsecured) interbank rate[1]. The floating leg interest payment is constructed by calculating the accrued interest payments from a strategy of investing the notional principal in an overnight reference rate and repeating this on an overnight basis for the duration of the contract, investing principal plus interest each time (Lloyd, 2018, page 4).

The survey-based method has certain advantages over the market-based method. Analysis is simpler in case of the former. One could calculate the average or median value to aggregate the policy rate expectations of all survey respondents (Christensen and Kwan, 2014; Joyce and Meldrum, 2008). A study using the latter method, for instance, used prices of three different financial market instruments for estimating the probability of Bank of Canada's policy rate changes. Furthermore, it is possible to calculate the frequency distribution of respondents' expectations in the survey-based method to arrive at the percentage of respondents who expect a cut or a hike or no change in the policy rate. This is not possible in the market-based method (Christensen and Kwan, 2014). Another potential disadvantage of using the OIS rates or any other financial market-based measure is the presence of risk premia. Lloyd (2018), however, argued that on average these premia are not a material issue at shorter horizons. They argued that an OIS contract has certain special features: the 'counterparty risk' is minimum as there is no exchange of the notional principal amount.[2] Further, the 'liquidity risk' is also low as there is no initial cash flow and only the net cash flow is exchanged between the agents during settlement.

The market-based method, however, has its own advantages. It is believed to capture the real expectation in the market. The price of the instrument (under study) is expected to move along with market expectation because the market players "risk" their money in the instrument (that is, having their "money on the line"). On the other hand, given the subjective nature of survey-based method, it's likely at times that the respondents do not respond according to their actual expectation. Further, surveys cannot cover all market participants and may also be subject to misreporting. In the market-based method, the market's expectation can be calculated on a daily

[1] The reference rate for Indian OIS Contracts is the Mumbai Interbank Outright Rate (MIBOR) rate.

[2] We are grateful to Dr. Golaka Nath for informing us that "OIS globally is moving towards Centralised Counter-Party (CCP) settlement and hence counter-party risk is being taken out from the contract. The case in which OIS discounting was initiated *vis-a-vis* LIBOR discounting as a fallout of global financial crisis has undergone drastic changes after CCP clearing of swap contracts. In India, almost 60 per cent of the deals are counter-party risk free contracts. Hence, risk premia component gets compromised in the sense that though CCP clearing concentrates risk in a single entity, the structures for CCPs as systematically important payment systems automatically reduces the risk component. Hence OIS is not a disadvantage anymore."

basis or even on an hour-to-hour basis, if the referred instruments are widely traded. In the survey-based method, such higher frequency (say, daily) information may not be feasible to collect and could also be costly.

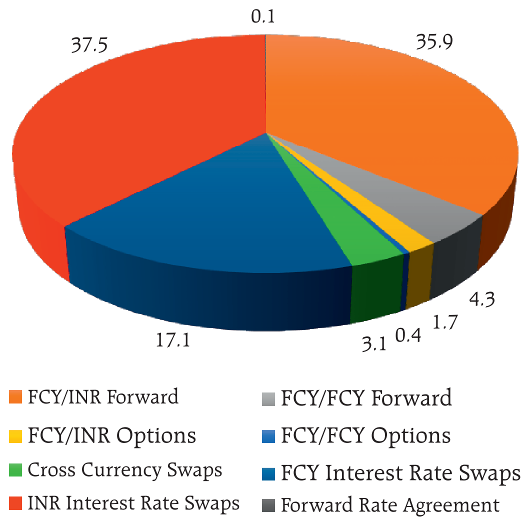
In this backdrop, by adopting the methodology of Lloyd (2018), this article empirically tests whether onshore OIS trades in India of different tenors (ranging from 1 month to 10 years) are efficient measures of market's expectation of short-term interest rates. We find that the OIS rates of tenors of up to one year (specifically, tenors of 1, 9 and 12 months), on average, approximate market's expectation of future short-term interest rates. The rest of the article is divided into four sections. Section II reports some stylised facts on the OIS Market in India. Section III presents the data and methodology used. The empirical results and their discussion are set out in Section IV. Section V concludes.

II. OIS Market in India: Some Stylized Facts

Interest Rate Derivatives (IRD) were permitted in India on July 7, 1999. The IRDs are traded either on organized exchanges or on over-the-counter (OTC) markets. The Reserve Bank has, over time, issued regulations covering various IRD products such as Interest Rate Swap (IRS), Forward Rate Agreement (FRA), Interest Rate Future (IRF), Interest Rate Option (IRO) and Money Market Future (MMF). Scheduled commercial banks (excluding Regional Rural Banks), primary dealers and all-India financial institutions could undertake FRAs/IRS for their own balance sheet management and for market making purposes. A comprehensive set of guidelines on derivatives was issued in 2007 to clearly define the roles and responsibilities for users and market makers. The IRS contracts were standardised on January 28, 2013. However, except for the IRS market, the activity in other derivative markets has been rather thin and limited.

The IRS market forms the largest segment of OTC derivative (OTCD) market in India. The two main segments in IRS market relate to interbank and client

Chart 1: Interbank OTCD - Share in Outstanding Values (per cent)



Source: CCIL, data as on March 2020.

transactions. The former is the predominant segment with a share of around 38 per cent in the outstanding values of the 'gross notional amount' (Chart 1). The interbank segment, the predominant one, witnesses major participation from foreign banks and primary dealers (PDs), followed by private sector banks. The participation of public sector banks, while increasing, is still negligible.

The IRS market in India is dominated by MIBOR - OIS with the Mumbai Interbank Outright Rate (MIBOR) as the floating interest rate, followed by the Mumbai Inter-bank Forward Outright Rate (MIFOR) and the Indian Benchmark Swaps (INBMK) (Table 1). The activity in the interbank MIBOR OIS market has increased over the recent years (Chart 2).

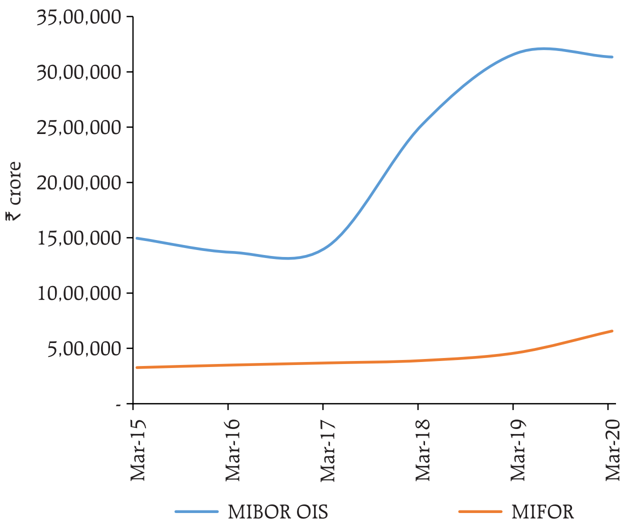
Table 1: Benchmark-wise Gross Notional Outstanding

(in ₹ crore)

Benchmark	Total Outstanding
MIBOR OIS	31,34,039
MIFOR	6,57,371
INBMK	2,560

Source: CCIL, data as on March 2020

Chart 2: Interbank INR IRS Outstanding Volumes



Source: CCIL.

The most commonly used IRS in India, the MIBOR OIS is a product where the floating leg of the swap is linked to an overnight index, compounded every day over the payment period. As can be gauged from its basic structuring, the OIS product is traded on the basis of expectations of the trading parties about the future path of interest rate movements. Thus, any move in interest rate thereafter leads to gains or losses depending on their position in the swap. The G-Sec yields and OIS rates have shown high correlation. Thus, OIS can be used as a primary hedging tool for investors in G-Secs. Additional benefits include reduction of credit risk and creation of synthetic overnight-index-linked liability for corporates. The OIS allows financial institutions the flexibility to move to the interest rate on the basis of their choice, manage various features of their debt portfolios and the duration of investment portfolio.

III. Data and Methodology

This section tests whether the onshore MIBOR OIS trades in India of different tenors help in measuring accurately market's expectations of the future path of monetary policy, specifically the policy repo rate under the Liquidity Adjustment Facility (LAF). We use the daily MIBOR-OIS rates for tenors ranging from 1 month to 10 years for the period from August 03, 1999 to May 31, 2019. The starting date has been decided by data availability. The data has been sourced from Bloomberg.

We adopt the method used by Lloyd (2018). First, for each of the n-month (N-days) OIS fixed rate (i_n^{fixed}) we derive the daily annualised *ex-post* realised (net) return from the floating leg of the same contract (i_n^{float}) using the expression below (FIMMDA, 2016 and Lloyd, 2018):

1. $i_n^{float} = [\prod_{j=1}^{d_0} \left(1 + \frac{n_j * MIBOR_j}{365}\right) - 1] \times \frac{365}{d}$

Here, d_0 is the number of business days in the relevant calculation period; n_j is the number of calendar days in the calculation period for which the rate used is $MIBOR_j$; and d is the number of calendar days in the relevant calculation period. The spot lag for Indian OIS contracts is zero days.

Thus, the unconditional *ex post* realised (annualised) 'excess return (ER)' on the n-month OIS contract is:

2. $ER_t = i_n^{fixed} - i_n^{floating}$

Lloyd (2018, pages 5-6) indicated that *"from the perspective of an agent who swaps fixed interest payments for the floating rate over the notional principal x, (ER $\times$ x) represents the payoff of a zero-cost portfolio. So, if the expectations hypothesis holds true, the fixed leg of the OIS contract must equal the ex-ante expected value of the floating leg, i.e.,* $i_{n,t}^{fixed} = E_t\,(i_n^{float})$*. Thus, if the ex post realised excess return has zero mean, the ex-ante forecasting error under the expectations hypothesis also has zero mean, and the n-month OIS contract can be said to provide an accurate measure of expected future short-term interest rates."*

Thus, to test whether the *ex post* excess returns on the OIS contracts (ER_t) has zero mean, we regress ER_t

on a constant (α_n) and test whether α_n is significantly different from zero or not.

3. $ER_t = \alpha_n + \varepsilon_n$

The standard errors and t-statistics for the above regression have been computed by the Newey West (Bartlett kernel) heteroskedasticity and autocorrelation consistent (HAC) procedure.

IV. Empirical Results and Discussion

The unconditional average *ex post* excess returns were computed for the various tenors of OIS rates, ranging from 1-month to 10 years, for the period from August 03, 1999 to May 31, 2019, and are given in Annex Table 1.

We find that the excess returns of the OIS trades of tenors of up to one year were low ranging between 2 basis points (bps) and 20 bps[3] indicating that these OIS rates were, on average, a fair indication of the direction of future course of monetary policy. Specifically, we find that the OIS rates of tenors 1, 9 and 12 months appear to more accurately measure the expectations of future short-term interest rates with the excess returns of these tenors, on average, being not significantly different from zero (Annex Chart 1).[4] On the other hand, for the 3-Month and 6-Month OIS trades, the excess returns were low at 7.81 bps and 6.51 bps, respectively, though significantly different from zero.

One possible reason for the 9-month and 12-month OIS rates emerging as the more accurate measure of future short-term interest rates could be that the market is able to predict the direction of monetary policy but not exact timing. For instance, a market expectation of a rate hike of 25 bps in 2-month time may materialise only after 6 months. Such a scenario may lead to *ex post* excess returns for 3-month and 6-month OIS transactions turning non-zero, while that for the longer tenor OIS, viz. 9-month and 12-month, may not be affected to that extent. Thus, it could be mentioned that OIS rates are a better predictor of the direction of monetary policy rather than the actual timing of policy action. As a counterfactual, it would be expected that if a monetary policy action surprises the market, the OIS rates would immediately adjust (Table 2 presents a few examples).

Further, in order to account for the volatility in money markets during some periods, we introduce dummies, particularly for 2000 (introduction and

Table 2: Few Instances of Monetary Policy Surprises[5]

MPC Date	1 M OIS Rate (per cent)			3 M OIS Rate (per cent)			6 M OIS Rate (per cent)			9 M OIS Rates (per cent)			12 M OIS Rate (per cent)		
	Pre policy	Post policy	Change	Pre policy	Post policy	Change	Pre policy	Post policy	Change	Pre policy	Post policy	Change	Pre policy	Post policy	Change
Feb 07, 2019	6.45	6.31	-0.14	6.57	6.44	-0.13	6.51	6.38	-0.13	6.51	6.38	-0.13	6.53	6.39	-0.14
Oct 05,2018	6.86	6.57	-0.29	7.00	6.73	-0.27	7.32	7.10	-0.22	7.44	7.25	-0.19	7.56	7.39	-0.17
Feb 08, 2017	6.14	6.26	0.12	6.21	6.35	0.14	6.20	6.36	0.16	6.21	6.37	0.16	6.19	6.39	0.20
Dec 07, 2016	5.97	6.21	0.24	6.00	6.23	0.23	5.98	6.23	0.25	5.98	6.21	0.23	5.97	6.21	0.24

[3] The positive excess returns for these tenors could be on account of call rates remaining slightly below the policy repo rate which in turn could be on account of liquidity conditions.

[4] It may be mentioned here that major segments of the banks are not active participants in the OIS market. One view is that the entities involved in the OIS contracts in India may possibly look at it more from a liquidity point of view than taking a call on interest rate expectations, *per se*, and the excess returns could be a more of a premium for illiquidity. We would like to acknowledge Dr. Golaka Nath for bringing this to our notice.

[5] For the Feb 07, 2019 policy, the Monetary Policy Committee (MPC) decided to reduce the policy rate against market expectation of rate hold while for Oct 05, 2018 policy, the MPC decided to keep the policy rate unchanged against market expectation of rate hike. For the Feb 08, 2017 as well as Dec 07, 2016 policy, the MPC decisions were to keep the policy rate unchanged against market expectation of rate cut.

stabilization of the Liquidity Adjustment Facility (LAF) Scheme on May 29, 2000), 2006/7, 2008 (global financial crisis), 2013 ('the taper tantrum') and 2016 (withdrawal of specified bank notes).[6] We find that unanticipated changes in monetary policy during 2008 and 2013 in the wake of the global financial crisis and the 'taper tantrum' significantly impacted 'excess returns'.

V. Conclusion

Adapting the methodology applied by Lloyd (2018), this article finds that the OIS rates in India for tenors 1, 9 and 12 months provide accurate measures of market expectations of policy repo rate. Unanticipated changes in monetary policy during 2008 and 2013 in the wake of the global financial crisis and the 'taper tantrum' significantly impacted 'excess returns' in the OIS market, unlike normal times. OIS rates in India are found to be good predictors of the direction of monetary policy, if not the exact timing of policy changes.

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6 Please see Annex Table 2 for details on the dummies.

Annex

Annex Table 1: Unconditional average ex-post Excess Returns on Indian OIS Contracts at Daily Frequency *(Contd.)*

Panel A: India OIS Contracts									
Tenor	**1M**	**2M**	**3M**	**4M**	**5M**	**6M**	**7M**	**8M**	**9M**
$\widehat{\alpha_n}$	**5.33**	11.43***	7.81***	12.86***	17.49***	6.51**	19.23***	11.59***	**2.08**
[t-statistics]	**[1.44]**	[3.50]	[2.62]	[3.44]	[5.38]	[2.15]	[5.42]	[3.83]	**[0.637]**
Tenor	**10M**	**11M**	**1Y**	**2Y**	**3Y**	**4Y**	**5Y**	**7Y**	**10Y**
$\widehat{\alpha_n}$	7.92**	**5.17**	**4.40**	-26.28***	-43.34***	-71.17***	-94.33***	-182.01***	-260.49***
[t-statistics]	[2.43]	**[1.53]**	**[1.24]**	[-5.21]	[-7.78]	[-12.75]	[-17.24]	[-40.26]	[-43.18]
Panel B: India OIS Contracts with 2000 Dummy[1]									
Tenor	**1M**	**2M**	**3M**	**4M**	**5M**	**6M**	**7M**	**8M**	**9M**
$\widehat{\alpha_n}$	4.92	11.75***	8.65***	-	-	7.73**	-	-	**2.29**
[t-statistics]	[1.34]	[3.62]	[2.93]	-	-	[2.54]	-	-	**[0.69]**
2000 Dummy	23.84	-15.22	-33.90	-	-	-33.04*	-	-	**-12.94**
[t-statistics]	[0.54]	[-0.44]	[-1.07]	-	-	[-1.68]	-	-	**[-0.45]**
Tenor	**10M**	**11M**	**1Y**	**2Y**	**3Y**	**4Y**	**5Y**	**7Y**	**10Y**
$\widehat{\alpha_n}$	-	-	**3.27**	-	-	-	-	-	-
[t-statistics]	-	-	**[0.89]**	-	-	-	-	-	-
2000 Dummy	-	-	**19.61**	-	-	-	-	-	-
[t-statistics]	-	-	**[1.26]**	-	-	-	-	-	-
Panel C: India OIS Contracts with 2006 Dummy[2]									
Tenor	**1M**	**2M**	**3M**	**4M**	**5M**	**6M**	**7M**	**8M**	**9M**
$\widehat{\alpha_n}$	5.63***	11.21***	7.90***	9.19***	12.94***	7.69***	-	-	**4.11**
[t-statistics]	[2.70]	[5.84]	[4.21]	[3.92]	[4.96]	[3.16]	-	-	**[1.35]**
2006 Dummy	-8.79	5.57	-2.13	111.02	142.28***	-20.49	-	-	**-27.19**
[t-statistics]	[-0.09]	[0.08]	[-0.04]	[1.49]	[2.62]	[-0.61]	-	-	**[-1.21]**
Tenor	**10M**	**11M**	**1Y**	**2Y**	**3Y**	**4Y**	**5Y**	**7Y**	**10Y**
$\widehat{\alpha_n}$	-	-	7.39**	-15.85***	-35.02***	-72.13***	-123.18***	-205.14***	-246.51***
[t-statistics]	-	-	[2.08]	[-2.78]	[-5.28]	[-9.79]	[-16.32]	[-35.49]	[-20.51]
2006 Dummy	-	-	-34.85**	-64.52***	-35.02***	2.89	67.69***	72.71***	-25.03*
[t-statistics]	-	-	[-2.13]	[-6.44]	[-3.02]	[0.27]	[6.62]	[10.50]	[-1.93]
Panel D: India OIS Contracts with 2007 Dummy[3]									
Tenor	**1M**	**2M**	**3M**	**4M**	**5M**	**6M**	**7M**	**8M**	**9M**
$\widehat{\alpha_n}$	4.54**	10.45***	7.19***	9.27***	13.04***	7.29***	11.66***	-	**3.85**
[t-statistics]	[2.09]	[5.35]	[3.78]	[3.94]	[4.98]	[3.00]	[4.04]	-	**[1.27]**
2007 Dummy	26.84	28.54	16.15	100.73	128.87**	-15.04	142.47***	-	**-25.08**
[t-statistics]	[0.26]	[0.37]	[0.26]	[1.46]	[2.51]	[-0.40]	[4.89]	-	**[-1.05]**
Tenor	**10M**	**11M**	**1Y**	**2Y**	**3Y**	**4Y**	**5Y**	**7Y**	**10Y**
$\widehat{\alpha_n}$	-	-	6.82*	-16.31***	-36.70***	-72.22***	-118.80***	-205.78***	-247.04***
[t-statistics]	-	-	[1.93]	[-2.88]	[-5.57]	[-9.93]	[-15.35]	[-35.41]	[-20.08]
2007 Dummy	-	-	-29.98*	-63.97***	-28.66**	3.25	58.38***	73.34***	-23.65*
[t-statistics]	-	-	[-1.74]	[-6.20]	[-2.42]	[0.29]	[5.71]	[10.61]	[-1.78]

Annex Table 1: Unconditional average ex-post Excess Returns on Indian OIS Contracts at Daily Frequency *(Contd.)*

Panel E: India OIS Contracts with 2008 Dummy[4]									
Tenor	**1M**	**2M**	**3M**	**4M**	**5M**	**6M**	**7M**	**8M**	**9M**
$\widehat{\alpha_n}$	5.69	11.67***	7.14**	10.06***	13.02***	3.48	-	-	-3.19
[t-statistics]	[1.50]	[3.49]	[2.32]	[2.83]	[4.02]	[1.19]	-	-	[-1.09]
2008 Dummy	-12.97	-6.87	16.98	49.19***	80.88***	57.41***	-	-	78.86***
[t-statistics]	[-1.08]	[-0.51]	[1.46]	[4.12]	[6.25]	[2.73]	-	-	[3.18]
Tenor	**10M**	**11M**	**1Y**	**2Y**	**3Y**	**4Y**	**5Y**	**7Y**	**10Y**
$\widehat{\alpha_n}$	-	-	-3.10	-49.45***	-68.70***	-99.16***	-114.37***	-220.06***	-326.38***
[t-statistics]	-	-	[-1.01]	[-11.24]	[-12.42]	[-15.42]	[-15.32]	[-61.12]	[22.34]
2008 Dummy	-	-	92.08***	145.28***	106.72***	85.63***	46.78***	67.48***	67.66***
[t-statistics]	-	-	[3.92]	[8.65]	[7.57]	[7.65]	[4.42]	[8.83]	[4.28]
Panel F: India OIS Contracts with 2013 Dummy[5]									
Tenor	**1M**	**2M**	**3M**	**4M**	**5M**	**6M**	**7M**	**8M**	**9M**
$\widehat{\alpha_n}$	5.25	10.76***	7.86***	14.78***	20.74***	8.56***	28.93***	22.58***	5.86*
[t-statistics]	[1.39]	[3.22]	[2.60]	[4.35]	[6.63]	[2.82]	[9.58]	[12.31]	[1.77]
2013 Dummy	3.65	23.88**	-1.74	-28.22	-44.22**	-44.65	-70.74***	-67.59***	-58.46***
[t-statistics]	[0.44]	[2.53]	[-0.09]	[-1.46]	[-2.36]	[-2.47]	[-4.78]	[-5.06]	[-4.15]
Tenor	**10M**	**11M**	**1Y**	**2Y**	**3Y**	**4Y**	**5Y**	**7Y**	**10Y**
$\widehat{\alpha_n}$	22.94***	22.40***	9.88***	-8.86	-12.42**	-23.76***	-31.25***	-148.56***	-
[t-statistics]	[11.98]	[11.25]	[2.72]	[-1.63]	[-1.98]	[-3.72]	[-4.94]	[-50.68]	-
2013 Dummy	-77.13***	-81.82***	-73.68***	-114.63***	-134.50***	-143.61***	-147.04***	-42.16***	-
[t-statistics]	[-6.73]	[-7.68]	[-6.38]	[-12.42]	[-14.79]	[-15.97]	[-16.95]	[-6.74]	-
Panel G: India OIS Contracts with 2016 Dummy[6]									
Tenor	**1M**	**2M**	**3M**	**4M**	**5M**	**6M**	**7M**	**8M**	**9M**
$\widehat{\alpha_n}$	5.42	11.48***	7.85***	13.20***	17.97***	6.45**	20.47***	11.25***	1.36
[t-statistics]	[1.45]	[3.46]	[2.57]	[3.65]	[5.23]	[2.05]	[5.17]	[3.24]	[0.39]
2016 Dummy	-6.77	-3.30	-2.07	-7.20	-8.86**	1.71	-11.62***	2.68	13.95***
[t-statistics]	[-1.51]	[-0.73]	[-0.50]	[-1.64]	[-2.17]	[0.47]	[-2.66]	[0.64]	[3.07]
Tenor	**10M**	**11M**	**1Y**	**2Y**	**3Y**	**4Y**	**5Y**	**7Y**	**10Y**
$\widehat{\alpha_n}$	5.89	2.02	3.21	-31.81***	-55.79***	-83.20***	-94.24***	-164.65***	-299.36***
[t-statistics]	[1.54]	[0.50]	[0.85]	[-5.48]	[-8.64]	[-12.75]	[-14.68]	[-25.73]	[-104.56]
2016 Dummy	12.69***	17.82***	18.91***	39.99***	76.32***	61.71***	-0.41	-48.39***	64.73***
[t-statistics]	[2.73]	[3.65]	[3.88]	[6.29]	[10.92]	[6.06]	[-0.03]	[-6.43]	[6.69]

Annex Table 1: Unconditional average ex-post Excess Returns on Indian OIS Contracts at Daily Frequency *(Concld.)*

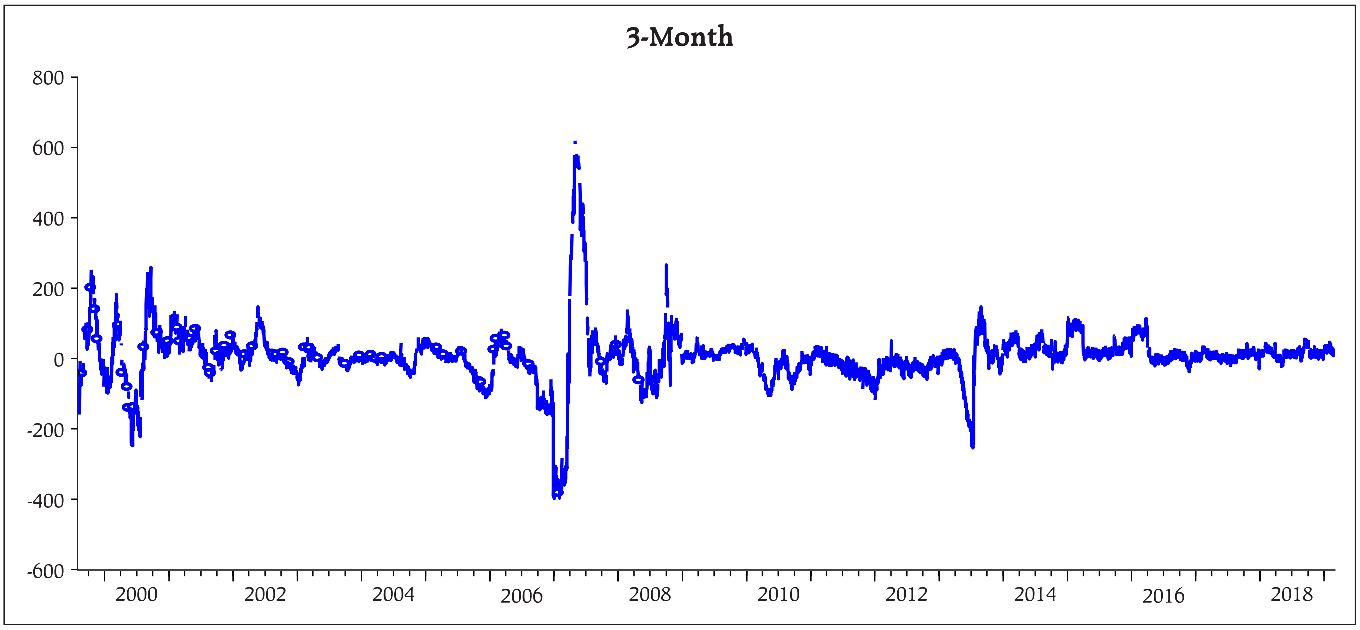
Panel H: India OIS Contracts with all dummies									
Maturity	**1M**	**2M**	**3M**	**4M**	**5M**	**6M**	**7M**	**8M**	**9M**
$\widehat{\alpha_n}$	5.27**	10.89***	8.01***	7.83***	11.04***	8.15***	22.52***	24.17***	2.04
[t-statistics]	[2.54]	[5.25]	[4.71]	[3.83]	[4.95]	[3.99]	[11.40]	[11.47]	[0.82]
2000 Dummy	23.49	-14.35	-33.27	-	-	-36.46*	-	-	-12.68
[t-statistics]	[0.54]	[-0.42]	[-1.05]	-	-	[-1.72]	-	-	[-0.44]
2006 Dummy	-112.81**	-72.94*	-71.44**	138.54*	180.58***	-43.05***	183.08***	-	-32.41**
[t-statistics]	[-2.00]	[-19.2]	[-2.53]	[1.84]	[3.26]	[-2.75]	[5.91]	-	[-2.15]
2007 Dummy	130.47	96.29	82.65	-26.15**	-36.39***	25.32	-37.97	-	8.00
[t-statistics]	[1.39]	[1.40]	[1.54]	[-2.38]	[-3.39]	[0.80]	[-4.07]	-	[0.37]
2008 Dummy	-12.55	-6.09	16.10	51.42***	82.87***	52.74**	-	-	73.64***
[t-statistics]	[-1.09]	[-0.46]	[1.42]	[4.44]	[6.50]	[2.52]	-	-	[2.97]
2013 Dummy	3.63	23.75***	-1.89	-21.26	-34.51*	-44.25**	-64.32***	-69.18***	-54.64***
[t-statistics]	[0.48]	[2.63]	[-0.11]	[-1.11]	[-1.85]	[-2.47]	[-4.39]	[-5.16]	[-3.93]
2016 Dummy	-6.63**	-2.72	-2.23	-1.83	-1.93	0.01	-13.66***	-10.25***	13.27***
[t-statistics]	[-2.04]	[-0.75]	[-0.69]	[-0.56]	[-0.62]	[0.00]	[-5.07]	[-3.23}	[3.44]
Maturity	**10M**	**11M**	**1Y**	**2Y**	**3Y**	**4Y**	**5Y**	**7Y**	**10Y**
$\widehat{\alpha_n}$	24.01***	23.14***	2.30	-22.64***	-31.78***	-29.03**	44.42***	-211.75***	-395.29***
[t-statistics]	[10.49]	[9.52]	[0.74]	[-3.47]	[-2.97]	[-2.29]	[3.16]	[-18.37]	[-22.53]
2000 Dummy	-	-	20.58	-	-	-	-	-	-
[t-statistics]	-	-	[1.34]	-	-	-	-	-	-
2006 Dummy	-	-	-57.18***	-19.98**	-105.43***	-31.02	71.07**	-	-
[t-statistics]	-	-	[-4.41]	[2.27]	[-10.32]	[-1.54]	[2.49	-	-
2007 Dummy	-	-	30.08*	-86.72***	9.89	-50.28***	-158.31***	-	-
[t-statistics]	-	-	[1.66]	[-8.76]	[1.06]	[-2.61]	[-5.79]	-	-
2008 Dummy	-	-	86.68***	151.66	116.86***	65.66***	-24.18**	65.16***	95.93***
[t-statistics]	-	-	[3.68]	[9.43]	[7.93]	[5.08]	[-2.10]	[5.86]	[5.54]
2013 Dummy	-78.21***	-82.56***	-66.10***	-100.85	-119.26***	-162.42***	-253.81***	-8.31	68.91***
[t-statistics]	[-6.79]	[-7.68]	[-5.79]	[-10.18]	[-10.09]	[-13.95]	[-18.59]	[-0.76]	[6.98]
2016 Dummy	-5.43	-3.30	19.81***	30.82***	61.67***	85.21***	81.55***	-	-
[t-statistics]	[-1.55]	[-0.89]	[4.51]	[4.39]	[5.58]	[7.86]	[8.46]	-	-

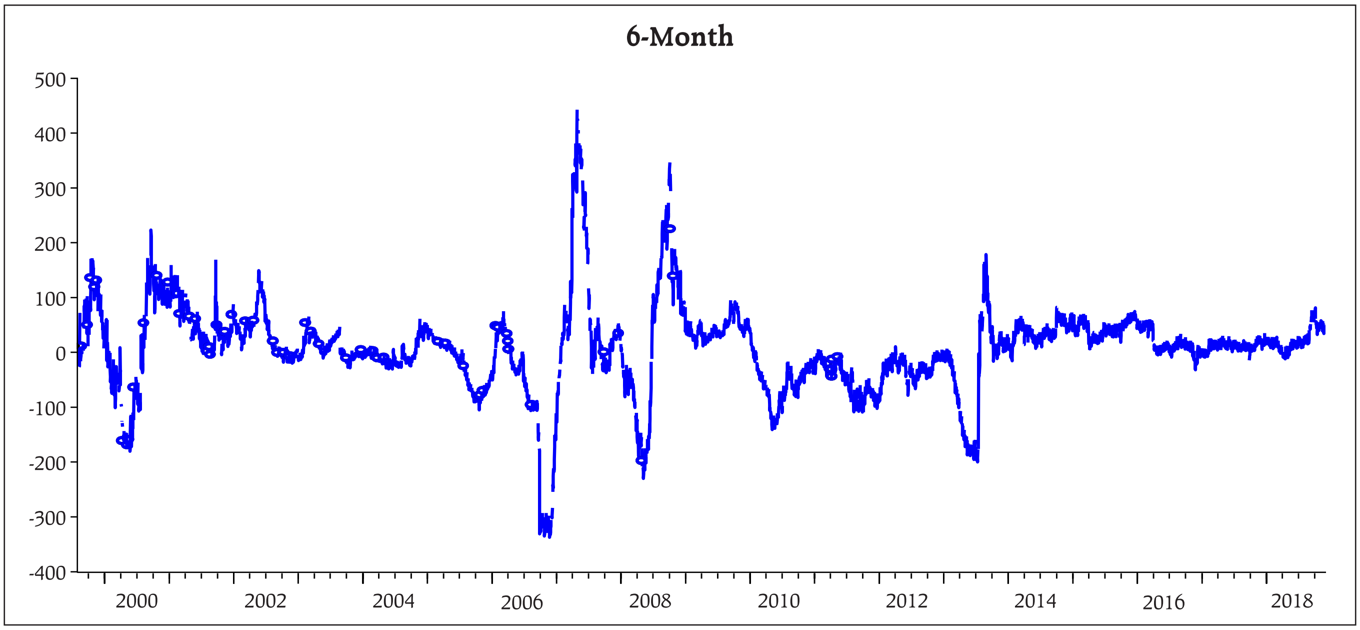
*, ** and *** indicate significance at 10 per cent, 5 per cent and 1 per cent, respectively.

Annex Table 2: Details on the dummies used

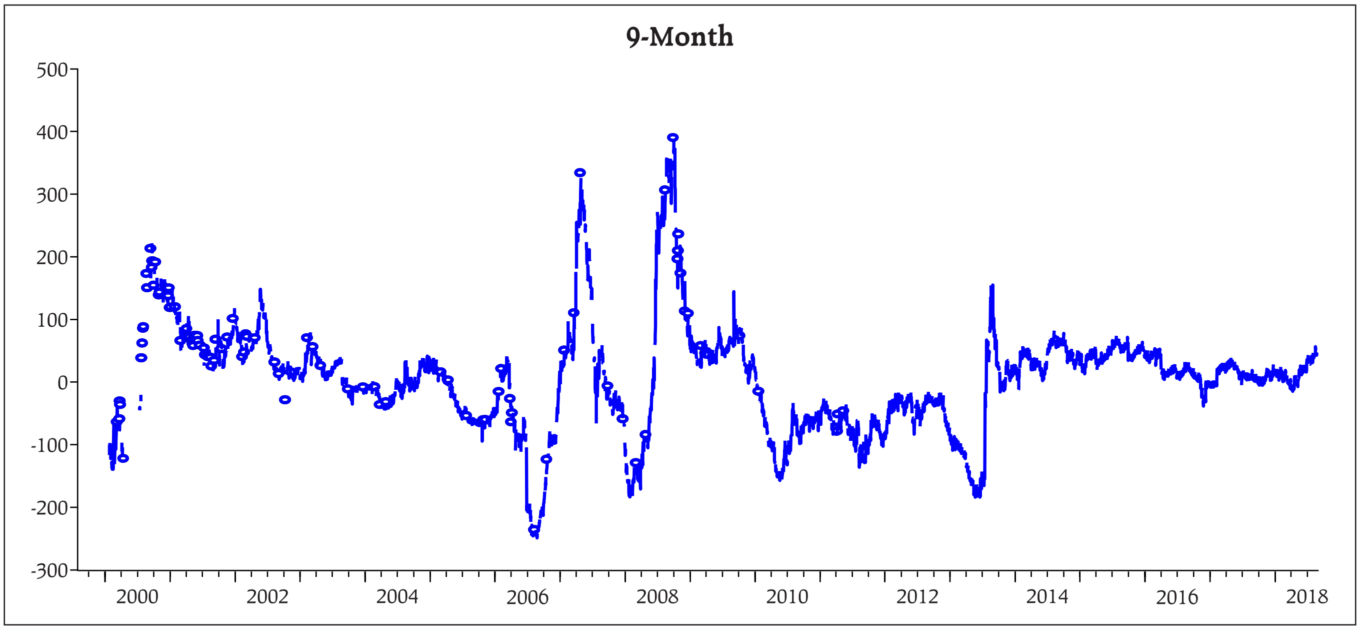
Dummy	Date of first policy action	Date of last policy action	Value of the dummy
D2000	22 July 2000	25 October 2000	The dummy takes value of 1 from 22 **June** 2000 to 25 Oct 2000 and zero otherwise for the 1-month OIS; from 22 **May** 2000 to 25 Oct 2000 and zero otherwise for the 2-month OIS and so on.
D2006	12 Dec 2006	16 Jul 2007	
D2007	01 Feb 2007	31 Jul 2007	
D2008	20 Oct 2008	21 Apr 2009	Similar strategy as above.
D2013	20 Sep 2013	28 Jan 2014	
D2016	08 Nov 2016	31 Dec 2016	

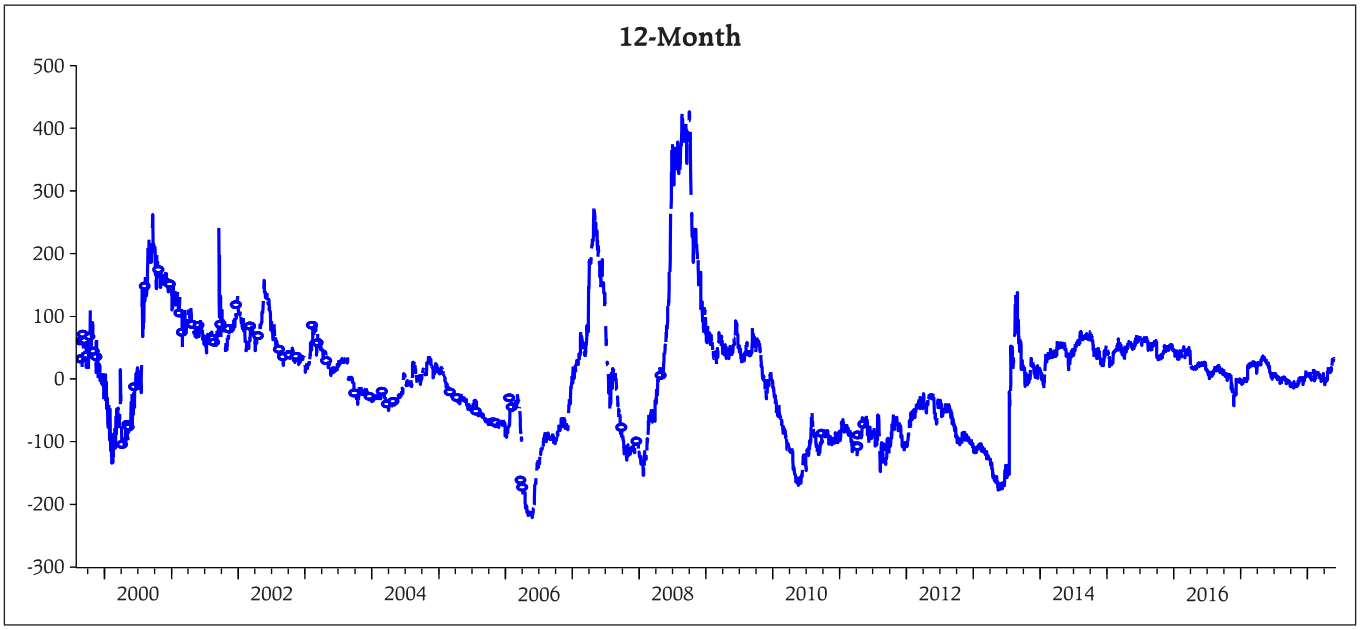
Annex Chart 1: Unconditional average ex-post Excess Returns on Indian OIS Contracts at Daily Frequency *(Contd.)*





Annex Chart 1: Unconditional average ex-post Excess Returns on Indian OIS Contracts at Daily Frequency *(Concld.)*





*Do Markets Know More? India's Banking Sector through the Lens of PBR**

This article is an enquiry into the determinants of price-to-book ratio (PBR) of scheduled commercial banks (SCBs) in India. Our empirical analysis indicates that variations in PBR have linkages with financial and economic cycles. It also captures the 'franchise value' of banks and shares a close correlation with indicators relating to profitability and viability of banks. This article, therefore, suggests that PBR may be considered as an alternative measure of bank value.

Introduction

What is an appropriate measure of bank value? Though there are several indicators spanning various dimensions of banking activities (such as capital adequacy ratios, asset quality measures, Z-scores, profitability and liquidity indicators), none of these comprehensively capture the viability of the underlying business models of banks. This happens primarily because of two reasons: first, while undertaking their principal task of credit intermediation, banks produce valuable private information about borrowers and sectors. For banks, rents or quasi-rents emanating from this activity are an intangible asset (Chousakos & Gorton, 2017). These informational quasi-rents are generally termed as banks' private "charter value" or "franchise value" (Marcus, 1984). Franchise value may also arise due to barriers to entry or a market structure that limits entry. Second, banks, unlike other firms, are subject to more stringent regulations given their unique role in the financial system. Therefore, many of the standard banking indicators could change owing to shifts in the regulatory environment; they may not necessarily reflect a fundamental change in the health of banks[1]. Given this context, we argue that the price-to-book ratio (PBR) of banks may be employed to better understand their health, stability and value.

PBR is defined as the ratio of market value of equity relative to total book value of a firm. It is similar in spirit to Tobin's Q – which is defined as market value over replacement cost. A relatively higher (lower) PBR is usually interpreted as the underlying stock being overpriced (underpriced). While this interpretation makes sense for non-financial firms which are relatively less regulated and have greater potential for product differentiation and innovation, the implications of PBR for financial firms are different and perhaps more significant. For banks and other financial institutions, book value of assets may often be closer to market value due to the practice of marking certain classes of assets to market (Bogdanova, Fender & Takáts, 2018). Furthermore, depreciation may play a limited role in accounting of financial assets as compared to physical assets (*ibid.*). Cross-sectional heterogeneity – measured by product differentiation, cost of funds and regulatory infrastructure – may be limited among banks. Effectively, their PBR may capture how well they maximise the spread[2] and how efficient they are in terms of credit risk evaluation and monitoring. In other words, driven by intangibles, the market value of banks over and above their book value may have more to do with their performance as perceived by economic agents based on their efficacy in fund utilisation, asset-liability management and resolution prospects, among others.

* This article is prepared by Bhanu Pratap, Ranajoy Guha Neogi and Jibin Jose of Department of Economic and Policy Research, Reserve Bank of India. The views expressed in the article are those of the authors and do not represent the views of the Reserve Bank.

[1] Furthermore, Goodhart's law says that when a measure becomes a target, it ceases to be a good measure – or in other words, it loses its informational content.

[2] Spread = return on funds – cost of funds. Return on funds will include interest earned on loans and investments; cost of funds includes interest expended on deposits and borrowings.

Additionally, PBR can be construed as reflecting the standards of accounting and financial reporting practices in banks. (Bogdanova, Fender & Takáts, 2018). As banks are exposed to credit and operational risks (such as frauds) leading to potentially large and abrupt losses, the value of their loan portfolio and earnings should be subject to the correct accounting of such losses. In fact, delayed recognition of credit risk and the subsequent understatement of losses have been characteristics of banking troubles in India and in other countries (Huizinga & Laeven, 2012; Vishwanathan, 2018).

The theoretical backing to employ a market-based measure to evaluate a bank's profitability and soundness comes from the efficient market hypothesis which suggests that security prices fully reflect all available information (Fama, 1970). This would imply that the forward-looking information content of a market-based measure - PBR in our case - is likely to be higher as compared to any balance sheet-based measure. From a practitioner's perspective, the availability of market data at a high frequency and their sensitivity to new information can make PBR of financial institutions a useful metric to assess the performance of the financial sector. Given the bank-centric nature of the Indian financial system, the role of banks' PBR in such an assessment can hardly be understated. Despite the potential of PBRs in assessing the performance of not just banks but also the financial sector as a whole, it has hardly been studied in the literature with the exception of Ghosh (2009) and Herwadkar & Pratap (2019). In the international context, there exists a large body of literature on banks' PBR and its interlinkages with bank characteristics (Calomiris & Nissim, 2014; Chousakos & Gorton, 2017; Demsetz, Saidenberg, & Strahan, 1996; and Sarin & Summers, 2016).

In this article, therefore, we intend to fill this research gap by evaluating drivers of PBR for banks in India for the period 2002-2017. Our primary objective here is to provide evidence on the desirability of PBR as a measure of bank value. In particular, we examine whether PBR is able to incorporate relevant balance sheet and macro-financial information over and above the intangibles. The rest of the article is organised as follows: Section II provides a bird's eye view of the existing literature; Section III presents the empirical analysis; and Section IV discusses the conclusions.

II. PBR: What does the existing literature say?

Earlier studies on the charter value of banks were in the context of deposit insurance and deregulation of banking industry in the US (Marcus, 1984; Keeley 1990; and, Demsetz, Saidenberg and Strahan, 1996). Two main views were considered in this early literature. The first view posited that in the presence of deposit insurance, banks may take excessive risk, thereby ignoring the loss of intangibles in the wake of eventual liquidation. The second view assumed that banks do take into account the value of its intangibles, and thus analysed the interlinkages between charter value and other bank characteristics. Major empirical findings of these papers can be summarised as follows: banks with more market power, as reflected in larger market-to-book ratios, held more capital relative to assets; they had lower default risk as reflected in lower risk premiums on large, uninsured cerfiticates of deposits; and franchise value of banks and their risk taking appeared to be inversely related.

A number of papers revisited these questions in the context of the US banking sector following the global financial crisis in 2008, primarily examining (a) the large differentials which arose between the market and book values and (b) the dramatic and persistent decline in the overall market valuation of US banks during the crisis. The literature has ascribed these trends to delayed recognition of stressed assets, distorted financial reporting overstating the value of distressed assets and regulatory capital as well as a decline in the value of intangibles, such as customer relationships, and unrecognised contingent obligations (Huizinga and Laeven, 2012; Calomiris and Nissim, 2014).

Another strand in the literature examined whether the major regulatory interventions that were undertaken after the crisis, such as changes in regulatory capital and leverage, and stress testing reduced risk taking by banks. Contrary to the prevailing wisdom at that time, financial market information provided little support for the view that major financial institutions were significantly safer than they were before the crisis. The explanation also pointed towards a dramatic decline in the franchise value of major financial institutions, caused in part by new regulations. This decline in franchise value, it was concluded, made financial institutions more vulnerable to adverse shocks (Sarin and Summers, 2016).[3] Most recently, Bogdanova, Fender and Takáts (2018) extended the analytical approach of Calomiris and Nissim (2014) to a multi-country setup and concluded that factors driving bank valuations had not changed signficantly after the global financial crisis.

As far as literature relating to India is concerned, studies by Ghosh (2009) and Herwadkar and Pratap (2020) have examined the PBR of banks. Ghosh (2009) explored the interlinkage between the charter value and risk taking by banks. He investigated systemic and institution-specific factors that influenced bank charter values for the period 1996-2006 and found market concentration (both at deposit and loan levels), bank size and operating efficiency to be its major influencing factors. Herwadkar and Pratap (2020) make use of PBR as one of the financial market indicators to test the efficient market hypothesis. More specifically, they tested whether equity markets provide any lead information about banking stress and found that markets are able to price in the stress concurrently but not in advance. Relative to other market-based measures, however, PBR emerged as a better indicator of impending distress, especially for private banks.

III. Empirical Analysis

Recent and Historical Trends

Since the beginning of 2020, domestic and global financial markets were jolted by the spread of COVID-19 pandemic. While Indian equity markets moved cautiously during the first two months, March 2020 saw a steep fall in the equity indices. Chart 1 shows the daily movements in PBR of Nifty Bank Index, Nifty PSU Bank Index and Nifty Private Bank Index highlighting the valuation of the overall Indian banking sector, public sector banks and private sector banks, respectively[4]. As it was observed, with the rise of COVID-19 cases, market valuation of the banking sector witnessed a sharp deterioration during early March 2020, weeks before the ensuing lockdown of the country. Against the backdrop of countercyclical measures undertaken by the Government and the Reserve Bank of India, subsequent months saw the PBR stabilising and remaining range bound, *albeit* substantially lower than the valuation at the beginning of the year. Subsequently, the valuation of the overall banking sector, driven mainly by private banks, seems on course of recovery from the pandemic shock. On the other hand, the market value of public sector banks has remained persisently below its pre-pandemic levels[5].

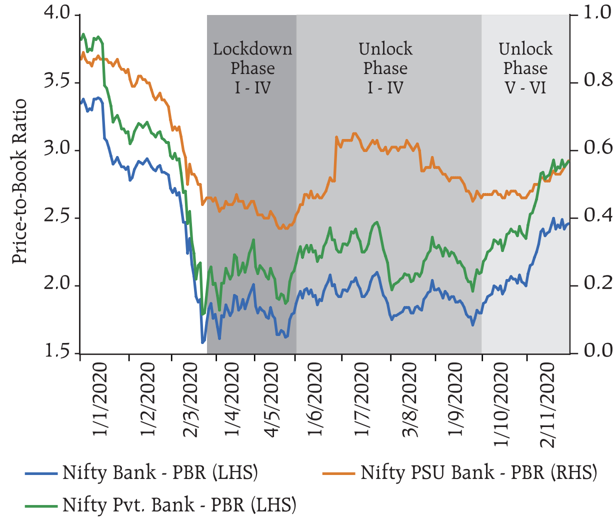
Given the weak near-term economic outlook for India and the global economy, we juxtapose the current decline in banking sector valuation against similar changes in banks' PBR observed over the last

[3] Similar observations can be found in Chousakos and Gorton (2017) in which they evaluated bank health using Tobin's Q.

[4] The NIFTY Bank Index, comprising of the most liquid and large Indian banking stocks, provides a benchmark that captures the capital market performance of Indian banks. Similarly, NIFTY PSU Bank Index and NIFTY Private Bank Index have been designed to reflect the performance of public sector and private sector banks, respectively. For more details, please refer - *https://www.niftyindices.com/indices/equity/sectoral-indices.*

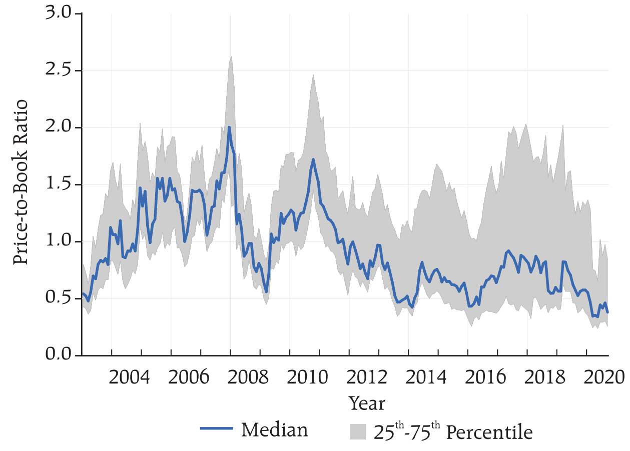
[5] As of end-November 2020.

Chart 1: Daily Movements in Price-to-book Ratio (YTD)



Source: National Stock Exhange (NSE); Authors' calculations.

Chart 2: Historical Movements in Price-to-book Ratio



Note: The solid blue line depicts the median PBR for Indian banking sector whereas the shaded grey portion indicates the interquartile range *i.e.*, the 25th-75th percentile range based on the PBR data.

Source: National Stock Exchange (NSE); Authors' calculations.

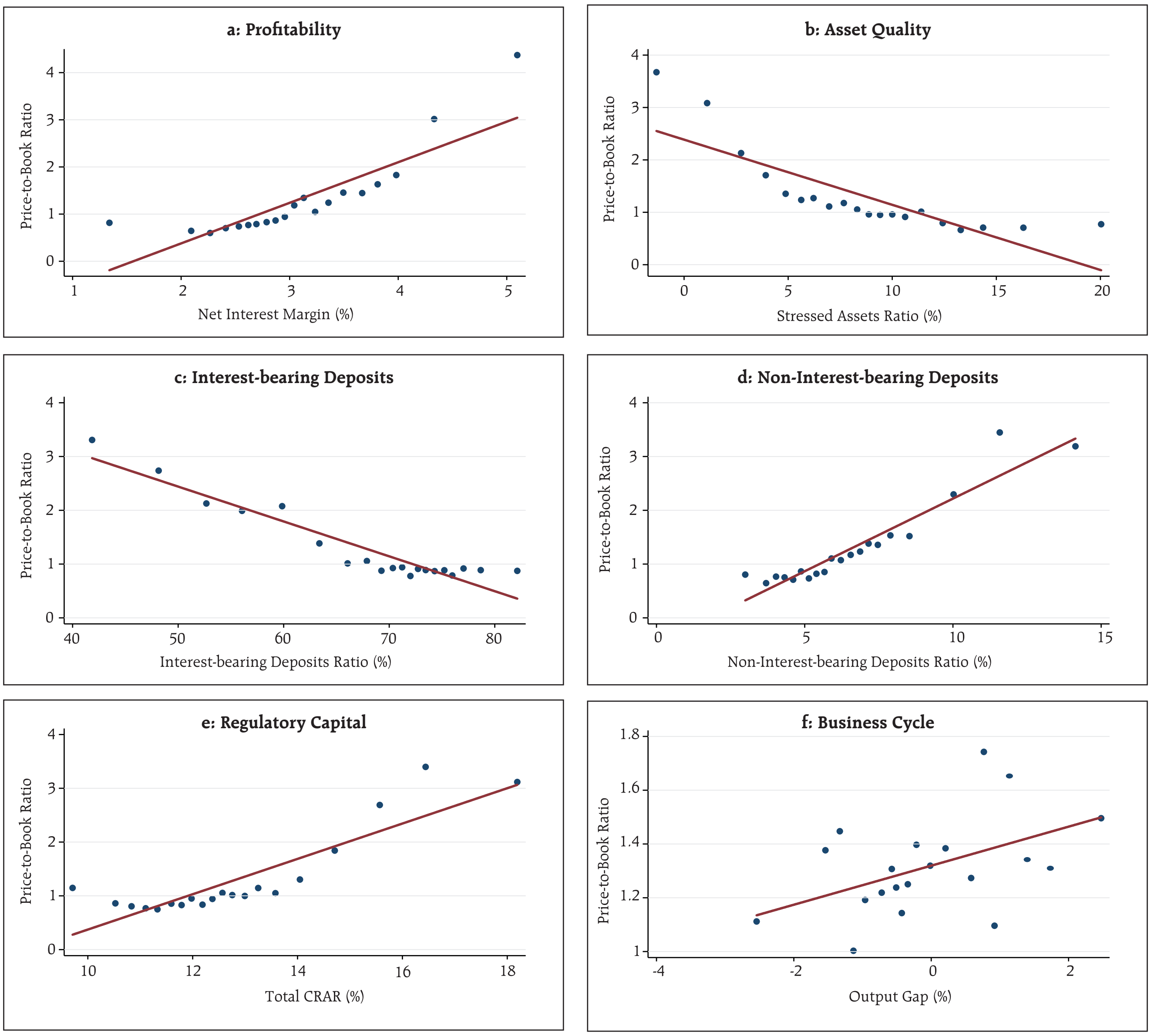
two decades. Chart 2 shows the overall valuation of the Indian banking sector as measured by the median PBR of Indian SCBs listed on the National Stock Exchange (NSE). The charts also indicates the interquantile range of the PBR distribution for listed Indian banks. The broad observations are as follows. First, a similar but sharper decline in bank valuation was observed during the global financial crisis. Second, after a quick recovery post-crisis, the PBR for the bottom quartile and median group of banks has remained consistently below one since 2012. This is indicative of the overall health of the banking sector laden with a high proportion of non-performing assets (NPAs)[6]. Third, the differential between how markets valued the top, median and bottom quartile groups of banks was relatively narrow around the global financial crisis. It has, however, widened since then. As alluded to earlier, changes in price-to-book ratios are able to predict stressed assets, especially in the case of private sector banks (Herwadkar and Pratap, 2020).

In order to determine the drivers of PBR of Indian banks, we consider a set of explanatory variables, including bank-level as well as macro-financial indicators (Calomiris and Nissim, 2014; Bogdanova, Fender and Takáts, 2018). It is expected that a bank's price-to-book value depends positively on net interest margin (NIM) and negatively on the total stressed assets ratio (as a proportion of gross advances), taken as indicators of a bank's profitability and asset quality, respectively. Further, valuation also depends upon the nature of business activities of a bank and hence we include total interest-bearing deposits and non-interest bearing deposits (both taken as proportion of total assets) as explanatory variables. A larger proportion of interest-bearing deposits would imply higher expenses on account maintainence and incurred interest, and thus negatively impacts a bank's valuation. On the other hand, it may also augur well for the bank from the point of stable source of funding. Hence, the empirical relationship between deposits and bank valuation may vary across jurisdictions.

[6] Since valuation for all quartiles showcase similar trends, the average valuation of the banking sector does not seem to be affected by outliers.

Generally, banks with higher levels of regulatory capital are considered as financially sound. Thus, we include the total capital-to-risk weighted assets ratio (CRAR) in our model and expect it to positively influence bank valuations. The size of the bank is controlled by total assets. Lastly, we include output gap and the credit-to-GDP gap as business and financial cycle drivers of valuations[7]. Scatter plots suggest a strong correlation between PBR and the explanatory variables along expected lines (Chart 3).

Chart 3: Price-to-Book Ratio and its Determinants – Bin scatter Plots[8]



Note: Above calculations control for bank and time fixed-effects.
Source: National Stock Exchnage (NSE), Reserve Bank of India, Authors' calculations.

[7] Output gap has been derived using a standard Hodrick-Prescott filter-based approach on quarterly real GDP for India.

[8] Binned scatterplots provide a non-parametric way of visualizing the relationship between two variables. Binscatter groups the x-axis variable into equal-sized bins, computes the mean of the x-axis and y-axis variables within each bin, then creates a scatterplot of these data points. The result is a non-parametric visualization of the conditional expectation function. It also allows to control for covariates before plotting the relationship.

To formally investigate the relationship between price-to-book ratio and its determinants, we employ a fixed effects panel regression framework[9]. We use the extended model of Bogdanova, Fender and Takáts (2018) as follows:

$$PBR_{it} = \alpha_i + \beta_1 SAR_{it} + \beta_2 IBdep_{it} + \beta_3 NIBdep_{it} + \beta_4 NIM_{it} + \beta_5 CRAR_{it} + \beta_6 Assets_{it} + \beta_7 Ygap_t + \beta_8 creditgap_t + \varepsilon_{it}$$

PBR denotes the price-to-book ratio of bank i at time t, α_i denotes the time-invariant, bank fixed effects and β_i signifies the respective slope coefficients. Our sample consists of 39 listed banks in India active during 2002-2017[10]. The model includes the following as explanatory variables: stressed assets ratio (SAR), interest-bearing deposits ratio (IBdep), non-interest-bearing deposits ratio (NIBdep), net interest margin (NIM), capital-to-risk weighted assets ratio (CRAR), total assets (in natural logarithms), output gap (Ygap) and credit-to-GDP gap (creditgap). The underlying data for our model have been obtained from National Stock Exchange (NSE), Reserve Bank of India and Bank for International Settlements (BIS). We estimate the above model using quarterly data from 2002:Q1 to 2017:Q4. Standard errors are clustered at the bank-level[11].

Table A1 (Annexure) reports the results from our regression analysis for the full sample of banks. Subsample estimates for public and private sector banks are provided separately. We find that bank profitability tends to boost a bank's market valuation whereas poor asset quality, *i.e.*, higher stressed assets on a bank's balance sheet may depress its valuation on average. When compared across subsamples, profitability in case of public banks and asset quality in case of private sector banks emerge as statistically significant drivers of their PBRs. Similarly, while the proportion of interest-bearing deposits does not seem to have any significant impact on valuation, a higher proportion of non-interest-bearing deposits improves market valuation of a bank. While regulatory capital has a positive influence on valuation, in line with theory, the effect is not statistically significant at conventional levels. Given that banks are required to maintain a minimum level of CRAR, this result is not surprising. This suggests that market perception of different banks is similar as long as they maintain the desired level of capital. On the flip side, the relation between PBR and bank capital could also be non-linear which is otherwise not captured by our linear model. A positive output gap is generally indicative of a strong demand for bank credit, which may augur well for banking business. A significant and positive coefficient on output gap in our model corroborates this point. On the other hand, a large and positive credit-to-GDP gap – underlining credit and asset price bubbles – is often found to lead to distress in the banking sector. In line with this argument, credit-to-GDP gap entails a negative coefficient as per our model. However, perhaps due to the dominant presence of public sector banks in the domestic banking sector, credit-to-GDP gap appears to have a statistically significant and negative impact only in case of public sector banks *vis-à-vis* their private sector counterparts. The estimated model shows a reasonable goodness-of-fit underlining its ability to explain PBR for banks in India.

IV. Conclusion

The article brings out three findings relating to PBR in the Indian context: first, the variations in PBR has linkages with financial and macroeconomic cycles; second, it captures the charter value of banks; third, PBR shares a strong correlation with various indicators

[9] The choice of fixed effect panel model was supported by the Hausman test.

[10] This analysis is based on a bank-level panel dataset of 39 scheduled commercial banks, which includes 24 public sector banks and 15 private sector banks. Foreign banks have been excluded from the analysis as they are not listed entities.

[11] Additional diagnostic checks did not support homoscedastic and uncorrelated errors. Hence, the model was estimated with robust standard errors adjusted for heteroscedasticity and autocorrelation.

relating to banking sector profitability and viability. As it is available on a real-time basis, unlike the balance sheet data, PBR of banks promises to be a useful metric for policy purposes. This also makes a case for further evaluation of such a measure – that combines book and market-based valuation metrics – in assessing the health of different segments of the financial sector. Following the Covid-19 pandemic, there was a sharp downward trend in PBRs of Indian banks. The fall in market valuation of banks was arrested, and of late, PBR for the banking sector has started to turn around. This underlines the role played by countercyclical policies in restoring the confidence in the economy and in the financial sector, in particular.

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Annexure

Table A1: Price-to-book Ratio Analysis - Regression Estimates

Variables	Full Sample	Public Sector Banks	Private Banks
Dependent / Independent	PBR (1)	PBR (2)	PBR (3)
NIM	0.12^{**} (0.054)	0.031^{*} (0.015)	0.18 (0.12)
SAR	-0.028^{***} (0.0067)	-0.0063 (0.0049)	-0.043^{***} (0.010)
IB Deposits	-0.0033 (0.0062)	-0.0072 (0.0045)	-0.0025 (0.0085)
NIB Deposits	0.066^{***} (0.020)	0.020 (0.015)	0.076^{***} (0.016)
Total CRAR	0.020 (0.018)	0.013 (0.014)	0.0074 (0.024)
Total Assets	0.21^{**} (0.077)	-0.64^{***} (0.12)	0.24^{**} (0.10)
Output Gap	0.073^{***} (0.016)	0.056^{***} (0.011)	0.099^{***} (0.019)
Credit-to-GDP Gap	-0.0035 (0.012)	-0.015^{**} (0.0067)	-0.0099 (0.017)
Constant	-1.69^{**} (0.79)	8.78^{***} (1.64)	-1.49 (1.03)
adj. R^2	0.904	0.712	0.886
BIC	1112.3	-167.9	772.1
F-Stat.	18.20	25.25	72.94
Bank FE	Y	Y	Y
N	1364	792	572

Standard errors in parentheses; * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$: Standard errors are clustered at bank-level.

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

Occasional Series

Contents

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

No. 1: Select Economic Indicators

Item	2019-20	2019-20		2020-21	
		Q1	Q2	Q1	Q2
	1	2	3	4	5
1 Real Sector (% Change)					
1.1 GVA at Basic Prices	4.1	4.8	4.3	-22.8	-7.0
1.1.1 Agriculture	4.3	3.0	3.5	3.4	3.4
1.1.2 Industry	-2.0	3.8	-0.2	-33.8	0.1
1.1.3 Services	6.4	5.5	6.1	-24.3	-11.1
1.1a Final Consumption Expenditure	5.9	5.6	7.8	-19.2	-13.3
1.1b Gross Fixed Capital Formation	5.4	4.6	-3.9	-47.1	-7.3

	2019-20	2019		2020	
		Nov.	Dec.	Nov.	Dec.
	1	2	3	4	5
1.2 Index of Industrial Production	-0.8	2.1	0.4	-1.9	-
2 Money and Banking (% Change)					
2.1 Scheduled Commercial Banks					
2.1.1 Deposits	7.9	9.5	9.7	10.7	10.8
2.1.2 Credit	6.1	7.2	7.0	5.9	6.3
2.1.2.1 Non-food Credit	6.1	7.2	6.9	5.9	6.2
2.1.3 Investment in Govt. Securities	10.6	8.6	12.9	19.3	17.3
2.2 Money Stock Measures					
2.2.1 Reserve Money (M0)	9.4	12.4	10.2	15.3	14.9
2.2.2 Broad Money (M3)	8.9	9.8	10.4	12.5	12.4
3 Ratios (%)					
3.1 Cash Reserve Ratio	3.00	4.00	4.00	3.00	3.00
3.2 Statutory Liquidity Ratio	18.25	18.50	18.50	18.00	18.00
3.3 Cash-Deposit Ratio	4.6	4.8	4.8	3.8	3.7
3.4 Credit-Deposit Ratio	76.4	75.5	76.2	72.2	73.1
3.5 Incremental Credit-Deposit Ratio	60.3	22.5	39.0	11.0	23.9
3.6 Investment-Deposit Ratio	27.6	28.3	28.7	30.5	30.4
3.7 Incremental Investment-Deposit Ratio	36.2	62.4	74.1	73.6	72.0
4 Interest Rates (%)					
4.1 Policy Repo Rate	4.40	5.15	5.15	4.00	4.00
4.2 Reverse Repo Rate	4.00	4.90	4.90	3.35	3.35
4.3 Marginal Standing Facility (MSF) Rate	4.65	5.40	5.40	4.25	4.25
4.4 Bank Rate	4.65	5.40	5.40	4.25	4.25
4.5 Base Rate	8.15/9.40	8.95/9.40	8.45/9.40	7.40/8.80	7.30/8.80
4.6 MCLR (Overnight)	7.40/7.90	7.65/8.10	7.65/8.00	6.60/7.10	6.55/7.10
4.7 Term Deposit Rate >1 Year	5.90/6.40	6.25/6.60	6.20/6.40	4.90/5.50	4.90/5.50
4.8 Savings Deposit Rate	3.00/3.50	3.25/3.50	3.25/3.50	2.70/3.00	2.70/3.00
4.9 Call Money Rate (Weighted Average)	5.05	5.03	5.11	3.10	3.24
4.10 91-Day Treasury Bill (Primary) Yield	4.36	4.99	5.03	2.93	3.08
4.11 182-Day Treasury Bill (Primary) Yield	4.97	5.12	5.22	3.26	3.34
4.12 364-Day Treasury Bill (Primary) Yield	4.94	5.14	5.30	3.39	3.46
4.13 10-Year G-Sec Par Yield (FBIL)	6.71	6.65	6.78	5.84	5.89
5 Reference Rate and Forward Premia					
5.1 INR-US$ Spot Rate (Rs. Per Foreign Currency)	74.84	71.73	71.22	73.80	73.58
5.2 INR-Euro Spot Rate (Rs. Per Foreign Currency)	82.64	78.98	79.19	88.02	89.81
5.3 Forward Premia of US$ 1-month (%)	8.98	3.35	3.96	3.36	3.84
3-month (%)	5.93	3.35	3.90	3.52	3.75
6-month (%)	5.05	3.76	4.38	4.23	4.35
6 Inflation (%)					
6.1 All India Consumer Price Index	4.76	5.5	7.4	6.9	4.6
6.2 Consumer Price Index for Industrial Workers	7.54	8.6	9.6	5.2	3.6
6.3 Wholesale Price Index	1.69	0.6	2.8	1.6	1.2
6.3.1 Primary Articles	6.77	7.6	11.5	2.7	-1.6
6.3.2 Fuel and Power	-1.63	-7.3	0.4	-9.9	-8.7
6.3.3 Manufactured Products	0.29	-0.8	-0.3	3.0	4.2
7 Foreign Trade (% Change)					
7.1 Imports	-7.65	-11.8	-6.5	-13.3	7.6
7.2 Exports	-5.09	-1.3	-2.7	-8.6	0.1

Note : Financial Benchmark India Pvt. Ltd. (FBIL) has commenced publication of the G-Sec benchmarks with effect from March 31, 2018 as per RBI circular FMRD.DIRD.7/14.03.025/2017-18 dated March 31, 2018. FBIL has started dissemination of reference rates w.e.f. July 10, 2018.

Reserve Bank of India

No. 2: RBI - Liabilities and Assets *

(₹ Crore)

Item	As on the Last Friday/ Friday						
	2019-20	2020	2021				
		Jan.	Jan. 1	Jan. 8	Jan. 15	Jan. 22	Jan. 29
	1	2	3	4	5	6	7
1 Issue Department							
1.1 Liabilities							
1.1.1 Notes in Circulation	2412993	2284695	2743696	2771243	2783749	2784521	2780045
1.1.2 Notes held in Banking Department	10	11	13	13	12	14	13
1.1/1.2 Total Liabilities (Total Notes Issued) or Assets	**2413003**	**2284706**	**2743710**	**2771256**	**2783761**	**2784535**	**2780058**
1.2 Assets							
1.2.1 Gold	103439	95254	116876	118959	113828	114934	114391
1.2.2 Foreign Securities	2308718	2188733	2625902	2651381	2669031	2668713	2664788
1.2.3 Rupee Coin	846	719	932	916	902	889	879
1.2.4 Government of India Rupee Securities	–	–	–	–	–	–	–
2 Banking Department							
2.1 Liabilities							
2.1.1 Deposits	1187409	994030	1492712	1456944	1448893	1468254	1512883
2.1.1.1 Central Government	100	101	100	101	101	100	101
2.1.1.2 Market Stabilisation Scheme							
2.1.1.3 State Governments	43	42	43	42	43	42	42
2.1.1.4 Scheduled Commercial Banks	536186	550704	474193	452435	483618	463150	476349
2.1.1.5 Scheduled State Co-operative Banks	7603	6841	5954	5183	5653	5316	6536
2.1.1.6 Non-Scheduled State Co-operative Banks	3445	3002	2633	2524	2545	2594	2619
2.1.1.7 Other Banks	32641	31707	26586	27358	26532	26966	26397
2.1.1.8 Others	605100	400909	978453	969246	923863	956388	987112
2.1.1.9 Financial Institution Outside India	2291	724	4751	55	6539	13697	13726
2.1.2 Other Liabilities	1350333	1161436	1460301	1472530	1449770	1447525	1440272
2.1/2.2 Total Liabilities or Assets	**2537742**	**2155466**	**2953013**	**2929474**	**2898663**	**2915779**	**2953154**
2.2 Assets							
2.2.1 Notes and Coins	10	11	13	13	12	14	13
2.2.2 Balances held Abroad	1006357	955641	1362382	1347801	1318350	1318405	1357052
2.2.3 Loans and Advances							
2.2.3.1 Central Government	50477	73545	–	–	–	–	–
2.2.3.2 State Governments	1967	1210	5569	5460	9955	5868	4769
2.2.3.3 Scheduled Commercial Banks	285623	16915	77140	77097	77193	84607	84597
2.2.3.4 Scheduled State Co-op.Banks	–	–	–	–	–	–	–
2.2.3.5 Industrial Dev. Bank of India	–	–	–	–	–	–	–
2.2.3.6 NABARD	–	–	25101	25101	26181	26181	26181
2.2.3.7 EXIM Bank	–	–	–	–	–	–	–
2.2.3.8 Others	10064	4416	10379	9159	7491	6643	6643
2.2.3.9 Financial Institution Outside India	2300	724	15727	5105	6531	6522	6521
2.2.4 Bills Purchased and Discounted							
2.2.4.1 Internal	–	–	–	–	–	–	–
2.2.4.2 Government Treasury Bills	–	–	–	–	–	–	–
2.2.5 Investments	1042951	983670	1295851	1296212	1295768	1308793	1308808
2.2.6 Other Assets	137993	119334	160851	163525	157182	158745	158570
2.2.6.1 Gold	127644	111665	153679	156417	149671	151125	150412

* Data are provisional

No. 3: Liquidity Operations by RBI

(₹ Crore)

Date	Repo	Reverse Repo	Variable Rate Repo	Variable Rate Reverse Repo	MSF	Standing Liquidity Facilities	Market Stabilisation Scheme	Sale	Purchase	Long Term Repo Operations &	Targeted Long Term Repo Operations #	Special Liquidity Facility for Mutual Funds	Special Liquidity Scheme for NBFCs/ HFCs **	Net Injection (+)/ Absorption (-) (1+3+5+6+9+10+ 11+12+13-2-4-7-8)
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Dec. 1, 2020	-	695417	-	-	21	–	-	-	-	-	-	-	-	-695396
Dec. 2, 2020	-	702615	-	-	0	2200	-	-	-	-	-	-	-492	-700907
Dec. 3, 2020	-	735303	-	-	8	–	-	-	-	-	-	-	-	-735295
Dec. 4, 2020	-	694192	-	-	0	–	-	-	-	-	-	-	-	-694192
Dec. 5, 2020	-	17282	-	-	1129	–	-	-	-	-	-	-	-	-16153
Dec. 6, 2020	-	24	-	-	125	–	-	-	-	-	-	-	-	101
Dec. 7, 2020	-	681403	-	-	96	–	-	-	-	-	-	-	-	-681307
Dec. 8, 2020	-	677259	-	-	0	–	-	-	-	-	-	-	-	-677259
Dec. 9, 2020	-	669171	-	-	2	–	-	-	-	-	-	-	-98	-669267
Dec. 10, 2020	-	741423	-	-	35	–	-	-	-	-	-	-	-	-741388
Dec. 11, 2020	-	735725	-	-	0	–	-	-	5	-	-	-	-	-735720
Dec. 12, 2020	-	987	-	-	114	–	-	-	-	-	-	-	-	-873
Dec. 13, 2020	-	299	-	-	37	–	-	-	-	-	-	-	-	-262
Dec. 14, 2020	-	722898	-	-	10	-2001	-	-	-	-	-	-	-66	-724955
Dec. 15, 2020	-	707651	-	-	26	–	-	-	-	-	-	-	-522	-708147
Dec. 16, 2020	-	603875	-	-	32	–	-	-	-	-	-	-	-189	-604032
Dec. 17, 2020	-	624914	-	-	21	2300	-	-	-	-	-	-	-550	-623143
Dec. 18, 2020	-	570190	-	-	1	–	-	10000	10000	-	-	-	-	-570189
Dec. 19, 2020	-	26816	-	-	124	–	-	-	-	-	-	-	-	-26692
Dec. 20, 2020	-	1483	-	-	208	–	-	-	-	-	-	-	-	-1275
Dec. 21, 2020	-	589587	-	-	0	–	-	-	-	-	-	-	-49	-589636
Dec. 22, 2020	-	607671	-	-	0	–	-	-	-	-	-	-	-	-607671
Dec. 23, 2020	-	616455	-	-	3	–	-	-	-	-	-	-	-373	-616825
Dec. 24, 2020	-	620625	-	-	50	–	-	–	10000	-	-	-	-	-610575
Dec. 25, 2020	-	7521	-	-	158	–	-	-	-	-	-	-	-	-7363
Dec. 26, 2020	-	3194	-	-	39	–	-	-	-	-	-	-	-	-3155
Dec. 27, 2020	-	3910	-	-	11	–	-	-	-	-	-	-	-	-3899
Dec. 28, 2020	-	650376	-	-	7	–	-	-	-	-	-	-	-20	-650389
Dec. 29, 2020	-	669600	-	-	244	–	-	-	-	-	-	-	-551	-669907
Dec. 30, 2020	-	669284	-	-	11	473	-	-	-	-	-	-	-	-668800
Dec. 31, 2020	-	737314	-	-	0	-40	-	10000	10000	-	-	-	-	-737354

Notes: # Includes Targeted Long Term Repo Operations (TLTRO) and Targeted Long Term Repo Operations 2.0(TLTRO 2.0). Negative (-) sign indicates repayments done by Banks.
**As per RBI Notification No. 2020-21/01 dated July 01, 2020.
Negative (-) sign indicates maturity proceeds received for RBI's investment in the Special Liquidity Scheme.
& Negative (-) sign indicates repayments done by Banks.

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

i) Operations in onshore / offshore OTC segment

Item	2019-20	2019	2020	
		Dec.	Nov.	Dec.
	1	2	3	4
1 Net Purchase/ Sale of Foreign Currency (US $ Million) (1.1–1.2)	45097	4360	10261	3991
1.1 Purchase (+)	72205	5374	14289	10014
1.2 Sale (–)	27108	1014	4028	6023
2 ₹ equivalent at contract rate (₹ Crores)	312005	30894	76326	29439
3 Cumulative (over end-March) (US $ Million)	45097	29741	68388	72379
(₹ Crores)	312005	205303	509189	538628
4 Outstanding Net Forward Sales (–)/ Purchase (+) at the end of month (US $ Million)	-4939	-1875	28344	39792

ii) Operations in currency futures segment

Item	2019-20	2019	2020	
		Dec.	Nov.	Dec.
	1	2	3	4
1 Net Purchase/ Sale of Foreign Currency (US $ Million) (1.1–1.2)	0	0	0	0
1.1 Purchase (+)	7713	1690	0	3985
1.2 Sale (–)	7713	1690	0	3985
2 Outstanding Net Currency Futures Sales (–)/ Purchase (+) at the end of month (US $ Million)	-500	400	780	1962

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

Item	As on December 31, 2020		
	Long (+)	Short (-)	Net (1-2)
	1	2	3
1. Upto 1 month	4625	2483	2142
2. More than 1 month and upto 3 months	3817	0	3817
3. More than 3 months and upto 1 year	39140	0	39140
4. More than 1 year	4713	10020	-5307
Total (1+2+3+4)	**52295**	**12503**	**39792**

No. 5: RBI's Standing Facilities

(₹ Crore)

Item		As on the Last Reporting Friday						
	2019-20	2020						2021
		Jan. 31	Aug. 28	Sep. 25	Oct. 23	Nov. 20	Dec. 18	Jan. 29
	1	2	3	4	5	6	7	8
1 MSF	1262	2340	300	50	6	266	1	0
2 Export Credit Refinance for Scheduled Banks								
2.1 Limit	-	-	-	-	-	-	-	-
2.2 Outstanding	-	-	-	-	-	-	-	-
3 Liquidity Facility for PDs								
3.1 Limit	10000	2800	4900	4900	4900	4900	4900	4900
3.2 Outstanding	4782	1872	0	0	-	0	0	0
4 Others								
4.1 Limit	-	-	65000	65000	65000	75000	82500	75000
4.2 Outstanding	-	-	34166	37691	36488	33234	34760	32205
5 Total Outstanding (1+2.2+3.2+4.2)	6044	4212	34466	37741	36494	33500	34761	32205

Note :1.Special refinance facility to Others, i.e. to the EXIM Bank, is reopened since May 22, 2020
2.Refinance facility to Others, i.e. to the NABARD/SIDBI/NHB U/S 17(4H) of RBI ACT,1934, since, April 17, 2020.

Money and Banking

No. 6: Money Stock Measures

(₹ Crore)

Item	Outstanding as on March 31/last reporting Fridays of the month/reporting Fridays				
	2019-20	2019	2020		
		Dec. 20	Nov. 20	Dec. 4	Dec. 18
	1	2	3	4	5
1 Currency with the Public (1.1 + 1.2 + 1.3 – 1.4)	2349748	2180601	2673534	2677852	2681512
1.1 Notes in Circulation	2420964	2245888	2743952	2746809	2749859
1.2 Circulation of Rupee Coin	25605	25435	25798	25875	25875
1.3 Circulation of Small Coins	743	743	743	743	743
1.4 Cash on Hand with Banks	97563	91465	96958	95575	94965
2 Deposit Money of the Public	1776200	1507935	1674841	1755511	1728417
2.1 Demand Deposits with Banks	1737692	1473956	1632938	1713632	1686628
2.2 'Other' Deposits with Reserve Bank	38507	33979	41904	41879	41788
3 M_1 (1 + 2)	**4125948**	**3688536**	**4348375**	**4433363**	**4409929**
4 Post Office Saving Bank Deposits	150963	141786	150963	150963	150963
5 M_2 (3 + 4)	**4276911**	**3830322**	**4499338**	**4584326**	**4560892**
6 Time Deposits with Banks	12674016	12374442	13589563	13719924	13645443
7 M_3 (3 + 6)	**16799963**	**16062978**	**17937939**	**18153286**	**18055372**
8 Total Post Office Deposits	433441	409246	433441	433441	433441
9 M_4 (7 + 8)	**17233404**	**16472224**	**18371380**	**18586727**	**18488813**

No. 7: Sources of Money Stock (M_3)

(₹ Crore)

Sources	Outstanding as on March 31/last reporting Fridays of the month/reporting Fridays				
	2019-20	2019	2020		
		Dec. 20	Nov. 20	Dec. 4	Dec. 18
	1	2	3	4	5
1 Net Bank Credit to Government	**4960362**	**4919683**	**5691514**	**5824949**	**5637236**
1.1 RBI's net credit to Government (1.1.1–1.1.2)	992192	979921	1023947	1091996	980473
1.1.1 Claims on Government	1047808	1002864	1293290	1295887	1290946
1.1.1.1 Central Government	1045314	1001608	1282559	1285311	1284643
1.1.1.2 State Governments	2494	1256	10731	10576	6303
1.1.2 Government deposits with RBI	55616	22943	269343	203891	310473
1.1.2.1 Central Government	55573	22901	269301	203849	310431
1.1.2.2 State Governments	43	42	42	42	42
1.2 Other Banks' Credit to Government	3968170	3939762	4667567	4732953	4656763
2 Bank Credit to Commercial Sector	**11038644**	**10599642**	**11092385**	**11154689**	**11204826**
2.1 RBI's credit to commercial sector	13166	6702	12173	10876	11205
2.2 Other banks' credit to commercial sector	11025478	10592940	11080212	11143813	11193621
2.2.1 Bank credit by commercial banks	10370861	9947444	10434880	10497687	10547037
2.2.2 Bank credit by co-operative banks	637776	625750	635516	636230	636368
2.2.3 Investments by commercial and co-operative banks in other securities	16842	19746	9815	9896	10216
3 Net Foreign Exchange Assets of Banking Sector (3.1 + 3.2)	**3801036**	**3431339**	**4546855**	**4552849**	**4565412**
3.1 RBI's net foreign exchange assets (3.1.1–3.1.2)	3590402	3222839	4249125	4255119	4267681
3.1.1 Gross foreign assets	3590636	3223060	4249368	4255362	4267926
3.1.2 Foreign liabilities	234	221	243	243	245
3.2 Other banks' net foreign exchange assets	210634	208500	297731	297731	297731
4 Government's Currency Liabilities to the Public	**26348**	**26178**	**26541**	**26618**	**26618**
5 Banking Sector's Net Non-monetary Liabilities	**3026427**	**2913863**	**3419355**	**3405819**	**3378721**
5.1 Net non-monetary liabilities of RBI	1378342	1123096	1464944	1467815	1478577
5.2 Net non-monetary liabilities of other banks (residual)	1648085	1790767	1954411	1938004	1900144
M_3 (1+2+3+4–5)	**16799963**	**16062978**	**17937939**	**18153286**	**18055372**

No. 8: Monetary Survey

(₹ Crore)

Item	Outstanding as on March 31/last reporting Fridays of the month/reporting Fridays				
	2019-20	2019	2020		
		Dec. 20	Nov. 20	Dec. 4	Dec. 18
	1	2	3	4	5
Monetary Aggregates					
NM_1 (1.1 + 1.2.1+1.3)	4125948	3688536	4348375	4433363	4409929
NM_2 (NM_1+ 1.2.2.1)	9745776	9178476	10389164	10532985	10476478
NM_3 (NM_2 + 1.2.2.2 + 1.4 = 2.1 + 2.2 + 2.3 – 2.4 – 2.5)	16923893	16207404	18036372	18240715	18142693
1 Components					
1.1 Currency with the Public	2349748	2180601	2673534	2677852	2681512
1.2 Aggregate Deposits of Residents	14226198	13673824	15056913	15268348	15167848
1.2.1 Demand Deposits	1737692	1473956	1632938	1713632	1686628
1.2.2 Time Deposits of Residents	12488506	12199867	13423975	13554716	13481220
1.2.2.1 Short-term Time Deposits	5619828	5489940	6040789	6099622	6066549
1.2.2.1.1 Certificates of Deposit (CDs)	169419	156633	66156	67848	67260
1.2.2.2 Long-term Time Deposits	6868678	6709927	7383186	7455094	7414671
1.3 ‘Other’ Deposits with RBI	38507	33979	41904	41879	41788
1.4 Call/Term Funding from Financial Institutions	309439	319001	264021	252637	251545
2 Sources					
2.1 Domestic Credit	16857025	16399881	17737777	17932777	17794787
2.1.1 Net Bank Credit to the Government	4960362	4919683	5691514	5824949	5637236
2.1.1.1 Net RBI credit to the Government	992192	979921	1023947	1091996	980473
2.1.1.2 Credit to the Government by the Banking System	3968170	3939762	4667567	4732953	4656763
2.1.2 Bank Credit to the Commercial Sector	11896663	11480199	12046263	12107828	12157551
2.1.2.1 RBI Credit to the Commercial Sector	13166	6702	35419	36709	37338
2.1.2.2 Credit to the Commercial Sector by the Banking System	11883497	11473497	12010844	12071119	12120213
2.1.2.2.1 Other Investments (Non-SLR Securities)	846284	871958	919780	916991	917177
2.2 Government’s Currency Liabilities to the Public	26348	26178	26541	26618	26618
2.3 Net Foreign Exchange Assets of the Banking Sector	3612303	3207853	4366249	4430736	4461072
2.3.1 Net Foreign Exchange Assets of the RBI	3590402	3222839	4249125	4255119	4267681
2.3.2 Net Foreign Currency Assets of the Banking System	21900	-14986	117124	175618	193391
2.4 Capital Account	2670439	2465133	2900745	2896087	2872234
2.5 Other items (net)	901344	961375	1193449	1253329	1267551

No. 9: Liquidity Aggregates

(₹ Crore)

Aggregates	2019-20	2019	2020		
		Dec.	Oct.	Nov.	Dec.
	1	2	3	4	5
1 NM_3	**16923893**	**16207404**	**17894503**	**18036372**	**18142693**
2 Postal Deposits	433441	409246	433441	433441	433441
3 L_1 (1 + 2)	**17357334**	**16616650**	**18327944**	**18469813**	**18576134**
4 Liabilities of Financial Institutions	57479	54287	35341	34778	34795
4.1 Term Money Borrowings	7928	3078	3114	2645	2645
4.2 Certificates of Deposit	46249	46887	28700	28600	28865
4.3 Term Deposits	3302	4322	3528	3533	3285
5 L_2 (3 + 4)	**17414812**	**16670937**	**18363285**	**18504591**	**18610929**
6 Public Deposits with Non-Banking Financial Companies	31905	31905	..	..	31905
7 L_3 (5 + 6)	**17446717**	**16702842**	..	..	**18642834**

Note : 1. Since November 2019, updated data on liabilities of financial institutions have been incorporated in this table , and hence, are not comparable with past data.

2. Figures in the columns might not add up to the total due to rounding off of numbers.

No. 10: Reserve Bank of India Survey

(₹ Crore)

Item	Outstanding as on March 31/last reporting Fridays of the month/reporting Fridays				
	2019-20	2019	2020		
		Dec. 20	Nov. 20	Dec. 4	Dec. 18
	1	2	3	4	5
1 Components					
1.1 Currency in Circulation	2447312	2272066	2770493	2773427	2776477
1.2 Bankers' Deposits with the RBI	543888	603702	504678	510556	522176
1.2.1 Scheduled Commercial Banks	505131	562488	471488	476750	488262
1.3 'Other' Deposits with the RBI	38507	33979	41904	41879	41788
Reserve Money (1.1 + 1.2 + 1.3 = 2.1 + 2.2 + 2.3 – 2.4 – 2.5)	3029707	2909747	3317074	3325862	3340442
2 Sources					
2.1 RBI's Domestic Credit	791299	783826	506353	511940	524719
2.1.1 Net RBI credit to the Government	992192	979921	1023947	1091996	980473
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)	989741	978707	1013258	1081462	974212
2.1.1.1.1 Loans and Advances to the Central Government	–	–	–	–	–
2.1.1.1.2 Investments in Treasury Bills	–	–	–	–	–
2.1.1.1.3 Investments in dated Government Securities	1044468	1000832	1281765	1284536	1283889
2.1.1.1.3.1 Central Government Securities	1044468	1000832	1281765	1284536	1283889
2.1.1.1.4 Rupee Coins	846	776	794	775	754
2.1.1.1.5 Deposits of the Central Government	55573	22901	269301	203849	310431
2.1.1.2 Net RBI credit to State Governments	2451	1214	10689	10534	6261
2.1.2 RBI's Claims on Banks	-214059	-202797	-553013	-616765	-493092
2.1.2.1 Loans and Advances to Scheduled Commercial Banks	-214059	-202797	-529767	-590932	-466959
2.1.3 RBI's Credit to Commercial Sector	13166	6702	35419	36709	37338
2.1.3.1 Loans and Advances to Primary Dealers	5920	1615	–	1	1
2.1.3.2 Loans and Advances to NABARD	–	–	23246	25833	26133
2.2 Government's Currency Liabilities to the Public	26348	26178	26541	26618	26618
2.3 Net Foreign Exchange Assets of the RBI	3590402	3222839	4249125	4255119	4267681
2.3.1 Gold	230527	192925	267074	263660	272328
2.3.2 Foreign Currency Assets	3359893	3029931	3982068	3991476	3995371
2.4 Capital Account	1165066	992085	1288399	1285203	1292910
2.5 Other Items (net)	213276	131011	176545	182612	185667

No. 11: Reserve Money - Components and Sources

(₹ Crore)

Item	2019-20	Outstanding as on March 31/ last Fridays of the month/ Fridays					
		2019	2020				
		Dec. 27	Nov. 27	Dec. 4	Dec. 11	Dec. 18	Dec. 25
	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)	3029707	2884942	3313212	3325862	3307522	3340442	3314105
1 Components							
1.1 Currency in Circulation	2447312	2270344	2770773	2773427	2785027	2776477	2778076
1.2 Bankers' Deposits with RBI	543888	581929	497195	510556	480231	522176	493293
1.3 'Other' Deposits with RBI	38507	32669	45244	41879	42264	41788	42736
2 Sources							
2.1 Net Reserve Bank Credit to Government	992192	989412	1036501	1091996	1113815	980473	1011641
2.2 Reserve Bank Credit to Banks	-214059	-245924	-545484	-590932	-632742	-466959	-524695
2.3 Reserve Bank Credit to Commercial Sector	13166	6443	11175	10876	11153	11205	11205
2.4 Net Foreign Exchange Assets of RBI	3590402	3252164	4246261	4255119	4249129	4267681	4263000
2.5 Government's Currency Liabilities to the Public	26348	26238	26618	26618	26618	26618	26618
2.6 Net Non- Monetary Liabilities of RBI	1378342	1143391	1461859	1467815	1460451	1478577	1473664

No. 12: Commercial Bank Survey

(₹ Crore)

Item	Outstanding as on last reporting Fridays of the month/ reporting Fridays of the month				
	2019-20	2019	2020		
		Dec. 20	Nov. 20	Dec. 4	Dec. 18
	1	2	3	4	5
1 Components					
1.1 Aggregate Deposits of Residents	13381983	12834306	14204846	14417880	14314737
1.1.1 Demand Deposits	1617003	1354800	1511516	1592092	1564598
1.1.2 Time Deposits of Residents	11764979	11479505	12693330	12825788	12750139
1.1.2.1 Short-term Time Deposits	5294241	5165777	5711999	5771605	5737562
1.1.2.1.1 Certificates of Deposits (CDs)	169419	156633	66156	67848	67260
1.1.2.2 Long-term Time Deposits	6470739	6313728	6981332	7054184	7012576
1.2 Call/Term Funding from Financial Institutions	309439	319001	264021	252637	251545
2 Sources					
2.1 Domestic Credit	14967529	14543529	15782139	15905302	15878534
2.1.1 Credit to the Government	3738696	3712898	4423853	4487564	4411845
2.1.2 Credit to the Commercial Sector	11228833	10830631	11358285	11417739	11466689
2.1.2.1 Bank Credit	10370861	9947444	10434880	10497687	10547037
2.1.2.1.1 Non-food Credit	10319097	9862301	10345924	10401774	10453884
2.1.2.2 Net Credit to Primary Dealers	11997	8862	11115	10579	9678
2.1.2.3 Investments in Other Approved Securities	8653	11330	1472	1445	1759
2.1.2.4 Other Investments (in non-SLR Securities)	837321	862996	910818	908028	908214
2.2 Net Foreign Currency Assets of Commercial Banks (2.2.1–2.2.2–2.2.3)	21900	-14986	117124	175618	193391
2.2.1 Foreign Currency Assets	315641	278216	348921	401376	418715
2.2.2 Non-resident Foreign Currency Repatriable Fixed Deposits	185510	174575	165588	165208	164224
2.2.3 Overseas Foreign Currency Borrowings	108231	118628	66208	60551	61101
2.3 Net Bank Reserves (2.3.1+2.3.2–2.3.3)	899410	846401	1087871	1153125	1040155
2.3.1 Balances with the RBI	536186	562488	471488	476750	488262
2.3.2 Cash in Hand	87260	81116	86616	85443	84934
2.3.3 Loans and Advances from the RBI	-275964	-202797	-529767	-590932	-466959
2.4 Capital Account	1481202	1448878	1588175	1586713	1555153
2.5 Other items (net) (2.1+2.2+2.3–2.4–1.1–1.2)	716216	772759	930091	976815	990645
2.5.1 Other Demand and Time Liabilities (net of 2.2.3)	495445	441325	570401	541866	553551
2.5.2 Net Inter-Bank Liabilities (other than to PDs)	66273	45986	62737	65878	69435

No. 13: Scheduled Commercial Banks' Investments

(₹ Crore)

Item	As on March 27, 2020	2019	2020		
		Dec. 20	Nov. 20	Dec. 4	Dec. 18
	1	2	3	4	5
1 SLR Securities	3747349	3724228	4425325	4489009	4413605
2 Commercial Paper	104526	94864	86031	79386	75341
3 Shares issued by					
3.1 PSUs	14106	11593	11380	11296	11241
3.2 Private Corporate Sector	75415	66237	71284	71278	70834
3.3 Others	5734	5515	5416	5419	5409
4 Bonds/Debentures issued by					
4.1 PSUs	125710	125665	122662	122385	127646
4.2 Private Corporate Sector	226559	235604	304812	310703	313097
4.3 Others	191690	197796	144171	143303	142560
5 Instruments issued by					
5.1 Mutual funds	35610	45966	35089	33726	29618
5.2 Financial institutions	97665	79261	130912	130531	132469

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

(₹ Crore)

Item	As on the Last Reporting Friday (in case of March)/ Last Friday							
	All Scheduled Banks				All Scheduled Commercial Banks			
	2019-20	2019	2020		2019-20	2019	2020	
		Dec.	Nov.	Dec.		Dec.	Nov.	Dec.
	1	2	3	4	5	6	7	8
Number of Reporting Banks	219	219	209	208	142	142	133	132
1 Liabilities to the Banking System	**320240**	**272087**	**263597**	**269497**	**314513**	**267210**	**258506**	**264487**
1.1 Demand and Time Deposits from Banks	239943	196871	208057	208106	234348	192175	203177	203319
1.2 Borrowings from Banks	64001	62874	38428	44060	64001	62839	38428	44058
1.3 Other Demand and Time Liabilities	16295	12341	17112	17331	16163	12196	16901	17110
2 Liabilities to Others	**14905949**	**14354171**	**15790007**	**15790480**	**14480607**	**13939154**	**15360598**	**15357605**
2.1 Aggregate Deposits	13975551	13474498	14910668	14904878	13567492	13076253	14497351	14488370
2.1.1 Demand	1653242	1424297	1607263	1601873	1617003	1390204	1571913	1565783
2.1.2 Time	12322309	12050201	13303405	13303005	11950489	11686049	12925438	12922587
2.2 Borrowings	313908	331782	273826	256946	309439	327452	269599	252891
2.3 Other Demand and Time Liabilities	616491	547891	605513	628656	603676	535449	593647	616344
3 Borrowings from Reserve Bank	**285623**	**30427**	**77097**	**77318**	**285623**	**30427**	**77097**	**77318**
3.1 Against Usance Bills /Promissory Notes	–	–	–	–	–	–	–	–
3.2 Others	285623	30427	77097	77318	285623	30427	77097	77318
4 Cash in Hand and Balances with Reserve Bank	643038	646500	570650	557539	623446	628399	555320	542590
4.1 Cash in Hand	89671	89265	95569	86846	87260	86982	93420	84872
4.2 Balances with Reserve Bank	553367	557235	475081	470693	536186	541417	461900	457719
5 Assets with the Banking System	**323680**	**291147**	**265221**	**264541**	**260238**	**231299**	**205772**	**204254**
5.1 Balances with Other Banks	181460	178108	181343	180735	155401	151715	147544	147352
5.1.1 In Current Account	17204	18565	14432	17216	14457	16197	12122	15174
5.1.2 In Other Accounts	164256	159543	166911	163519	140945	135518	135422	132178
5.2 Money at Call and Short Notice	43335	37935	28331	31389	20273	17203	7305	8512
5.3 Advances to Banks	38266	34044	21766	21270	30531	28279	21321	20573
5.4 Other Assets	60619	41060	33782	31146	54032	34102	29602	27817
6 Investment	**3865544**	**3880225**	**4556799**	**4537328**	**3747349**	**3765269**	**4424629**	**4403341**
6.1 Government Securities	3850819	3859887	4548980	4528800	3738696	3751590	4423189	4401696
6.2 Other Approved Securities	14724	20338	7819	8528	8653	13678	1441	1645
7 Bank Credit	**10705336**	**10287168**	**10807692**	**10929733**	**10370861**	**9967797**	**10473053**	**10590986**
7a Food Credit	82172	112463	123083	126156	51763	85433	92681	95755
7.1 Loans, Cash-credits and Overdrafts	10480934	10072725	10636795	10756373	10149509	9756870	10304077	10419618
7.2 Inland Bills-Purchased	26214	25082	23595	22894	25658	24406	23324	22629
7.3 Inland Bills-Discounted	147209	132488	99543	101639	145683	130664	98638	100728
7.4 Foreign Bills-Purchased	20866	24282	17346	18020	20458	23872	17093	17727
7.5 Foreign Bills-Discounted	30114	32591	30414	30808	29554	31985	29922	30285

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

(₹ Crore)

Item	Outstanding as on				Growth (%)	
	Mar. 27, 2020	2019	2020		Financial year so far	Y-o-Y
		Dec. 20	Nov. 20	Dec. 18	2020-21	2020
	1	2	3	4	5	6
1 Gross Bank Credit	**9263134**	**8822209**	**9286902**	**9341368**	**0.8**	**5.9**
1.1 Food Credit	**51590**	**84863**	**88662**	**92840**	**80.0**	**9.4**
1.2 Non-food Credit	**9211544**	**8737346**	**9198240**	**9248528**	**0.4**	**5.9**
1.2.1 Agriculture & Allied Activities	**1157796**	**1139092**	**1230526**	**1245685**	**7.6**	**9.4**
1.2.2 Industry	**2905151**	**2794372**	**2753281**	**2760220**	**–5.0**	**-1.2**
1.2.2.1 Micro & Small	381825	365398	364515	369963	–3.1	1.2
1.2.2.2 Medium	105598	107166	124028	123550	17.0	15.3
1.2.2.3 Large	2417728	2321808	2264738	2266707	–6.2	-2.4
1.2.3 Services	**2594945**	**2370600**	**2569834**	**2579184**	**–0.6**	**8.8**
1.2.3.1 Transport Operators	144466	140438	154752	154988	7.3	10.4
1.2.3.2 Computer Software	20051	18597	19120	19115	–4.7	2.8
1.2.3.3 Tourism, Hotels & Restaurants	45977	44745	51309	51234	11.4	14.5
1.2.3.4 Shipping	6557	6548	5329	7341	12.0	12.1
1.2.3.5 Professional Services	177085	172553	128577	128465	–27.5	-25.6
1.2.3.6 Trade	552392	513987	575549	589454	6.7	14.7
1.2.3.6.1 Wholesale Trade	263397	228558	275279	285895	8.5	25.1
1.2.3.6.2 Retail Trade	288995	285429	300270	303559	5.0	6.4
1.2.3.7 Commercial Real Estate	229770	219585	233150	230859	0.5	5.1
1.2.3.8 Non-Banking Financial Companies (NBFCs)	807383	728561	788222	789981	–2.2	8.4
1.2.3.9 Other Services	611264	525586	613826	607747	–0.6	15.6
1.2.4 Personal Loans	**2553652**	**2433282**	**2644599**	**2663439**	**4.3**	**9.5**
1.2.4.1 Consumer Durables	9298	5450	6937	7092	–23.7	30.1
1.2.4.2 Housing	1338964	1289637	1383427	1393500	4.1	8.1
1.2.4.3 Advances against Fixed Deposits	79496	64441	64512	65332	–17.8	1.4
1.2.4.4 Advances to Individuals against share & bond	5334	5072	4655	4867	–8.8	-4.0
1.2.4.5 Credit Card Outstanding	108094	105905	114307	110350	2.1	4.2
1.2.4.6 Education	65745	66895	65180	64680	–1.6	-3.3
1.2.4.7 Vehicle Loans	220609	213601	228758	230232	4.4	7.8
1.2.4.8 Other Personal Loans	726112	682281	776823	787386	8.4	15.4
1.2A Priority Sector	**2897461**	**2787852**	**2934836**	**2953810**	**1.9**	**6.0**
1.2A.1 Agriculture & Allied Activities	1146624	1133239	1214929	1220970	6.5	7.7
1.2A.2 Micro & Small Enterprises	1149394	1061953	1122053	1131858	–1.5	6.6
1.2A.2.1 Manufacturing	381826	365398	364515	369963	–3.1	1.2
1.2A.2.2 Services	767568	696555	757538	761895	–0.7	9.4
1.2A.3 Housing	449945	456989	462488	467047	3.8	2.2
1.2A.4 Micro-Credit	38237	35104	32644	32024	–16.2	-8.8
1.2A.5 Education Loans	51906	53215	51506	50576	–2.6	-5.0
1.2A.6 State-Sponsored Orgs. for SC/ST	388	395	588	605	55.9	53.2
1.2A.7 Weaker Sections	731409	711799	766575	753038	3.0	5.8
1.2A.8 Export Credit	16114	15152	12916	13748	–14.7	-9.3

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

(₹ Crore)

Industry	Outstanding as on				Growth (%)	
	Mar. 27, 2020	2019	2020		Financial year so far	Y-o-Y
		Dec. 20	Nov. 20	Dec. 18	2020-21	2020
	1	2	3	4	5	6
1 Industry	**2905151**	**2794372**	**2753281**	**2760220**	**–5.0**	**–1.2**
1.1 Mining & Quarrying (incl. Coal)	**43927**	**42741**	**43831**	**44943**	**2.3**	**5.2**
1.2 Food Processing	**154146**	**145578**	**147775**	**155884**	**1.1**	**7.1**
1.2.1 Sugar	27382	24541	20291	19802	–27.7	–19.3
1.2.2 Edible Oils & Vanaspati	19240	20071	18354	19210	–0.2	–4.3
1.2.3 Tea	5375	5458	5809	5828	8.4	6.8
1.2.4 Others	102149	95508	103321	111044	8.7	16.3
1.3 Beverage & Tobacco	**16522**	**15034**	**14454**	**14425**	**–12.7**	**–4.1**
1.4 Textiles	**192424**	**189152**	**186774**	**190989**	**–0.7**	**1.0**
1.4.1 Cotton Textiles	89283	85688	84853	87749	–1.7	2.4
1.4.2 Jute Textiles	2116	2215	2429	2529	19.5	14.2
1.4.3 Man-Made Textiles	26074	26170	27251	27991	7.4	7.0
1.4.4 Other Textiles	74951	75079	72241	72720	–3.0	–3.1
1.5 Leather & Leather Products	**11098**	**10949**	**11404**	**11285**	**1.7**	**3.1**
1.6 Wood & Wood Products	**12233**	**12067**	**12795**	**12953**	**5.9**	**7.3**
1.7 Paper & Paper Products	**30965**	**30697**	**33986**	**34364**	**11.0**	**11.9**
1.8 Petroleum, Coal Products & Nuclear Fuels	**75834**	**53536**	**60025**	**57646**	**–24.0**	**7.7**
1.9 Chemicals & Chemical Products	**202949**	**177427**	**177799**	**175733**	**–13.4**	**–1.0**
1.9.1 Fertiliser	49066	34375	37894	38224	–22.1	11.2
1.9.2 Drugs & Pharmaceuticals	53427	49839	48875	48791	–8.7	–2.1
1.9.3 Petro Chemicals	42233	39154	39564	36151	–14.4	–7.7
1.9.4 Others	58223	54059	51466	52567	–9.7	–2.8
1.10 Rubber, Plastic & their Products	**50415**	**49164**	**49523**	**49924**	**–1.0**	**1.5**
1.11 Glass & Glassware	**8777**	**8784**	**8785**	**9014**	**2.7**	**2.6**
1.12 Cement & Cement Products	**58689**	**58502**	**57993**	**57002**	**–2.9**	**–2.6**
1.13 Basic Metal & Metal Product	**350325**	**337587**	**334078**	**329620**	**–5.9**	**–2.4**
1.13.1 Iron & Steel	262396	254848	245072	242421	–7.6	–4.9
1.13.2 Other Metal & Metal Product	87929	82739	89006	87199	–0.8	5.4
1.14 All Engineering	**157259**	**158648**	**137233**	**142764**	**–9.2**	**–10.0**
1.14.1 Electronics	30159	33145	27488	31260	3.7	–5.7
1.14.2 Others	127100	125503	109745	111504	–12.3	–11.2
1.15 Vehicles, Vehicle Parts & Transport Equipment	**82606**	**82840**	**86153**	**84886**	**2.8**	**2.5**
1.16 Gems & Jewellery	**59515**	**60452**	**60910**	**62988**	**5.8**	**4.2**
1.17 Construction	**104288**	**102579**	**101379**	**102896**	**–1.3**	**0.3**
1.18 Infrastructure	**1053913**	**1029417**	**1007085**	**1003014**	**–4.8**	**–2.6**
1.18.1 Power	559774	562025	551731	553388	–1.1	–1.5
1.18.2 Telecommunications	143760	134310	103550	98574	–31.4	–26.6
1.18.3 Roads	190676	186870	201550	202504	6.2	8.4
1.18.4 Other Infrastructure	159703	146212	150254	148548	–7.0	1.6
1.19 Other Industries	**239266**	**229218**	**221299**	**219890**	**–8.1**	**–4.1**

No. 17: State Co-operative Banks Maintaining Accounts with the Reserve Bank of India

(₹ Crore)

Item	Last Reporting Friday (in case of March)/Last Friday/ Reporting Friday								
	2019-20	2019	2020						
		Nov, 29	Sep, 25	Oct, 09	Oct, 23	Oct, 30	Nov, 06	Nov, 20	Nov, 27
	1	2	3	4	5	6	7	8	9
Number of Reporting Banks	32	32	31	31	31	31	31	31	31
1 Aggregate Deposits (2.1.1.2+2.2.1.2)	**124101.8**	**66868.2**	**126143.1**	**126795.8**	**127166.1**	**127348.2**	**126623.2**	**126400.7**	**124182.3**
2 Demand and Time Liabilities									
2.1 Demand Liabilities	**26213.8**	**18928.5**	**22274.4**	**23152.3**	**20866.1**	**22714.0**	**22228.4**	**21539.4**	**22657.4**
2.1.1 Deposits									
2.1.1.1 Inter-Bank	5295.0	5355.2	4189.6	4308.6	3860.0	4028.2	4299.3	4178.6	3926.9
2.1.1.2 Others	14,523.6	10421.3	13472.0	13419.2	13039.0	13517.3	12827.8	13208.0	13223.4
2.1.2 Borrowings from Banks	100.0	0.0	229.9	70.0	0.0	0.0	0.0	0.0	0.0
2.1.3 Other Demand Liabilities	6295.2	3152.0	4382.9	5354.5	3967.1	5168.5	5101.3	4152.8	5507.1
2.2 Time Liabilities	**167684.5**	**114341.6**	**172128.5**	**172383.8**	**174055.4**	**172354.2**	**171935.1**	**171251.9**	**170392.8**
2.2.1 Deposits									
2.2.1.1 Inter-Bank	56564.0	56951.2	56835.6	57391.0	57259.1	56969.6	56563.3	55366.5	57870.7
2.2.1.2 Others	109578.2	56447.0	112671.1	113376.6	114127.1	113830.9	113795.4	113192.7	110958.9
2.2.2 Borrowings from Banks	630.2	0.0	673.0	656.5	749.9	629.9	629.9	635.6	629.9
2.2.3 Other Time Liabilities	912.1	943.4	1948.9	959.6	1919.2	923.8	946.4	2057.1	933.2
3 Borrowing from Reserve Bank	0.0	0.0	35.0	0.0	0.0	0.0	0.0	0.0	0.0
4 Borrowings from a notified bank / Government	52772.2	46823.1	57927.2	58455.2	56285.3	55909.0	56918.9	57068.0	58359.7
4.1 Demand	13764.4	13300.6	14065.7	14318.1	13606.7	13041.1	13813.2	14207.1	14440.6
4.2 Time	39007.8	33522.5	43861.5	44137.2	42678.5	42867.9	43105.7	42860.9	43919.1
5 Cash in Hand and Balances with Reserve Bank	**9428.2**	**6022.9**	**7000.4**	**6955.6**	**6734.9**	**7238.4**	**7031.6**	**6877.4**	**7131.8**
5.1 Cash in Hand	750.5	315.8	555.1	528.6	572.3	558.9	552.9	576.0	546.8
5.2 Balance with Reserve Bank	8677.8	5707.1	6445.3	6426.9	6162.6	6679.5	6478.6	6301.4	6585.0
6 Balances with Other Banks in Current Account	**1521.7**	**798.7**	**988.1**	**795.4**	**824.5**	**935.7**	**837.1**	**822.1**	**897.3**
7 Investments in Government Securities	**50626.9**	**33158.4**	**59312.3**	**59137.6**	**59110.5**	**58774.4**	**60209.9**	**59731.1**	**60795.8**
8 Money at Call and Short Notice	**25283.9**	**20120.9**	**26346.6**	**25721.7**	**24240.2**	**24871.2**	**24593.9**	**23939.7**	**24676.4**
9 Bank Credit (10.1+11)	**110905.5**	**64244.0**	**111857.3**	**111842.7**	**110711.2**	**111109.5**	**110024.6**	**110526.4**	**110246.6**
10 Advances									
10.1 Loans, Cash-Credits and Overdrafts	**110901.5**	**64242.2**	**111841.4**	**111826.8**	**110695.3**	**111093.5**	**110008.6**	**110510.4**	**110230.7**
10.2 Due from Banks	81300.1	80806.6	79397.4	81562.1	82624.9	82258.8	83798.2	84174.2	84270.3
11 Bills Purchased and Discounted	4.0	1.8	15.9	15.9	15.9	16.0	16.0	16.0	16.0

Prices and Production

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

Group/Sub group	2019-20			Rural			Urban			Combined		
	Rural	Urban	Combined	Dec.'19	Nov.'20	Dec.'20(P)	Dec.'19	Nov.'20	Dec.'20(P)	Dec.'19	Nov.'20	Dec.'20(P)
	1	2	3	4	5	6	7	8	9	10	11	12
1 Food and beverages	**146.3**	**149.6**	**147.5**	**154.3**	**164.5**	**159.6**	**156.3**	**167.0**	**163.4**	**155.0**	**165.4**	**161.0**
1.1 Cereals and products	140.7	143.2	141.4	142.8	144.6	143.4	144.9	149.0	148.0	143.5	146.0	144.9
1.2 Meat and fish	163.3	161.4	162.6	165.3	188.5	187.5	164.5	195.7	194.9	165.0	191.0	190.1
1.3 Egg	142.1	145.7	143.5	149.5	173.4	173.4	153.7	178.3	178.5	151.1	175.3	175.4
1.4 Milk and products	146.5	146.0	146.3	148.7	154.0	154.0	147.5	154.2	154.5	148.3	154.1	154.2
1.5 Oils and fats	127.1	121.8	125.1	127.5	150.0	154.8	122.7	140.7	144.1	125.7	146.6	150.9
1.6 Fruits	144.0	148.8	146.2	144.3	145.9	147.0	147.2	149.7	152.6	145.7	147.7	149.6
1.7 Vegetables	163.5	187.8	171.7	209.5	225.2	188.0	231.5	240.9	206.9	217.0	230.5	194.4
1.8 Pulses and products	133.7	132.0	133.1	138.8	159.5	159.5	137.2	161.5	162.2	138.3	160.2	160.4
1.9 Sugar and confectionery	112.0	113.4	112.5	113.6	114.4	113.8	114.7	117.1	116.3	114.0	115.3	114.6
1.10 Spices	145.6	145.1	145.5	149.1	163.5	164.4	148.0	161.9	163.1	148.7	163.0	164.0
1.11 Non-alcoholic beverages	138.8	130.2	135.2	139.3	153.4	156.1	130.8	143.3	146.0	135.8	149.2	151.9
1.12 Prepared meals, snacks, sweets	157.6	156.7	157.2	158.3	163.6	164.3	157.7	166.1	167.2	158.0	164.8	165.6
2 Pan, tobacco and intoxicants	**166.3**	**169.0**	**167.0**	**167.8**	**183.6**	**184.6**	**170.4**	**190.2**	**192.1**	**168.5**	**185.4**	**186.6**
3 Clothing and footwear	**151.3**	**143.7**	**148.3**	**151.9**	**156.3**	**156.8**	**144.6**	**149.6**	**150.2**	**149.0**	**153.6**	**154.2**
3.1 Clothing	152.0	145.7	149.5	152.6	157.0	157.5	146.8	151.9	152.5	150.3	155.0	155.5
3.2 Footwear	146.9	132.4	140.9	147.3	151.6	152.4	132.8	136.7	137.3	141.3	145.4	146.1
4 Housing	**--**	**152.2**	**152.2**	**--**	**--**	**--**	**152.8**	**158.4**	**157.7**	**152.8**	**158.4**	**157.7**
5 Fuel and light	**148.6**	**131.5**	**142.2**	**149.9**	**148.7**	**151.1**	**133.6**	**137.9**	**142.8**	**143.7**	**144.6**	**148.0**
6 Miscellaneous	**145.6**	**135.9**	**140.9**	**147.1**	**155.2**	**155.9**	**137.7**	**146.9**	**147.6**	**142.5**	**151.2**	**151.9**
6.1 Household goods and services	150.6	138.7	145.0	151.2	153.4	153.9	139.8	145.5	145.8	145.8	149.7	150.1
6.2 Health	153.6	142.1	149.3	154.8	161.6	162.5	143.2	152.9	154.2	150.4	158.3	159.4
6.3 Transport and communication	132.6	122.2	127.1	135.0	146.4	147.5	125.2	135.5	136.9	129.8	140.7	141.9
6.4 Recreation and amusement	148.3	135.9	141.3	149.5	153.9	155.2	136.8	144.3	145.5	142.3	148.5	149.7
6.5 Education	159.8	150.9	154.5	161.1	162.9	163.6	151.9	156.9	156.4	155.7	159.4	159.4
6.6 Personal care and effects	139.2	138.4	138.9	140.6	156.6	156.2	140.2	157.9	157.7	140.4	157.1	156.8
General Index (All Groups)	**147.3**	**145.1**	**146.3**	**152.3**	**160.7**	**158.5**	**148.3**	**156.9**	**156.0**	**150.4**	**158.9**	**157.3**

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

P: Provisional.

No. 19: Other Consumer Price Indices

Item	Base Year	Linking Factor	2019-20	2019	2020	
				Dec.	Nov.	Dec.
	1	2	3	4	5	6
1 Consumer Price Index for Industrial Workers	2016	2.88	--	–	119.9	118.8
2 Consumer Price Index for Agricultural Labourers	1986-87	5.89	980	1014	1060	1047
3 Consumer Price Index for Rural Labourers	1986-87	–	986	1019	1065	1053

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

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

Item	2019-20	2019	2020	
		Dec.	Nov.	Dec.
	1	2	3	4
1 Standard Gold (₹ per 10 grams)	37018	38092	50429	49444
2 Silver (₹ per kilogram)	42514	44576	62256	64757

Source: India Bullion & Jewellers Association Ltd., Mumbai for Gold and Silver prices in Mumbai.

No. 21: Wholesale Price Index

(Base: 2011-12 = 100)

Commodities	Weight	2019-20	2019	2020		
			Dec.	Oct.	Nov. (P)	Dec. (P)
	1	2	3	4	5	6
1 ALL COMMODITIES	**100.000**	**121.8**	**123.0**	**123.6**	**124.2**	**124.5**
1.1 PRIMARY ARTICLES	**22.618**	**143.3**	**148.9**	**151.8**	**151.2**	**146.5**
1.1.1 FOOD ARTICLES	**15.256**	**155.8**	**162.6**	**171.5**	**169.0**	**160.8**
1.1.1.1 Food Grains (Cereals+Pulses)	3.462	159.6	163.5	158.1	158.8	157.5
1.1.1.2 Fruits & Vegetables	3.475	174.7	195.6	223.9	213.2	179.2
1.1.1.3 Milk	4.440	146.7	148.5	154.6	154.7	154.3
1.1.1.4 Eggs,Meat & Fish	2.402	147.0	149.2	151.7	149.6	151.3
1.1.1.5 Condiments & Spices	0.529	143.9	154.1	152.9	156.5	153.4
1.1.1.6 Other Food Articles	0.948	144.0	143.5	167.5	166.9	164.4
1.1.2 NON-FOOD ARTICLES	**4.119**	**128.7**	**134.0**	**129.8**	**137.7**	**138.2**
1.1.2.1 Fibres	0.839	128.2	123.7	114.5	119.8	123.5
1.1.2.2 Oil Seeds	1.115	151.4	152.9	158.0	162.0	164.4
1.1.2.3 Other non-food Articles	1.960	104.8	105.4	109.8	113.9	114.3
1.1.2.4 Floriculture	0.204	238.0	348.3	231.7	308.3	285.0
1.1.3 MINERALS	**0.833**	**154.5**	**147.6**	**153.3**	**145.5**	**153.3**
1.1.3.1 Metallic Minerals	0.648	147.4	137.5	146.8	136.8	146.8
1.1.3.2 Other Minerals	0.185	179.0	182.6	176.1	176.1	176.1
1.1.4 CRUDE PETROLEUM & NATURAL GAS	**2.410**	**85.3**	**88.2**	**63.8**	**64.0**	**67.5**
1.2 FUEL & POWER	**13.152**	**102.2**	**103.2**	**90.9**	**91.3**	**94.2**
1.2.1 COAL	**2.138**	**125.3**	**126.5**	**126.4**	**126.5**	**127.0**
1.2.1.1 Coking Coal	0.647	138.1	141.9	141.7	141.9	141.9
1.2.1.2 Non-Coking Coal	1.401	119.0	119.0	119.0	119.0	119.8
1.2.1.3 Lignite	0.090	129.1	131.1	131.1	131.1	131.1
1.2.2 MINERAL OILS	**7.950**	**92.3**	**91.3**	**75.8**	**76.5**	**81.1**
1.2.3 ELECTRICITY	**3.064**	**111.8**	**117.9**	**105.3**	**105.3**	**105.3**
1.3 MANUFACTURED PRODUCTS	**64.231**	**118.3**	**118.0**	**120.4**	**121.3**	**123.0**
1.3.1 MANUFACTURE OF FOOD PRODUCTS	**9.122**	**133.9**	**137.0**	**140.5**	**142.1**	**143.7**
1.3.1.1 Processing and Preserving of meat	0.134	137.5	135.8	137.2	136.9	137.7
1.3.1.2 Processing and Preserving of fish, Crustaceans, Molluscs and products thereof	0.204	136.1	136.6	135.1	136.0	135.4
1.3.1.3 Processing and Preserving of fruit and Vegetables	0.138	114.3	115.0	120.4	122.4	121.8
1.3.1.4 Vegetable and Animal oils and Fats	2.643	119.3	126.4	140.6	147.1	153.9
1.3.1.5 Dairy products	1.165	145.0	149.5	144.7	144.6	146.1
1.3.1.6 Grain mill products	2.010	146.3	147.5	142.8	142.0	141.5
1.3.1.7 Starches and Starch products	0.110	135.5	133.7	107.8	110.9	117.2
1.3.1.8 Bakery products	0.215	133.5	134.6	138.1	138.6	139.2
1.3.1.9 Sugar, Molasses & honey	1.163	118.3	119.3	118.6	118.6	118.6
1.3.1.10 Cocoa, Chocolate and Sugar confectionery	0.175	127.2	128.0	127.8	129.8	126.0
1.3.1.11 Macaroni, Noodles, Couscous and Similar farinaceous products	0.026	132.7	123.4	131.3	131.6	128.8
1.3.1.12 Tea & Coffee products	0.371	139.7	138.5	183.2	174.8	163.7
1.3.1.13 Processed condiments & salt	0.163	132.4	135.7	145.8	146.6	149.1
1.3.1.14 Processed ready to eat food	0.024	128.7	129.1	130.0	130.4	133.7
1.3.1.15 Health supplements	0.225	159.9	159.7	140.6	140.4	137.9
1.3.1.16 Prepared animal feeds	0.356	173.6	175.7	169.9	171.0	171.5
1.3.2 MANUFACTURE OF BEVERAGES	**0.909**	**123.6**	**123.7**	**123.7**	**124.2**	**123.2**
1.3.2.1 Wines & spirits	0.408	117.8	118.6	120.1	120.2	119.4
1.3.2.2 Malt liquors and Malt	0.225	125.7	125.8	124.4	126.0	124.3
1.3.2.3 Soft drinks; Production of mineral waters and Other bottled waters	0.275	130.5	129.5	128.5	128.5	128.1
1.3.3 MANUFACTURE OF TOBACCO PRODUCTS	**0.514**	**153.4**	**151.0**	**157.6**	**156.1**	**156.9**
1.3.3.1 Tobacco products	0.514	153.4	151.0	157.6	156.1	156.9

No. 21: Wholesale Price Index (Contd.)

(Base: 2011-12 = 100)

Commodities		Weight	2019-20	2019	2020		
				Dec.	Oct.	Nov. (P)	Dec. (P)
1.3.4	**MANUFACTURE OF TEXTILES**	**4.881**	**117.7**	**116.0**	**114.8**	**116.4**	**118.3**
1.3.4.1	Preparation and Spinning of textile fibres	2.582	107.9	105.1	102.5	105.1	107.7
1.3.4.2	Weaving & Finishing of textiles	1.509	130.1	129.3	130.1	130.3	132.1
1.3.4.3	Knitted and Crocheted fabrics	0.193	114.5	114.8	113.7	114.7	114.2
1.3.4.4	Made-up textile articles, Except apparel	0.299	134.5	135.5	131.4	132.3	132.8
1.3.4.5	Cordage, Rope, Twine and Netting	0.098	143.1	145.8	156.8	157.2	159.5
1.3.4.6	Other textiles	0.201	116.8	116.0	115.2	114.7	114.7
1.3.5	**MANUFACTURE OF WEARING APPAREL**	**0.814**	**138.3**	**139.2**	**138.3**	**139.6**	**139.0**
1.3.5.1	Manufacture of Wearing Apparel (woven), Except fur Apparel	0.593	139.2	140.2	137.1	138.4	137.9
1.3.5.2	Knitted and Crocheted apparel	0.221	135.9	136.7	141.4	142.7	142.0
1.3.6	**MANUFACTURE OF LEATHER AND RELATED PRODUCTS**	**0.535**	**118.6**	**118.4**	**117.7**	**118.8**	**118.5**
1.3.6.1	Tanning and Dressing of leather; Dressing and Dyeing of fur	0.142	105.5	104.6	102.0	103.0	100.4
1.3.6.2	Luggage, HandbAgs, Saddlery and Harness	0.075	136.3	135.9	137.9	138.3	139.0
1.3.6.3	Footwear	0.318	120.3	120.4	119.9	121.2	121.7
1.3.7	**MANUFACTURE OF WOOD AND PRODUCTS OF WOOD AND CORK**	**0.772**	**133.7**	**133.0**	**133.7**	**134.9**	**134.7**
1.3.7.1	Saw milling and Planing of wood	0.124	122.2	120.5	120.3	119.9	121.1
1.3.7.2	Veneer sheets; Manufacture of plywood, Laminboard, Particle board and Other panels and Boards	0.493	135.5	135.7	135.0	136.6	136.3
1.3.7.3	Builder's carpentry and Joinery	0.036	176.2	177.8	189.6	189.5	188.5
1.3.7.4	Wooden containers	0.119	125.7	121.2	125.5	127.5	126.2
1.3.8	**MANUFACTURE OF PAPER AND PAPER PRODUCTS**	**1.113**	**121.1**	**118.9**	**119.4**	**119.6**	**120.7**
1.3.8.1	Pulp, Paper and Paperboard	0.493	125.0	122.7	120.9	121.5	122.5
1.3.8.2	Corrugated paper and Paperboard and Containers of paper and Paperboard	0.314	115.0	112.1	121.3	122.8	123.0
1.3.8.3	Other articles of paper and Paperboard	0.306	121.2	120.0	114.9	113.2	115.5
1.3.9	**PRINTING AND REPRODUCTION OF RECORDED MEDIA**	**0.676**	**150.6**	**151.2**	**155.9**	**153.5**	**158.4**
1.3.9.1	Printing	0.676	150.6	151.2	155.9	153.5	158.4
1.3.10	**MANUFACTURE OF CHEMICALS AND CHEMICAL PRODUCTS**	**6.465**	**117.5**	**116.2**	**116.8**	**117.7**	**119.3**
1.3.10.1	Basic chemicals	1.433	119.9	116.8	115.8	116.6	118.7
1.3.10.2	Fertilizers and Nitrogen compounds	1.485	123.1	123.9	123.1	122.9	123.6
1.3.10.3	Plastic and Synthetic rubber in primary form	1.001	112.4	109.0	115.1	118.5	121.6
1.3.10.4	Pesticides and Other agrochemical products	0.454	122.6	121.8	125.6	125.7	125.8
1.3.10.5	Paints, Varnishes and Similar coatings, Printing ink and Mastics	0.491	114.7	113.9	113.0	112.9	115.9
1.3.10.6	Soap and Detergents, Cleaning and Polishing preparations, Perfumes and Toilet preparations	0.612	118.6	118.7	120.8	120.8	121.4
1.3.10.7	Other chemical products	0.692	114.2	113.6	113.2	114.7	114.6
1.3.10.8	Man-made fibres	0.296	97.9	96.1	89.3	91.6	95.7
1.3.11	**MANUFACTURE OF PHARMACEUTICALS, MEDICINAL CHEMICAL AND BOTANICAL PRODUCTS**	**1.993**	**127.3**	**127.8**	**130.5**	**131.2**	**131.1**
1.3.11.1	Pharmaceuticals, Medicinal chemical and Botanical products	1.993	127.3	127.8	130.5	131.2	131.1
1.3.12	**MANUFACTURE OF RUBBER AND PLASTICS PRODUCTS**	**2.299**	**108.5**	**108.2**	**110.0**	**110.8**	**113.2**
1.3.12.1	Rubber Tyres and Tubes; Retreading and Rebuilding of Rubber Tyres	0.609	98.9	98.3	97.8	96.7	98.0
1.3.12.2	Other Rubber Products	0.272	93.5	93.9	91.6	93.2	93.4
1.3.12.3	Plastics products	1.418	115.4	115.2	118.8	120.2	123.6
1.3.13	**MANUFACTURE OF OTHER NON-METALLIC MINERAL PRODUCTS**	**3.202**	**116.7**	**115.5**	**116.5**	**117.1**	**117.3**
1.3.13.1	Glass and Glass products	0.295	124.5	125.1	127.8	126.4	127.6
1.3.13.2	Refractory products	0.223	108.7	106.9	109.0	110.3	109.7
1.3.13.3	Clay Building Materials	0.121	102.8	103.7	105.7	113.3	110.8
1.3.13.4	Other Porcelain and Ceramic Products	0.222	113.9	113.3	108.0	108.0	109.7
1.3.13.5	Cement, Lime and Plaster	1.645	119.5	118.0	119.4	119.5	120.1

No. 21: Wholesale Price Index (Contd.)

(Base: 2011-12 = 100)

Commodities	Weight	2019-20	2019	2020		
			Dec.	Oct.	Nov. (P)	Dec. (P)
1.3.13.6 Articles of Concrete, Cement and Plaster	0.292	121.6	122.2	124.7	125.6	127.2
1.3.13.7 Cutting, Shaping and Finishing of Stone	0.234	120.2	119.1	120.1	121.5	121.1
1.3.13.8 Other Non-Metallic Mineral Products	0.169	86.6	80.6	77.6	81.3	75.2
1.3.14 MANUFACTURE OF BASIC METALS	**9.646**	**106.2**	**103.6**	**108.9**	**110.8**	**115.5**
1.3.14.1 Inputs into steel making	1.411	100.6	96.6	105.3	107.9	116.0
1.3.14.2 Metallic Iron	0.653	107.7	102.8	111.2	113.2	120.8
1.3.14.3 Mild Steel - Semi Finished Steel	1.274	95.1	93.7	96.0	99.4	103.0
1.3.14.4 Mild Steel -Long Products	1.081	105.5	102.4	108.0	109.6	117.3
1.3.14.5 Mild Steel - Flat products	1.144	108.7	103.4	115.6	117.5	123.9
1.3.14.6 Alloy steel other than Stainless Steel- Shapes	0.067	102.8	99.5	102.7	104.9	114.4
1.3.14.7 Stainless Steel - Semi Finished	0.924	102.9	98.5	106.1	106.0	107.7
1.3.14.8 Pipes & tubes	0.205	126.2	126.5	123.4	128.9	130.7
1.3.14.9 Non-ferrous metals incl. precious metals	1.693	107.0	105.8	111.5	113.5	116.9
1.3.14.10 Castings	0.925	112.8	113.4	108.9	108.9	108.9
1.3.14.11 Forgings of steel	0.271	146.5	149.7	143.4	145.4	146.5
1.3.15 MANUFACTURE OF FABRICATED METAL PRODUCTS, EXCEPT MACHINERY AND EQUIPMENT	**3.155**	**115.5**	**115.2**	**114.6**	**115.8**	**118.0**
1.3.15.1 Structural Metal Products	1.031	113.9	112.8	112.3	113.1	114.9
1.3.15.2 Tanks, Reservoirs and Containers of Metal	0.660	124.4	124.9	125.4	126.9	132.7
1.3.15.3 Steam generators, Except Central Heating Hot Water Boilers	0.145	104.7	106.3	98.6	98.7	97.2
1.3.15.4 Forging, Pressing, Stamping and Roll-Forming of Metal; Powder Metallurgy	0.383	100.5	99.8	96.2	99.4	100.6
1.3.15.5 Cutlery, Hand Tools and General Hardware	0.208	100.5	100.5	102.6	102.9	104.7
1.3.15.6 Other Fabricated Metal Products	0.728	124.0	123.7	124.2	125.4	125.9
1.3.16 MANUFACTURE OF COMPUTER, ELECTRONIC AND OPTICAL PRODUCTS	**2.009**	**110.4**	**109.9**	**108.9**	**108.2**	**109.2**
1.3.16.1 Electronic Components	0.402	98.1	97.8	98.9	99.2	100.3
1.3.16.2 Computers and Peripheral Equipment	0.336	135.0	135.0	135.2	134.0	134.4
1.3.16.3 Communication Equipment	0.310	117.0	118.9	114.2	114.4	114.6
1.3.16.4 Consumer Electronics	0.641	98.8	96.7	96.5	94.7	95.8
1.3.16.5 Measuring, Testing, Navigating and Control equipment	0.181	111.5	111.1	106.1	106.1	109.6
1.3.16.6 Watches and Clocks	0.076	139.1	139.7	141.7	141.7	141.7
1.3.16.7 Irradiation, Electromedical and Electrotherapeutic equipment	0.055	103.6	101.4	102.5	102.5	102.5
1.3.16.8 Optical instruments and Photographic equipment	0.008	110.2	110.9	95.7	95.7	95.2
1.3.17 MANUFACTURE OF ELECTRICAL EQUIPMENT	**2.930**	**111.3**	**110.8**	**112.6**	**113.4**	**115.0**
1.3.17.1 Electric motors, Generators, Transformers and Electricity distribution and Control apparatus	1.298	109.0	108.2	111.6	112.8	115.0
1.3.17.2 Batteries and Accumulators	0.236	117.0	116.0	119.3	118.9	117.9
1.3.17.3 Fibre optic cables for data transmission or live transmission of images	0.133	109.9	109.2	97.2	98.0	99.4
1.3.17.4 Other electronic and Electric wires and Cables	0.428	109.7	109.8	114.5	115.6	119.3
1.3.17.5 Wiring devices, Electric lighting & display equipment	0.263	111.1	110.3	110.7	110.8	109.5
1.3.17.6 Domestic appliances	0.366	119.9	120.4	118.6	118.9	119.8
1.3.17.7 Other electrical equipment	0.206	108.6	108.5	109.0	110.3	111.6
1.3.18 MANUFACTURE OF MACHINERY AND EQUIPMENT	**4.789**	**113.1**	**113.0**	**114.2**	**113.7**	**114.5**
1.3.18.1 Engines and Turbines, Except aircraft, Vehicle and Two wheeler engines	0.638	104.8	105.5	105.7	105.5	107.0
1.3.18.2 Fluid power equipment	0.162	119.9	120.1	120.4	120.3	120.6
1.3.18.3 Other pumps, Compressors, Taps and Valves	0.552	111.2	111.2	111.0	111.2	111.7
1.3.18.4 Bearings, Gears, Gearing and Driving elements	0.340	110.1	109.7	113.3	110.5	113.5
1.3.18.5 Ovens, Furnaces and Furnace burners	0.008	80.0	80.6	81.4	81.7	83.6
1.3.18.6 Lifting and Handling equipment	0.285	111.5	111.9	114.0	112.4	113.8

No. 21: Wholesale Price Index (Concld.)

(Base: 2011-12 = 100)

Commodities	Weight	2019-20	2019	2020		
			Dec.	Oct.	Nov. (P)	Dec. (P)
1.3.18.7 Office machinery and Equipment	0.006	130.2	130.2	130.2	130.2	130.2
1.3.18.8 Other general-purpose machinery	0.437	130.9	129.0	130.6	128.2	127.2
1.3.18.9 Agricultural and Forestry machinery	0.833	120.6	121.1	121.2	121.6	121.9
1.3.18.10 Metal-forming machinery and Machine tools	0.224	108.1	109.0	108.1	108.1	107.7
1.3.18.11 Machinery for mining, Quarrying and Construction	0.371	75.1	74.8	75.3	75.3	75.9
1.3.18.12 Machinery for food, Beverage and Tobacco processing	0.228	125.2	125.6	128.4	128.4	131.9
1.3.18.13 Machinery for textile, Apparel and Leather production	0.192	119.7	117.2	121.6	123.3	123.4
1.3.18.14 Other special-purpose machinery	0.468	126.3	126.2	129.5	128.3	129.1
1.3.18.15 Renewable electricity generating equipment	0.046	66.0	65.4	65.4	64.4	65.9
1.3.19 MANUFACTURE OF MOTOR VEHICLES, TRAILERS AND SEMI-TRAILERS	**4.969**	**114.5**	**115.3**	**117.6**	**117.8**	**118.4**
1.3.19.1 Motor vehicles	2.600	115.2	115.0	119.6	119.9	120.5
1.3.19.2 Parts and Accessories for motor vehicles	2.368	113.7	115.6	115.4	115.5	116.1
1.3.20 MANUFACTURE OF OTHER TRANSPORT EQUIPMENT	**1.648**	**118.0**	**118.4**	**126.7**	**127.5**	**127.6**
1.3.20.1 Building of ships and Floating structures	0.117	158.8	158.8	158.8	158.8	158.8
1.3.20.2 Railway locomotives and Rolling stock	0.110	106.4	106.6	104.7	104.7	104.6
1.3.20.3 Motor cycles	1.302	114.3	114.7	125.6	126.5	126.5
1.3.20.4 Bicycles and Invalid carriages	0.117	128.9	130.5	128.6	128.7	129.5
1.3.20.5 Other transport equipment	0.002	126.1	127.0	127.7	127.7	128.1
1.3.21 MANUFACTURE OF FURNITURE	**0.727**	**130.9**	**130.3**	**132.5**	**132.9**	**134.0**
1.3.21.1 Furniture	0.727	130.9	130.3	132.5	132.9	134.0
1.3.22 OTHER MANUFACTURING	**1.064**	**112.7**	**114.4**	**135.9**	**136.1**	**135.9**
1.3.22.1 Jewellery and Related articles	0.996	109.9	111.6	134.3	134.5	134.3
1.3.22.2 Musical instruments	0.001	174.0	172.7	166.4	170.2	164.3
1.3.22.3 Sports goods	0.012	129.7	131.4	131.9	130.8	131.9
1.3.22.4 Games and Toys	0.005	136.9	138.2	140.7	142.8	143.0
1.3.22.5 Medical and Dental instruments and Supplies	0.049	162.1	162.5	168.1	168.1	168.1
2 FOOD INDEX	**24.378**	**147.6**	**153.0**	**159.9**	**158.9**	**154.4**

Source: Office of the Economic Adviser, Ministry of Commerce and Industry, Government of India.

No. 22: Index of Industrial Production (Base:2011-12=100)

Industry	Weight	2018-19	2019-20	April-November		November	
				2019-20	2020-21	2019	2020
	1	2	3	4	5	6	7
General Index	100.00	130.1	129.0	128.1	108.3	128.8	126.3
1 Sectoral Classification							
1.1 Mining	14.37	107.9	109.6	101.9	89.2	112.7	104.5
1.2 Manufacturing	77.63	131.5	129.6	129.5	107.1	130.6	128.4
1.3 Electricity	7.99	156.9	158.4	161.8	154.4	139.9	144.8
2 Use-Based Classification							
2.1 Primary Goods	34.05	126.1	127.0	124.4	110.3	124.5	121.3
2.2 Capital Goods	8.22	108.4	93.3	94.2	64.9	91.1	84.6
2.3 Intermediate Goods	17.22	126.2	137.7	135.8	112.5	140.9	136.7
2.4 Infrastructure/ Construction Goods	12.34	141.7	136.6	135.4	111.5	134.5	135.5
2.5 Consumer Durables	12.84	130.4	119.0	123.2	88.6	116.7	115.9
2.6 Consumer Non-Durables	15.33	145.5	145.3	144.0	136.2	150.2	149.1

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

Government Accounts and Treasury Bills

No. 23: Union Government Accounts at a Glance

(₹ Crore)

Item	Financial Year	April - December			
	2020-21 (Revised Estimates)	2020-21 (Actuals)	2019-20 (Actuals)	Percentage to Revised Estimates	
				2020-21	2019-20
	1	2	3	4	5
1 Revenue Receipts	**1555153**	**1088580**	**1146897**	**70.0**	**62.0**
1.1 Tax Revenue (Net)	1344501	962399	904944	71.6	60.1
1.2 Non-Tax Revenue	210652	126181	241953	59.9	70.0
2 Non-Debt Capital Receipt	**46497**	**33098**	**31025**	**71.2**	**38.0**
2.1 Recovery of Loans	14497	14202	12925	98.0	77.8
2.2 Other Receipts	32000	18896	18100	59.1	27.8
3 Total Receipts (excluding borrowings) (1+2)	**1601650**	**1121678**	**1177922**	**70.0**	**61.0**
4 Revenue Expenditure	3011142	1971173	1854125	65.5	78.9
4.1 Interest Payments	692900	472171	424314	68.1	67.9
5 Capital Expenditure	439163	308974	255522	70.4	73.2
6 Total Expenditure (4+5)	**3450305**	**2280147**	**2109647**	**66.1**	**78.2**
7 Revenue Deficit (4-1)	**1455989**	**882593**	**707228**	**60.6**	**141.6**
8 Fiscal Deficit (6-3)	**1848655**	**1158469**	**931725**	**62.7**	**121.5**
9 Gross Primary Deficit (8-4.1)	**1155755**	**686298**	**507411**	**59.4**	**358.0**

Source: Controller General of Accounts, Ministry of Finance, Government of India and Union Budget 2021-22.

No. 24: Treasury Bills – Ownership Pattern

(₹ Crore)

Item	2019-20	2019	2020					
		Dec. 27	Nov. 20	Nov. 27	Dec. 4	Dec. 11	Dec. 18	Dec. 25
	1	2	3	4	5	6	7	8
1 91-day								
1.1 Banks	10165	15629	2357	2001	1880	1802	2464	2158
1.2 Primary Dealers	9190	13566	11215	12584	16619	15492	16791	13914
1.3 State Governments	8173	55446	70680	71680	77175	81155	85090	90891
1.4 Others	48004	105392	125634	121644	114736	112981	108705	109744
2 182-day								
2.1 Banks	66419	69389	140282	126536	120915	116464	109976	107133
2.2 Primary Dealers	43302	26616	39002	38808	40106	37358	35041	34064
2.3 State Governments	13386	6945	4233	4233	4238	4248	4273	4273
2.4 Others	22465	19404	93761	94013	85323	79194	74474	65892
3 364-day								
3.1 Banks	49660	58261	138677	140904	143582	145947	146971	148927
3.2 Primary Dealers	70672	58889	120149	120831	124369	122587	120465	120863
3.3 State Governments	11945	21790	15627	16367	12367	12377	12417	16217
3.4 Others	70576	55247	132045	131253	126130	127249	129964	128915
4 14-day Intermediate								
4.1 Banks								
4.2 Primary Dealers								
4.3 State Governments	155112	140863	119046	159713	116075	101257	130411	144840
4.4 Others	617	372	198	233	352	834	351	478
Total Treasury Bills (Excluding 14 day Intermediate T Bills) #	423957	506574	893661	880853	867438	856852	846630	842989

14D intermediate T-Bills are non-marketable unlike 91D, 182D and 364D T-Bills. These bills are 'intermediate' by nature as these are liquidated to replenish shortfall in the daily minimum cash balances of State Governments

No. 25: Auctions of Treasury Bills

(Amount in ₹ Crore)

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										
2020-21										
Dec. 2	9000	67	43425	11841	26	8999	11841	20840	99.25	3.0473
Dec. 9	9000	138	56310	7545	31	8996	7545	16540	99.23	3.1092
Dec. 16	9000	104	51631	12856	20	8994	12856	21850	99.23	3.1275
Dec. 23	9000	111	52600	18234	27	8997	18234	27231	99.23	3.1092
Dec. 30	9000	76	35481	5	29	8995	5	9000	99.24	3.0790
182-day Treasury Bills										
2020-21										
Dec. 2	3000	54	14144	8	16	2992	8	3000	98.37	3.3229
Dec. 9	3000	82	18007	3	31	2997	3	3000	98.36	3.3532
Dec. 16	3000	105	20951	4	30	2996	4	3000	98.36	3.3501
Dec. 23	3000	80	16870	6	26	2994	6	3000	98.36	3.3501
Dec. 30	3000	64	17482	794	17	2988	794	3781	98.36	3.3439
364-day Treasury Bills										
2020-21										
Dec. 2	4000	60	16170	0	3	4000	0	4000	96.73	3.3947
Dec. 9	4000	61	15534	1	31	3999	1	4000	96.67	3.4498
Dec. 16	4000	77	14350	2	19	3998	2	4000	96.68	3.4458
Dec. 23	4000	77	13354	3800	36	4000	3800	7800	96.67	3.4574
Dec. 30	4000	70	11325	0	31	4000	0	4000	96.67	3.4571

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
December	1, 2020	1.90-3.40	3.08
December	2, 2020	1.90-3.40	3.10
December	3, 2020	1.90-3.40	3.09
December	4, 2020	1.50-3.40	3.02
December	5, 2020	2.50-3.45	2.92
December	7, 2020	1.90-3.40	3.03
December	8, 2020	1.90-3.50	3.09
December	9, 2020	1.90-3.50	3.15
December	10, 2020	1.90-3.50	3.17
December	11, 2020	1.90-3.50	3.13
December	14, 2020	1.90-3.50	3.15
December	15, 2020	1.90-3.50	3.21
December	16, 2020	1.90-3.45	3.20
December	17, 2020	1.90-3.45	3.21
December	18, 2020	1.90-3.45	3.20
December	19, 2020	2.50-3.90	2.88
December	21, 2020	1.90-3.50	3.23
December	22, 2020	1.90-3.50	3.26
December	23, 2020	1.90-3.50	3.25
December	24, 2020	1.90-3.50	3.23
December	28, 2020	1.90-3.50	3.20
December	29, 2020	1.90-3.50	3.15
December	30, 2020	1.90-3.50	3.25
December	31, 2020	1.90-3.60	3.31
January	1, 2021	1.90-3.55	3.18
January	2, 2021	2.50-3.25	2.76
January	4, 2021	1.90-3.75	3.18
January	5, 2021	1.90-3.50	3.15
January	6, 2021	1.90-3.50	3.16
January	7, 2021	1.90-3.50	3.19
January	8, 2021	1.90-3.50	3.18
January	11, 2021	1.90-3.50	3.19
January	12, 2021	1.90-3.50	3.19
January	13, 2021	1.90-3.50	3.19
January	14, 2021	1.90-3.50	3.24
January	15, 2021	1.90-3.50	3.19

Note: Includes Notice Money.

No. 27: Certificates of Deposit

Item	2019	2020			
	Dec. 20	Nov. 6	Nov. 20	Dec. 4	Dec. 18
	1	2	3	4	5
1 Amount Outstanding (₹ Crore)	160669.00	76335.00	67680.00	69440.00	68770.00
1.1 Issued during the fortnight (₹ Crore)	13837.13	1686.58	791.91	6298.55	8003.34
2 Rate of Interest (per cent)	4.97-5.84	3.83-3.84	3.35-4.54	3.08-4.63	3.08-4.44

No. 28: Commercial Paper

Item	2019	2020			
	Dec. 31	Nov. 15	Nov. 30	Dec. 15	Dec. 31
	1	2	3	4	5
1 Amount Outstanding (₹ Crore)	414906.30	389427.10	373146.10	390613.25	365185.05
1.1 Reported during the fortnight (₹ Crore)	83567.75	57001.85	64386.20	102307.55	87488.25
2 Rate of Interest (per cent)	4.99-13.18	3.09-11.32	2.79-8.80	2.65-12.61	3.06-12.73

No. 29: Average Daily Turnover in Select Financial Markets

(₹ Crore)

Item	2019-20	2019	2020					
		Dec. 27	Nov. 20	Nov. 27	Dec. 4	Dec. 11	Dec. 18	Dec. 25
	1	2	3	4	5	6	7	8
1 Call Money	26815	27553	10765	12157	8164	13477	17573	16769
2 Notice Money	3660	238	4103	632	4170	648	4625	354
3 Term Money	790	939	755	687	462	218	627	618
4 CBLO/TRIPARTY REPO	300691	339731	515057	411117	521592	406200	529871	426080
5 Market Repo	221719	230092	380750	273258	388895	314587	366239	295246
6 Repo in Corporate Bond	2468	1528	8110	1208	1150	304	2468	1055
7 Forex (US $ million)	67793	66546	57482	57492	85488	51369	53172	58809
8 Govt. of India Dated Securities	93960	70654	54335	70609	67565	68202	54656	43125
9 State Govt. Securities	5800	5891	5400	4965	4981	3845	3888	4522
10 Treasury Bills								
10.1 91-Day	3720	6094	758	1555	4702	5260	4342	3635
10.2 182-Day	2380	1577	8518	7120	3138	5799	5776	4478
10.3 364-Day	2900	1019	11587	4704	2743	2549	2505	1894
10.4 Cash Management Bills	2310							
11 Total Govt. Securities (8+9+10)	111070	85234	80598	88953	83128	85656	71166	57652
11.1 RBI	–	4670	5196	4325	265	902	4459	2578

Note : Collateralised Borrowing and Lending Obligation (CBLO) segment of the money market has been discontinued and replaced with Triparty Repo with effect from November 05, 2018.

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

(Amount in ₹ Crore)

Security & Type of Issue	2019-20		2019-20 (Apr.-Dec.)		2020-21 (Apr.-Dec.) *		Dec. 2019		Dec. 2020 *	
	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	**72**	**64926**	**56**	**61035**	**47**	**89441**	**4**	**1264**	**4**	**1652**
1A Premium	70	43259	55	39411	47	85708	4	1033	4	1487
1.1 Public	57	9867	45	9780	31	28527	4	1264	3	1353
1.1.1 Premium	55	9434	44	9373	31	25576	4	1033	3	1199
1.2 Rights	15	55059	11	51255	16	60914	–	–	1	299
1.2.1 Premium	15	33825	11	30038	16	60132	–	–	1	288
2 Preference Shares	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
2.1 Public	–	–	–	–	–	–	–	–	–	–
2.2 Rights	–	–	–	–	–	–	–	–	–	–
3 Bonds & Debentures	**34**	**14984**	**27**	**11746**	**10**	**3871**	**3**	**2519**	**–**	**–**
3.1 Convertible	–	–	–	–	–	–	–	–	–	–
3.1.1 Public	–	–	–	–	–	–	–	–	–	–
3.1.2 Rights	–	–	–	–	–	–	–	–	–	–
3.2 Non-Convertible	34	14984	27	11746	10	3871	3	2519	–	–
3.2.1 Public	34	14984	27	11746	10	3871	3	2519	–	–
3.2.2 Rights	–	–	–	–	–	–	–	–	–	–
4 Total(1+2+3)	**106**	**79910**	**83**	**72781**	**57**	**93312**	**7**	**3783**	**4**	**1652**
4.1 Public	91	24851	72	21526	41	32398	7	3783	3	1353
4.2 Rights	15	55059	11	51255	16	60914	–	–	1	299

Note : Since April 2020, monthly data on equity issues is compiled on the basis of their listing date.

Source : Securities and Exchange Board of India.

* : Data is Provisional

External Sector

No. 31: Foreign Trade

Item	Unit	2019-20	2019	2020				
			Dec.	Aug.	Sep.	Oct.	Nov.	Dec.
		1	2	3	4	5	6	7
1 Exports	₹ Crore	2219332	192984	170329	202583	183535	174559	199771
	US $ Million	313288	27107	22810	27569	24985	23519	27145
1.1 Oil	₹ Crore	292252	25854	14292	26511	12117	11412	17278
	US $ Million	41276	3632	1914	3608	1650	1538	2348
1.2 Non-oil	₹ Crore	1927080	167130	156037	176072	171417	163148	182493
	US $ Million	272011	23476	20896	23961	23335	21982	24797
2 Imports	₹ Crore	3360954	281881	231601	224168	247051	247857	313408
	US $ Million	474709	39594	29474	30307	33632	33395	42586
2.1 Oil	₹ Crore	925168	76311	48104	42808	44081	46525	70516
	US $ Million	130550	10719	6441	5826	6001	6269	9582
2.2 Non-oil	₹ Crore	2435787	205570	183497	181361	202970	201332	242891
	US $ Million	344159	28875	23033	24481	27631	27126	33004
3 Trade Balance	₹ Crore	-1141623	-88896	-61272	-21585	-63517	-73298	-113637
	US $ Million	-161422	-12487	-6664	-2738	-8647	-9876	-15441
3.1 Oil	₹ Crore	-632916	-50456	-33812	-16297	-31964	-35113	-53238
	US $ Million	-89274	-7087	-4526	-2218	-4351	-4731	-7234
3.2 Non-oil	₹ Crore	-508707	-38440	-27460	-5288	-31553	-38184	-60399
	US $ Million	-72148	-5399	-2137	-520	-4295	-5145	-8207

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

No. 32: Foreign Exchange Reserves

Item	Unit	2020			2021			
		Jan. 24	Dec. 18	Dec. 25	Jan. 1	Jan. 8	Jan. 15	Jan. 22
		1	2	3	4	5	6	7
1 Total Reserves	**₹ Crore**	**3328631**	**4274948**	**4272332**	**4276976**	**4293062**	**4269145**	**4271528**
	US $ Million	**466693**	**581131**	**580841**	**585324**	**586082**	**584242**	**585334**
1.1 Foreign Currency Assets	₹ Crore	3087772	3955679	3953337	3957808	3968594	3956894	3956665
	US $ Million	432919	537727	537474	541642	541791	541507	542192
1.2 Gold	₹ Crore	204812	272327	270026	270554	275376	263499	266058
	US $ Million	28715	37020	36711	37026	37594	36060	36459
	Volume (Metric Tonnes)	634.97	676.65	676.65	676.65	676.65	676.65	676.65
1.3 SDRs	SDRs Million	1046	1049	1049	1049	1049	1049	1049
	₹ Crore	10290	11142	11108	11035	11100	11046	11038
	US $ Million	1443	1515	1510	1510	1515	1512	1513
1.4 Reserve Tranche Position in IMF	₹ Crore	25757	35800	37862	37578	37992	37706	37767
	US $ Million	3615	4870	5145	5145	5181	5163	5171

* Difference,if any, is due to rounding off.

No. 33: NRI Deposits

(US$ Million)

Scheme	Outstanding				Flows	
	2019-20	2019	2020		2019-20	2020-21
		Dec.	Nov.	Dec.	Apr.-Dec.	Apr.-Dec.
	1	2	3	4	5	6
1 NRI Deposits	**130581**	**133138**	**139264**	**140419**	**5862**	**7826**
1.1 FCNR(B)	24244	24018	21925	22104	848	-2140
1.2 NR(E)RA	90367	92889	100070	100856	3562	8767
1.3 NRO	15969	16230	17268	17459	1452	1199

No. 34: Foreign Investment Inflows

(US$ Million)

Item	2019-20	2019-20	2020-21	2019	2020	
		Apr.-Dec.	Apr.-Dec.	Dec.	Nov.	Dec.
	1	2	3	4	5	6
1.1 Net Foreign Direct Investment (1.1.1–1.1.2)	**43013**	**31050**	**40522**	**4326**	**5650**	**6526**
1.1.1 Direct Investment to India (1.1.1.1–1. 1.1.2)	**56006**	**40821**	**48445**	**5512**	**6840**	**7337**
1.1.1.1 Gross Inflows/Gross Investments	**74390**	**55135**	**67542**	**7464**	**10105**	**9221**
1.1.1.1.1 Equity	51734	37811	52894	4778	8635	7741
1.1.1.1.1.1 Government (SIA/FIPB)	3265	3028	320	45	48	55
1.1.1.1.1.2 RBI	39364	28460	45638	3646	7355	7039
1.1.1.1.1.3 Acquisition of shares	7348	5281	5512	967	1112	527
1.1.1.1.1.4 Equity capital of unincorporated bodies	1757	1042	1423	120	120	120
1.1.1.1.2 Reinvested earnings	14175	10403	11403	1197	1197	1197
1.1.1.1.3 Other capital	8482	6922	3246	1489	273	284
1.1.1.2 Repatriation/Disinvestment	**18384**	**14315**	**19097**	**1952**	**3265**	**1884**
1.1.1.2.1 Equity	18212	14150	19068	1916	3263	1882
1.1.1.2.2 Other capital	173	165	28	36	2	3
1.1.2 Foreign Direct Investment by India (1.1.2.1+1.1.2.2+1.1.2.3–1.1.2.4)	**12993**	**9771**	**7924**	**1186**	**1190**	**811**
1.1.2.1 Equity capital	7572	5464	4421	600	641	594
1.1.2.2 Reinvested Earnings	3151	2363	2403	263	263	263
1.1.2.3 Other Capital	5674	3730	3673	532	407	468
1.1.2.4 Repatriation/Disinvestment	3403	1787	2574	209	122	514
1.2 Net Portfolio Investment (1.2.1+1.2.2+1.2.3–1.2.4)	**1403**	**15148**	**28413**	**-611**	**9427**	**8403**
1.2.1 GDRs/ADRs	–	–	–	–	–	–
1.2.2 FIIs	552	15295	30192	-510	9763	8598
1.2.3 Offshore funds and others	–	–	–	–	–	–
1.2.4 Portfolio investment by India	-851	147	1779	101	336	195
1 Foreign Investment Inflows	**44417**	**46198**	**68934**	**3715**	**15077**	**14929**

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

(US$ Million)

Item	2019-20	2019	2020		
		Dec.	Oct.	Nov.	Dec.
	1	2	3	4	5
1 Outward Remittances under the LRS	**18760.69**	**1563.72**	**938.37**	**942.44**	**1149.17**
1.1 Deposit	623.37	42.38	23.34	23.32	35.33
1.2 Purchase of immovable property	86.43	4.85	3.85	3.53	5.05
1.3 Investment in equity/debt	431.41	27.57	22.80	25.39	38.76
1.4 Gift	1907.71	150.90	108.89	110.55	145.15
1.5 Donations	22.33	0.89	1.29	0.65	0.67
1.6 Travel	6955.98	620.32	272.98	253.26	322.25
1.7 Maintenance of close relatives	3439.74	276.74	162.64	160.81	217.30
1.8 Medical Treatment	33.90	2.68	3.66	2.92	2.82
1.9 Studies Abroad	4991.07	420.45	333.45	355.77	373.32
1.10 Others	268.75	16.93	5.47	6.24	8.54

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

Item	2018-19	2019-20	2020		2021
			January	December	January
	1	2	3	4	5
40-Currency Basket (Base: 2015-16 = 100)					
1 Trade-weighted					
1.1 NEER	97.45	98.00	96.91	92.96	93.81
1.2 REER	100.63	103.20	104.09	103.31	104.26
2 Export-weighted					
2.1 NEER	97.13	97.38	96.35	92.80	93.37
2.2 REER	100.29	102.88	104.00	103.13	103.75
6-Currency Basket (Trade-weighted)					
1 Base: 2015-16 = 100					
1.1 NEER	94.19	94.92	94.02	87.13	87.34
1.2 REER	100.29	103.60	104.86	101.56	101.81
2 Base: 2018-19 = 100					
2.1 NEER	100.00	100.78	99.82	92.50	92.73
2.2 REER	100.00	103.30	104.56	101.27	101.52

No. 37: External Commercial Borrowings (ECBs) – Registrations

(Amount in US$ Million)

Item	2019-20	2019	2020	
		Dec.	Nov.	Dec.
	1	2	3	4
1 Automatic Route				
1.1 Number	1292	109	87	95
1.2 Amount	38011	1257	2045	2994
2 Approval Route				
2.1 Number	41	4	-	-
2.2 Amount	14921	840	-	-
3 Total (1+2)				
3.1 Number	1333	113	87	95
3.2 Amount	52932	2097	2045	2994
4 Weighted Average Maturity (in years)	6.00	4.70	5.48	4.59
5 Interest Rate (per cent)				
5.1 Weighted Average Margin over 6-month LIBOR or reference rate for Floating Rate Loans	1.34	1.41	1.87	1.65
5.2 Interest rate range for Fixed Rate Loans	0.00-25.00	0.00-25.00	0.00-10.30	0.00-13.00

No. 38: India's Overall Balance of Payments

(US $ Million)

Item	Jul-Sep 2019 Credit	Jul-Sep 2019 Debit	Jul-Sep 2019 Net	Jul-Sep 2020(P) Credit	Jul-Sep 2020(P) Debit	Jul-Sep 2020(P) Net
	1	2	3	4	5	6
Overall Balance of Payments(1+2+3)	**303790**	**298671**	**5118**	**304250**	**272682**	**31568**
1 CURRENT ACCOUNT (1.1+ 1.2)	**161553**	**169132**	**-7579**	**150955**	**135448**	**15507**
1.1 MERCHANDISE	**79952**	**119602**	**-39650**	**75591**	**90375**	**-14784**
1.2 INVISIBLES (1.2.1+1.2.2+1.2.3)	**81601**	**49530**	**32070**	**75364**	**45072**	**30292**
1.2.1 Services	52777	31836	20941	49902	28733	21169
1.2.1.1 Travel	7643	6031	1611	2020	2737	-717
1.2.1.2 Transportation	5181	6009	-828	5410	4759	651
1.2.1.3 Insurance	602	354	248	590	537	53
1.2.1.4 G.n.i.e.	169	298	-128	144	190	-46
1.2.1.5 Miscellaneous	39182	19144	20038	41738	20510	21228
1.2.1.5.1 Software Services	23247	2182	21064	25069	2769	22299
1.2.1.5.2 Business Services	10878	11211	-333	11624	12379	-755
1.2.1.5.3 Financial Services	1239	594	645	1003	1107	-104
1.2.1.5.4 Communication Services	635	354	281	661	355	306
1.2.2 Transfers	21986	2034	19952	20421	2023	18398
1.2.2.1 Official	50	286	-236	36	258	-221
1.2.2.2 Private	21936	1748	20188	20385	1766	18619
1.2.3 Income	6838	15660	-8822	5041	14316	-9275
1.2.3.1 Investment Income	5434	14997	-9563	3596	13615	-10020
1.2.3.2 Compensation of Employees	1404	663	741	1445	700	745
2 CAPITAL ACCOUNT (2.1+2.2+2.3+2.4+2.5)	**142237**	**128657**	**13580**	**152658**	**137234**	**15424**
2.1 Foreign Investment (2.1.1+2.1.2)	**85751**	**75960**	**9791**	**97269**	**65689**	**31581**
2.1.1 Foreign Direct Investment	15650	8336	7314	30475	5892	24583
2.1.1.1 In India	14875	4482	10393	29501	2450	27051
2.1.1.1.1 Equity	10113	4446	5668	23989	2445	21544
2.1.1.1.2 Reinvested Earnings	3464		3464	4024	0	4024
2.1.1.1.3 Other Capital	1298	37	1262	1488	5	1483
2.1.1.2 Abroad	775	3854	-3079	974	3442	-2468
2.1.1.2.1 Equity	775	1703	-928	974	1391	-417
2.1.1.2.2 Reinvested Earnings	0	788	-788	0	808	-808
2.1.1.2.3 Other Capital	0	1363	-1363	0	1243	-1243
2.1.2 Portfolio Investment	70101	67625	2476	66794	59796	6998
2.1.2.1 In India	68312	66307	2005	66420	58684	7736
2.1.2.1.1 FIIs	68312	66307	2005	66420	58684	7736
2.1.2.1.1.1 Equity	48252	51608	-3355	55007	48183	6824
2.1.2.1.1.2 Debt	20059	14699	5361	11413	10501	912
2.1.2.1.2 ADR/GDRs	0	0	0	0	0	0
2.1.2.2 Abroad	1789	1318	471	375	1113	-738
2.2 Loans (2.2.1+2.2.2+2.2.3)	**21544**	**18472**	**3072**	**20225**	**24468**	**-4243**
2.2.1 External Assistance	1802	1366	435	3201	1330	1870
2.2.1.1 By India	2	29	-27	2	28	-26
2.2.1.2 To India	1800	1338	462	3199	1302	1897
2.2.2 Commercial Borrowings	9011	5728	3283	8362	12659	-4297
2.2.2.1 By India	1287	1082	205	769	1005	-235
2.2.2.2 To India	7724	4646	3078	7593	11654	-4061
2.2.3 Short Term to India	10731	11378	-646	8662	10479	-1817
2.2.3.1 Buyers' credit & Suppliers' Credit >180 days	10731	10940	-209	8662	9770	-1108
2.2.3.2 Suppliers' Credit up to 180 days	0	437	-437	0	709	-709
2.3 Banking Capital (2.3.1+2.3.2)	**23881**	**25699**	**-1818**	**18850**	**30025**	**-11175**
2.3.1 Commercial Banks	23881	25364	-1483	18837	30025	-11188
2.3.1.1 Assets	9914	10148	-235	7295	16747	-9451
2.3.1.2 Liabilities	13967	15216	-1249	11541	13279	-1737
2.3.1.2.1 Non-Resident Deposits	13458	11178	2280	10311	8377	1934
2.3.2 Others	0	335	-335	13	0	13
2.4 Rupee Debt Service	0	2	-2	0	2	-2
2.5 Other Capital	11061	8523	2538	16314	17050	-737
3 Errors & Omissions		**882**	**-882**	**637**	0	**637**
4 Monetary Movements (4.1+ 4.2)	0	**5118**	**-5118**	0	**31568**	**-31568**
4.1 I.M.F.				0	0	0
4.2 Foreign Exchange Reserves (Increase - / Decrease +)		5118	-5118	0	31568	-31568

Note : P : Preliminary

No. 39: India's Overall Balance of Payments

(₹ Crore)

Item	Jul-Sep 2019			Jul-Sep 2020(P)		
	Credit	Debit	Net	Credit	Debit	Net
	1	2	3	4	5	6
Overall Balance of Payments(1+2+3)	**2139568**	**2103519**	**36049**	**2263084**	**2028270**	**234814**
1 CURRENT ACCOUNT (1.1+ 1.2)	**1137803**	**1191185**	**-53382**	**1122840**	**1007492**	**115348**
1.1 MERCHANDISE	**563094**	**842346**	**-279252**	**562264**	**672233**	**-109969**
1.2 INVISIBLES (1.2.1+1.2.2+1.2.3)	**574709**	**348839**	**225870**	**560576**	**335259**	**225317**
1.2.1 Services	371704	224219	147485	371185	213726	157459
1.2.1.1 Travel	53826	42478	11348	15024	20359	-5335
1.2.1.2 Transportation	36488	42320	-5833	40241	35397	4843
1.2.1.3 Insurance	4243	2494	1749	4385	3994	391
1.2.1.4 G.n.i.e.	1193	2096	-904	1074	1414	-339
1.2.1.5 Miscellaneous	275955	134831	141124	310461	152561	157899
1.2.1.5.1 Software Services	163725	15370	148355	186466	20598	165868
1.2.1.5.2 Business Services	76611	78960	-2348	86464	92076	-5612
1.2.1.5.3 Financial Services	8729	4187	4543	7462	8233	-771
1.2.1.5.4 Communication Services	4475	2494	1981	4914	2638	2275
1.2.2 Transfers	154844	14327	140517	151896	15051	136845
1.2.2.1 Official	349	2014	-1665	269	1916	-1647
1.2.2.2 Private	154495	12313	142182	151627	13134	138492
1.2.3 Income	48161	110294	-62133	37495	106483	-68988
1.2.3.1 Investment Income	38270	105623	-67353	26745	101274	-74529
1.2.3.2 Compensation of Employees	9891	4671	5220	10750	5209	5541
2 CAPITAL ACCOUNT (2.1+2.2+2.3+2.4+2.5)	**1001765**	**906125**	**95640**	**1135504**	**1020778**	**114725**
2.1 Foreign Investment (2.1.1+2.1.2)	**603940**	**534984**	**68957**	**723512**	**488607**	**234905**
2.1.1 Foreign Direct Investment	110224	58709	51515	226681	43826	182855
2.1.1.1 In India	104766	31568	73198	219436	18223	201213
2.1.1.1.1 Equity	71226	31310	39916	178436	18184	160252
2.1.1.1.2 Reinvested Earnings	24395	0	24395	29930		29930
2.1.1.1.3 Other Capital	9145	258	8886	11070	39	11032
2.1.1.2 Abroad	5458	27141	-21682	7245	25603	-18358
2.1.1.2.1 Equity	5458	11997	-6538	7245	10348	-3103
2.1.1.2.2 Reinvested Earnings	0	5548	-5548	0	6009	-6009
2.1.1.2.3 Other Capital	0	9596	-9596	0	9247	-9247
2.1.2 Portfolio Investment	493716	476275	17441	496831	444780	52050
2.1.2.1 In India	481114	466993	14122	494044	436504	57540
2.1.2.1.1 FIIs	481114	466993	14122	494044	436504	57540
2.1.2.1.1.1 Equity	339837	363469	-23632	409153	358396	50757
2.1.2.1.1.2 Debt	141277	103523	37754	84891	78108	6783
2.1.2.1.2 ADR/GDRs	0	0	0	0	0	0
2.1.2.2 Abroad	12602	9283	3320	2786	8276	-5490
2.2 Loans (2.2.1+2.2.2+2.2.3)	**151732**	**130099**	**21633**	**150435**	**181998**	**-31563**
2.2.1 External Assistance	12689	9624	3065	23807	9895	13911
2.2.1.1 By India	14	201	-187	12	208	-197
2.2.1.2 To India	12675	9423	3252	23795	9687	14108
2.2.2 Commercial Borrowings	63463	40344	23119	62198	94158	-31960
2.2.2.1 By India	9066	7623	1444	5722	7473	-1751
2.2.2.2 To India	54397	32721	21675	56476	86685	-30209
2.2.3 Short Term to India	75580	80132	-4551	64430	77945	-13515
2.2.3.1 Buyers' credit & Suppliers' Credit >180 days	75580	77050	-1470	64430	72671	-8241
2.2.3.2 Suppliers' Credit up to 180 days	0	3081	-3081	0	5273	-5273
2.3 Banking Capital (2.3.1+2.3.2)	**168191**	**180998**	**-12807**	**140212**	**223336**	**-83124**
2.3.1 Commercial Banks	168191	178639	-10448	140113	223336	-83222
2.3.1.1 Assets	69820	71474	-1654	54265	124564	-70299
2.3.1.2 Liabilities	98370	107165	-8794	85848	98771	-12923
2.3.1.2.1 Non-Resident Deposits	94785	78728	16056	76699	62311	14387
2.3.2 Others	0	2359	-2359	99	0	99
2.4 Rupee Debt Service	0	15	-15	0	15	-15
2.5 Other Capital	77902	60029	17873	121345	126824	-5479
3 Errors & Omissions	0	**6210**	**-6210**	**4740**		**4740**
4 Monetary Movements (4.1+ 4.2)	0	**36049**	**-36049**	0	**234814**	**-234814**
4.1 I.M.F.	0	0	0	0	0	0
4.2 Foreign Exchange Reserves (Increase - / Decrease +)	0	36049	-36049		234814	-234814

Note : P: Preliminary

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

(US $ Million)

Item	Jul-Sep 2019			Jul-Sep 2020(P)		
	Credit	Debit	Net	Credit	Debit	Net
	1	2	3	4	5	6
1 Current Account (1.A+1.B+1.C)	**161551**	**169104**	**-7553**	**150953**	**135423**	**15531**
1.A Goods and Services (1.A.a+1.A.b)	**132729**	**151438**	**-18709**	**125493**	**119109**	**6385**
1.A.a Goods (1.A.a.1 to 1.A.a.3)	**79952**	**119602**	**-39650**	**75591**	**90375**	**-14784**
1.A.a.1 General merchandise on a BOP basis	79293	115248	-35955	75243	84287	-9044
1.A.a.2 Net exports of goods under merchanting	658	0	658	348	0	348
1.A.a.3 Nonmonetary gold		4354	-4354	0	6088	-6088
1.A.b Services (1.A.b.1 to 1.A.b.13)	**52777**	**31836**	**20941**	**49902**	**28733**	**21169**
1.A.b.1 Manufacturing services on physical inputs owned by others	58	33	25	68	11	56
1.A.b.2 Maintenance and repair services n.i.e.	44	253	-208	35	204	-169
1.A.b.3 Transport	5181	6009	-828	5410	4759	651
1.A.b.4 Travel	7643	6031	1611	2020	2737	-717
1.A.b.5 Construction	677	714	-37	589	563	26
1.A.b.6 Insurance and pension services	602	354	248	590	537	53
1.A.b.7 Financial services	1239	594	645	1003	1107	-104
1.A.b.8 Charges for the use of intellectual property n.i.e.	248	1776	-1528	313	1456	-1143
1.A.b.9 Telecommunications, computer, and information services	23947	2654	21293	25793	3290	22503
1.A.b.10 Other business services	10878	11211	-333	11624	12379	-755
1.A.b.11 Personal, cultural, and recreational services	551	923	-372	530	817	-287
1.A.b.12 Government goods and services n.i.e.	169	298	-128	144	190	-46
1.A.b.13 Others n.i.e.	1539	984	555	1782	683	1099
1.B Primary Income (1.B.1 to 1.B.3)	**6838**	**15660**	**-8822**	**5041**	**14316**	**-9275**
1.B.1 Compensation of employees	1404	663	741	1445	700	745
1.B.2 Investment income	4379	14782	-10403	2808	13314	-10507
1.B.2.1 Direct investment	1763	7056	-5293	1327	8038	-6711
1.B.2.2 Portfolio investment	54	3760	-3706	49	2126	-2076
1.B.2.3 Other investment	602	3951	-3349	78	3150	-3072
1.B.2.4 Reserve assets	1960	15	1945	1354	1	1353
1.B.3 Other primary income	1055	215	840	788	301	487
1.C Secondary Income (1.C.1+1.C.2)	**21984**	**2006**	**19978**	**20419**	**1998**	**18421**
1.C.1 Financial corporations, nonfinancial corporations, households, and NPISHs	21936	1748	20188	20385	1766	18619
1.C.1.1 Personal transfers (Current transfers between resident and/	21291	1336	19955	19711	1287	18424
1.C.1.2 Other current transfers	645	412	233	674	479	195
1.C.2 General government	48	258	-210	35	232	-198
2 Capital Account (2.1+2.2)	**90**	**190**	**-100**	**109**	**197**	**-87**
2.1 Gross acquisitions (DR.)/disposals (CR.) of non-produced nonfinancial assets	9	93	-84	8	100	-92
2.2 Capital transfers	81	97	-16	101	96	5
3 Financial Account (3.1 to 3.5)	**142149**	**133614**	**8535**	**152550**	**168631**	**-16081**
3.1 Direct Investment (3.1A+3.1B)	**15650**	**8336**	**7314**	**30475**	**5892**	**24583**
3.1.A Direct Investment in India	14875	4482	10393	29501	2450	27051
3.1.A.1 Equity and investment fund shares	13577	4446	9131	28013	2445	25568
3.1.A.1.1 Equity other than reinvestment of earnings	10113	4446	5668	23989	2445	21544
3.1.A.1.2 Reinvestment of earnings	3464		3464	4024	0	4024
3.1.A.2 Debt instruments	1298	37	1262	1488	5	1483
3.1.A.2.1 Direct investor in direct investment enterprises	1298	37	1262	1488	5	1483
3.1.B Direct Investment by India	775	3854	-3079	974	3442	-2468
3.1.B.1 Equity and investment fund shares	775	2491	-1716	974	2199	-1225
3.1.B.1.1 Equity other than reinvestment of earnings	775	1703	-928	974	1391	-417
3.1.B.1.2 Reinvestment of earnings		788	-788	0	808	-808
3.1.B.2 Debt instruments	0	1363	-1363	0	1243	-1243
3.1.B.2.1 Direct investor in direct investment enterprises		1363	-1363	0	1243	-1243
3.2 Portfolio Investment	**70101**	**67625**	**2476**	**66794**	**59796**	**6998**
3.2.A Portfolio Investment in India	68312	66307	2005	66420	58684	7736
3.2.1 Equity and investment fund shares	48252	51608	-3355	55007	48183	6824
3.2.2 Debt securities	20059	14699	5361	11413	10501	912
3.2.B Portfolio Investment by India	1789	1318	471	375	1113	-738
3.3 Financial derivatives (other than reserves) and employee stock options	**7395**	**7138**	**257**	**9664**	**12339**	**-2675**
3.4 Other investment	**49003**	**45398**	**3605**	**45617**	**59035**	**-13418**
3.4.1 Other equity (ADRs/GDRs)	0	0	0	0	0	0
3.4.2 Currency and deposits	13458	11513	1945	10325	8377	1948
3.4.2.1 Central bank (Rupee Debt Movements; NRG)	0	335	-335	13	0	13
3.4.2.2 Deposit-taking corporations, except the central bank (NRI Deposits)	13458	11178	2280	10311	8377	1934
3.4.2.3 General government				0	0	0
3.4.2.4 Other sectors				0	0	0
3.4.3 Loans (External Assistance, ECBs and Banking Capital)	21235	21281	-45	20088	35637	-15549
3.4.3.A Loans to India	19946	20170	-224	19317	34605	-15287
3.4.3.B Loans by India	1289	1111	178	771	1033	-262
3.4.4 Insurance, pension, and standardized guarantee schemes	54	71	-17	78	62	16
3.4.5 Trade credit and advances	10731	11378	-646	8662	10479	-1817
3.4.6 Other accounts receivable/payable - other	3524	1155	2369	6464	4480	1984
3.4.7 Special drawing rights			0	0	0	0
3.5 Reserve assets	0	**5118**	**-5118**	0	**31568**	**-31568**
3.5.1 Monetary gold				0	0	0
3.5.2 Special drawing rights n.a.				0	0	0
3.5.3 Reserve position in the IMF n.a.				0	0	0
3.5.4 Other reserve assets (Foreign Currency Assets)	0	5118	-5118	0	31568	-31568
4 Total assets/liabilities	**142149**	**133614**	**8535**	**152550**	**168631**	**-16081**
4.1 Equity and investment fund shares	71843	67071	4772	94110	66340	27770
4.2 Debt instruments	66783	60270	6513	51976	66242	-14267
4.3 Other financial assets and liabilities	3524	6273	-2750	6464	36048	-29584
5 Net errors and omissions		**882**	**-882**	**637**	0	**637**

Note : P : Preliminary

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

(₹ Crore)

Item	Jul-Sep 2019			Jul-Sep 2020(P)		
	Credit	Debit	Net	Credit	Debit	Net
	1	2	3	4	5	6
1 Current Account (1.A+1.B+1.C)	**1137790**	**1190988**	**-53198**	**1122827**	**1007305**	**115522**
1.A Goods and Services (1.A.a+1.A.b)	**934798**	**1066564**	**-131766**	**933449**	**885959**	**47490**
1.A.a Goods (1.A.a.1 to 1.A.a.3)	**563094**	**842346**	**-279252**	**562264**	**672233**	**-109969**
1.A.a.1 General merchandise on a BOP basis	558456	811684	-253228	559675	626945	-67270
1.A.a.2 Net exports of goods under merchanting	4638	0	4638	2588	0	2588
1.A.a.3 Nonmonetary gold	0	30661	-30661		45287	-45287
1.A.b Services (1.A.b.1 to 1.A.b.13)	**371704**	**224219**	**147485**	**371185**	**213726**	**157459**
1.A.b.1 Manufacturing services on physical inputs owned by others	408	235	173	505	85	420
1.A.b.2 Maintenance and repair services n.i.e.	310	1779	-1468	263	1519	-1256
1.A.b.3 Transport	36488	42320	-5833	40241	35397	4843
1.A.b.4 Travel	53826	42478	11348	15024	20359	-5335
1.A.b.5 Construction	4770	5031	-261	4383	4186	197
1.A.b.6 Insurance and pension services	4243	2494	1749	4385	3994	391
1.A.b.7 Financial services	8729	4187	4543	7462	8233	-771
1.A.b.8 Charges for the use of intellectual property n.i.e.	1749	12511	-10762	2330	10833	-8503
1.A.b.9 Telecommunications, computer, and information services	168656	18693	149963	191855	24472	167382
1.A.b.10 Other business services	76611	78960	-2348	86464	92076	-5612
1.A.b.11 Personal, cultural, and recreational services	3882	6503	-2621	3944	6078	-2135
1.A.b.12 Government goods and services n.i.e.	1193	2096	-904	1074	1414	-339
1.A.b.13 Others n.i.e.	10839	6933	3906	13255	5078	8178
1.B Primary Income (1.B.1 to 1.B.3)	**48161**	**110294**	**-62133**	**37495**	**106483**	**-68988**
1.B.1 Compensation of employees	9891	4671	5220	10750	5209	5541
1.B.2 Investment income	30842	104107	-73266	20884	99036	-78152
1.B.2.1 Direct investment	12418	49694	-37276	9869	59790	-49921
1.B.2.2 Portfolio investment	380	26481	-26100	366	15810	-15445
1.B.2.3 Other investment	4241	27830	-23589	579	23428	-22848
1.B.2.4 Reserve assets	13803	103	13700	10070	7	10063
1.B.3 Other primary income	7428	1515	5913	5861	2238	3623
1.C Secondary Income (1.C.1+1.C.2)	**154831**	**14130**	**140701**	**151883**	**14863**	**137020**
1.C.1 Financial corporations, nonfinancial corporations, households, and NPISHs	154495	12313	142182	151627	13134	138492
1.C.1.1 Personal transfers (Current transfers between resident and/	149953	9410	140544	146616	9573	137043
1.C.1.2 Other current transfers	4542	2903	1639	5011	3561	1450
1.C.2 General government	336	1817	-1481	257	1729	-1472
2 Capital Account (2.1+2.2)	**632**	**1337**	**-705**	**813**	**1463**	**-649**
2.1 Gross acquisitions (DR.)/disposals (CR.) of non-produced nonfinancial assets	63	656	-593	62	747	-685
2.2 Capital transfers	569	680	-112	751	716	36
3 Financial Account (3.1 to 3.5)	**1001146**	**941034**	**60112**	**1134703**	**1254317**	**-119614**
3.1 Direct Investment (3.1A+3.1B)	**110224**	**58709**	**51515**	**226681**	**43826**	**182855**
3.1.A Direct Investment in India	104766	31568	73198	219436	18223	201213
3.1.A.1 Equity and investment fund shares	95621	31310	64312	208366	18184	190182
3.1.A.1.1 Equity other than reinvestment of earnings	71226	31310	39916	178436	18184	160252
3.1.A.1.2 Reinvestment of earnings	24395	0	24395	29930		29930
3.1.A.2 Debt instruments	9145	258	8886	11070	39	11032
3.1.A.2.1 Direct investor in direct investment enterprises	9145	258	8886	11070	39	11032
3.1.B Direct Investment by India	5458	27141	-21682	7245	25603	-18358
3.1.B.1 Equity and investment fund shares	5458	17544	-12086	7245	16356	-9111
3.1.B.1.1 Equity other than reinvestment of earnings	5458	11997	-6538	7245	10348	-3103
3.1.B.1.2 Reinvestment of earnings	0	5548	-5548		6009	-6009
3.1.B.2 Debt instruments	0	9596	-9596	0	9247	-9247
3.1.B.2.1 Direct investor in direct investment enterprises	0	9596	-9596		9247	-9247
3.2 Portfolio Investment	**493716**	**476275**	**17441**	**496831**	**444780**	**52050**
3.2.A Portfolio Investment in India	481114	466993	14122	494044	436504	57540
3.2.1 Equity and investment fund shares	339837	363469	-23632	409153	358396	50757
3.2.2 Debt securities	141277	103523	37754	84891	78108	6783
3.2.B Portfolio Investment by India	12602	9283	3320	2786	8276	-5490
3.3 Financial derivatives (other than reserves) and employee stock options	**52083**	**50270**	**1813**	**71882**	**91780**	**-19898**
3.4 Other investment	**345123**	**319731**	**25392**	**339309**	**439117**	**-99808**
3.4.1 Other equity (ADRs/GDRs)	0	0	0	0	0	0
3.4.2 Currency and deposits	94785	81087	13697	76798	62311	14486
3.4.2.1 Central bank (Rupee Debt Movements; NRG)	0	2359	-2359	99	0	99
3.4.2.2 Deposit-taking corporations, except the central bank (NRI Deposits)	94785	78728	16056	76699	62311	14387
3.4.2.3 General government	0	0	0			
3.4.2.4 Other sectors	0	0	0			
3.4.3 Loans (External Assistance, ECBs and Banking Capital)	149558	149878	-320	149419	265077	-115658
3.4.3.A Loans to India	140478	142055	-1577	143686	257396	-113711
3.4.3.B Loans by India	9080	7823	1257	5734	7681	-1947
3.4.4 Insurance, pension, and standardized guarantee schemes	383	501	-117	580	462	117
3.4.5 Trade credit and advances	75580	80132	-4551	64430	77945	-13515
3.4.6 Other accounts receivable/payable - other	24817	8134	16683	48082	33321	14761
3.4.7 Special drawing rights	0	0	0			0
3.5 Reserve assets	**0**	**36049**	**-36049**	**0**	**234814**	**-234814**
3.5.1 Monetary gold	0	0	0			
3.5.2 Special drawing rights n.a.	0	0	0			
3.5.3 Reserve position in the IMF n.a.	0	0	0			
3.5.4 Other reserve assets (Foreign Currency Assets)	0	36049	-36049	0	234814	-234814
4 Total assets/liabilities	**1001146**	**941034**	**60112**	**1134703**	**1254317**	**-119614**
4.1 Equity and investment fund shares	505985	472376	33609	700013	493455	206557
4.2 Debt instruments	470345	424475	45870	386609	492727	-106118
4.3 Other financial assets and liabilities	24817	44183	-19366	48082	268134	-220052
5 Net errors and omissions	**0**	**6210**	**-6210**	**4740**	**0**	**4740**

Note : P: Preliminary

No. 42: International Investment Position

(US$ Million)

Item	As on Financial Year /Quarter End							
	2019-20		2019		2020			
			Sep.		Jun.		Sep.	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
	1	2	3	4	5	6	7	8
1 Direct Investment Abroad/in India	182957	418243	176244	417145	185898	419426	188366	455989
1.1 Equity Capital and Reinvested Earnings	118442	395426	114834	398819	120322	395835	121546	430881
1.2 Other Capital	64515	22817	61410	18327	65577	23591	66820	25108
2 Portfolio Investment	3847	246701	4541	260195	4303	241581	5041	253289
2.1 Equity	602	134778	2344	144039	830	138961	1906	149095
2.2 Debt	3246	111923	2197	116155	3474	102621	3136	104195
3 Other Investment	52422	427272	54980	428886	53694	432321	64921	432817
3.1 Trade Credit	1460	104276	1633	106581	1271	104001	2917	102193
3.2 Loan	6741	179601	7892	174823	7435	184391	9048	180264
3.3 Currency and Deposits	26011	130761	27563	133105	27741	132942	34864	137519
3.4 Other Assets/Liabilities	18210	12634	17892	14378	17247	10987	18092	12841
4 Reserves	477807		433707		505702		544687	
5 Total Assets/ Liabilities	717033	1092216	669472	1106226	749597	1093328	803016	1142095
6 IIP (Assets - Liabilities)		-375183		-436754		-343730		-339079

Payment and Settlement Systems

No.43: Payment System Indicators

PART I - Payment System Indicators - Payment & Settlement System Statistics

System	Volume (Lakh)				Value (₹ Crore)			
	FY 2019-20	2019	2020		FY 2019-20	2019	2020	
		Dec.	Nov.	Dec.		Dec.	Nov.	Dec.
	1	2	3	4	5	6	7	8
A. Settlement Systems								
Financial Market Infrastructures (FMIs)								
1 CCIL Operated Systems (1.1 to 1.3)	–	2.83	2.45	2.62	–	12196681	10692192	15757032
1.1 Govt. Securities Clearing (1.1.1 to 1.1.3)	–	1.04	0.79	1.00	–	8085475	6942678	10816866
1.1.1 Outright	–	0.61	0.48	0.51	–	853262	727023	772886
1.1.2 Repo	–	0.21	0.12	0.25	–	2950776	1762647	4089804
1.1.3 Tri-party Repo	–	0.21	0.19	0.24	–	4281437	4453008	5954176
1.2 Forex Clearing	–	1.75	1.64	1.58	–	3831685	3625849	4651382
1.3 Rupee Derivatives @	–	0.04	0.02	0.04	–	279520	123665	288785
B. Payment Systems								
I Financial Market Infrastructures (FMIs)	–	–	–	–	–	–	–	–
1 Credit Transfers - RTGS (1.1 to 1.2)	–	136.02	137.80	163.48	–	10316937	7987655	10659120
1.1 Customer Transactions	–	133.82	136.13	161.72	–	8847761	6802206	9058136
1.2 Interbank Transactions	–	2.20	1.67	1.75	–	1469176	1185449	1600984
II Retail								
2 Credit Transfers - Retail (2.1 to 2.6)	–	20029.81	30269.97	31735.80	–	2440749	2986234	3393355
2.1 AePS (Fund Transfers) @	–	0.84	0.93	1.03	–	35	54	61
2.2 APBS $	–	1369.14	927.29	1018.90	–	6000	4400	8180
2.3 IMPS	–	2564.67	3391.14	3556.93	–	210934	276459	292325
2.4 NACH Cr $	–	674.26	1114.23	1741.20	–	79028	96069	118309
2.5 NEFT	–	2336.88	2734.10	3076.15	–	1942231	2218252	2558304
2.6 UPI @	–	13084.02	22102.28	22341.58	–	202521	390999	416176
2.6.1 of which USSD @	–	0.80	0.91	0.88	–	14	15	14
3 Debit Transfers and Direct Debits (3.1 to 3.3)	–	790.71	944.24	922.53	–	72455	78709	81871
3.1 BHIM Aadhaar Pay @	–	7.37	9.39	8.90	–	112	181	187
3.2 NACH Dr $	–	769.31	869.63	840.43	–	72306	78433	81576
3.3 NETC (linked to bank account) @	–	14.02	65.22	73.21	–	37	96	108
4 Card Payments (4.1 to 4.2)	–	6615.52	5633.00	5729.81	–	149688	163940	166029
4.1 Credit Cards (4.1.1 to 4.1.2)	–	2036.64	1662.58	1737.79	–	65736	62350	63487
4.1.1 PoS based $	–	1181.09	874.82	914.20	–	35157	30495	28961
4.1.2 Others $	–	855.55	787.76	823.59	–	30579	31855	34526
4.2 Debit Cards (4.2.1 to 4.2.1)	–	4578.88	3970.43	3992.02	–	83953	101591	102542
4.2.1 PoS based $	–	2634.18	2112.56	2165.50	–	39740	42289	39437
4.2.2 Others $	–	1944.70	1857.87	1826.52	–	44213	59302	63105
5 Prepaid Payment Instruments (5.1 to 5.2)	–	5073.44	4193.78	4363.90	–	18922	16704	18201
5.1 Wallets	–	3652.64	3420.83	3550.29	–	15835	12717	13439
5.2 Cards (5.2.1 to 5.2.2)	–	1420.80	772.96	813.60	–	3088	3987	4762
5.2.1 PoS based $	–	121.90	39.38	42.79	–	1012	1111	1215
5.2.2 Others $	–	1298.91	733.57	770.81	–	2076	2877	3547
6 Paper-based Instruments (6.1 to 6.2)	–	865.46	596.35	719.40	–	646583	494383	618015
6.1 CTS (NPCI Managed)	–	864.44	596.35	719.40	–	645573	494383	618015
6.2 Others	–	1.02	0.00	0.00	–	1010	–	–
Total - Retail Payments (2+3+4+5+6)	–	33374.94	41637.35	43471.44	–	3328398	3739970	4277471
Total Payments (1+2+3+4+5+6)	–	33510.96	41775.15	43634.92	–	13645335	11727625	14936592
Total Digital Payments (1+2+3+4+5)	–	32645.50	41178.79	42915.52	–	12998751	11233243	14318576

PART II - Payment Modes and Channels

System	Volume (Lakh)				Value (₹ Crore)			
	FY 2019-20	2019	2020		FY 2019-20	2019	2020	
		Dec.	Nov.	Dec.		Dec.	Nov.	Dec.
	1	2	3	4	5	6	7	8
A. Other Payment Channels								
1 Mobile Payments (mobile app based) (1.1 to 1.2)	–	14322.15	24198.24	25199.49	–	493342	820024	899401
1.1 Intra-bank $	–	1280.66	2191.98	2183.03	–	101679	165155	174603
1.2 Inter-bank $	–	13041.49	22006.26	23016.46	–	391663	654869	724798
2 Internet Payments (Netbanking / Internet Browser Based) @ (2.1 to 2.2)	–	2736.82	2814.17	3137.64	–	3040781	3419474	4032311
2.1 Intra-bank @	–	626.66	585.09	637.64	–	1438853	1653359	1934396
2.2 Inter-bank @	–	2110.16	2229.09	2500.00	–	1601928	1766114	2097916
B. ATMs								
3 Cash Withdrawal at ATMs $ (3.1 to 3.3)	–	6518.97	5913.87	5709.96	–	293087	280560	269614
3.1 Using Credit Cards $	–	8.91	4.64	5.01	–	422	231	246
3.2 Using Debit Cards $	–	6481.81	5883.59	5680.44	–	291704	279417	268475
3.3 Using Pre-paid Cards $	–	28.25	25.63	24.51	–	961	912	894
4 Cash Withdrawal at PoS $ (4.1 to 4.2)	–	78.52	37.91	39.89	–	148	143	149
4.1 Using Debit Cards $	–	71.47	32.33	34.53	–	134	137	142
4.2 Using Pre-paid Cards $	–	7.05	5.58	5.37	–	14	6	6
5 Cash Withrawal at Micro ATMs @	–	326.35	684.78	715.03	–	9163	18820	19671
5.1 AePS @	–	326.35	684.78	715.03	–	9163	18820	19671

PART III - Payment Infrastructures (Lakh)

System	FY 2019-20	2019	2020	
		Dec.	Nov.	Dec.
	1	2	3	4
Payment System Infrastructures				
1 Number of Cards (1.1 to 1.2)	–	8606.57	9528.15	9468.15
1.1 Credit Cards	–	553.33	601.13	603.97
1.2 Debit Cards	–	8053.24	8927.02	8864.18
2 Number of PPIs @ (2.1 to 2.2)	–	17625.43	20443.15	20823.65
2.1 Wallets @	–	16615.68	18857.67	19159.52
2.2 Cards @	–	1009.75	1585.48	1664.13
3 Number of ATMs (3.1 to 3.2)	–	2.32	2.34	2.33
3.1 Bank owned ATMs $	–	2.10	2.09	2.08
3.2 White Label ATMs $	–	0.22	0.25	0.25
4 Number of Micro ATMs @	–	2.42	3.57	3.56
5 Number of PoS Terminals	–	49.88	54.19	57.41
6 Bharat QR @	–	17.13	30.46	32.00
7 UPI QR *	–	–	697.82	752.30

@: New inclusion w.e.f. November 2019
$: Inclusion separately initiated from November 2019 - would have been part of other items hitherto.
*: New inclusion w.e.f. September 2020; Includes only static UPI QR Code

Note : 1. Data is provisional.
2. ECS (Debit and Credit) has been merged with NACH with effect from January 31, 2020.
3. The data from November 2019 onwards for card payments (Debit/Credit cards) and Prepaid Payment Instruments (PPIs) may not be comparable with earlier months/ periods, as more granular data is being published along with revision in data definitions.
4. Only domestic financial transactions are considered. The new format captures e-commerce transactions; transactions using FASTags, digital bill payments and card-to-card transfer through ATMs, etc.. Also, failed transactions, chargebacks, reversals, expired cards/ wallets, are excluded.

Occasional Series

No. 44: Small Savings

(₹ Crore)

Scheme		2018-19	2019		2020	
			Feb.	Dec.	Jan.	Feb.
		1	2	3	4	5
1 Small Savings	**Receipts**	**115714**	**9839**	**15814**	**15184**	**16911**
	Outstanding	**918459**	**899191**	**1015010**	**1030037**	**1046766**
1.1 Total Deposits	**Receipts**	**91108**	**7130**	**12117**	**11091**	**11460**
	Outstanding	**618418**	**606920**	**693812**	**704903**	**716363**
1.1.1 Post Office Saving Bank Deposits	Receipts	31037	2360	3455	3106	2690
	Outstanding	140247	134863	150462	153568	156258
1.1.2 MGNREG	Receipts					
	Outstanding					
1.1.3 National Saving Scheme, 1987	Receipts	-31	-19	-31	-25	-20
	Outstanding	3107	2877	2984	2959	2939
1.1.4 National Saving Scheme, 1992	Receipts	53	0	-827	-2	-3
	Outstanding	10	-8	-18	-20	-23
1.1.5 Monthly Income Scheme	Receipts	10967	928	1753	1712	1887
	Outstanding	192658	191653	203460	205172	207059
1.1.6 Senior Citizen Scheme 2004	Receipts	13990	1184	2070	2133	2131
	Outstanding	55708	54446	69464	71597	73728
1.1.7 Post Office Time Deposits	Receipts	25000	2451	4296	3999	4494
	Outstanding	124292	121687	152622	156621	161115
1.1.7.1 1 year Time Deposits	Outstanding	71534	70179	86344	88247	90327
1.1.7.2 2 year Time Deposits	Outstanding	5910	5824	6749	6854	6970
1.1.7.3 3 year Time Deposits	Outstanding	6901	6910	7328	7397	7464
1.1.7.4 5 year Time Deposits	Outstanding	39947	38774	52201	54123	56354
1.1.8 Post Office Recurring Deposits	Receipts	10081	215	1401	168	281
	Outstanding	102401	101407	114842	115010	115291
1.1.9 Post Office Cumulative Time Deposits	Receipts	11	11	0	0	0
	Outstanding	-26	-26	-25	-25	-25
1.1.10 Other Deposits	Receipts	0	0	0	0	0
	Outstanding	21	21	21	21	21
1.2 Saving Certificates	**Receipts**	**16067**	**1732**	**3326**	**3524**	**3937**
	Outstanding	**221517**	**219257**	**240900**	**244267**	**248022**
1.2.1 National Savings Certificate VIII issue	Receipts	11318	1262	2272	2458	2619
	Outstanding	98492	94795	110050	112508	115127
1.2.2 Indira Vikas Patras	Receipts	334	3	0	0	1
	Outstanding	263	300	-289	-289	-288
1.2.3 Kisan Vikas Patras	Receipts	-18678	-1609	-971	-1713	-1120
	Outstanding	19303	21232	6782	5069	3949
1.2.4 Kisan Vikas Patras - 2014	Receipts	23018	2065	2025	2782	2452
	Outstanding	93630	91314	113273	116055	118507
1.2.5 National Saving Certificate VI issue	Receipts	93	12	0	-1	0
	Outstanding	2	-47	-179	-180	-180
1.2.6 National Saving Certificate VII issue	Receipts	-18	-1	0	-2	-15
	Outstanding	-80	-82	-82	-84	-99
1.2.7 Other Certificates	Outstanding	9907	11745	11345	11188	11006
1.3 Public Provident Fund	**Receipts**	**8539**	**977**	**371**	**569**	**1514**
	Outstanding	**78524**	**73014**	**80298**	**80867**	**82381**

Source: Accountant General, Post and Telegraphs.

Note : Data on receipts from April 2017 are net receipts, *i.e.*, gross receipt minus gross payment.

No. 45 : Ownership Pattern of Central and State Governments Securities

(Per cent)

Central Government Dated Securities					
Category	2019		2020		
	Sep.	Dec.	Mar.	Jun.	Sep.
	1	2	3	4	5
(A) Total (in ₹. Crore)	**6314426**	**6512659**	**6486585**	**6704983**	**7137069**
1 Commercial Banks	39.66	39.05	40.41	38.98	38.55
2 Non-Bank PDs	0.42	0.39	0.39	0.36	0.34
3 Insurance Companies	24.86	24.90	25.09	26.24	25.33
4 Mutual Funds	0.77	1.53	1.43	2.02	2.42
5 Co-operative Banks	2.01	1.97	1.90	1.86	1.86
6 Financial Institutions	1.15	1.14	0.53	1.19	1.42
7 Corporates	0.92	0.84	0.81	0.78	0.94
8 Foreign Portfolio Investors	3.31	3.33	2.44	1.79	2.05
9 Provident Funds	4.87	4.93	4.72	4.96	4.77
10 RBI	14.99	14.72	15.13	14.70	15.00
11. Others	7.05	7.23	7.17	7.11	7.32
11.1 State Governments	1.99	1.97	2.05	1.99	1.86

State Governments Securities					
Category	2019		2020		
	Sep.	Dec.	Mar.	Jun.	Sep.
	1	2	3	4	5
(B) Total (in ₹. Crore)	**2905169**	**3047353**	**3265990**	**3393099**	**3564979**
1 Commercial Banks	32.53	32.46	34.99	33.54	34.60
2 Non-Bank PDs	0.72	0.64	0.76	0.74	0.54
3 Insurance Companies	33.39	32.50	31.63	30.85	30.26
4 Mutual Funds	1.12	1.20	1.14	1.74	1.96
5 Co-operative Banks	4.24	4.16	4.12	4.38	4.19
6 Financial Institutions	0.33	0.31	0.11	1.96	1.92
7 Corporates	0.28	0.31	0.30	0.31	0.39
8 Foreign Portfolio Investors	0.05	0.04	0.02	0.02	0.02
9 Provident Funds	22.36	23.66	22.22	21.70	21.31
10 RBI	0.00	0.00	0.00	0.00	0.00
11. Others	4.98	4.73	4.71	4.78	4.80
11.1 State Governments	0.16	0.17	0.18	0.18	0.18

Treasury Bills					
Category	2019		2020		
	Sep.	Dec.	Mar.	Jun.	Sep.
	1	2	3	4	5
(C) Total (in ₹. Crore)	**538041**	**514588**	**538409**	**881362**	**982286**
1 Commercial Banks	50.81	45.19	61.06	46.11	53.50
2 Non-Bank PDs	1.92	2.07	2.26	1.48	2.16
3 Insurance Companies	5.55	5.76	7.45	4.64	4.06
4 Mutual Funds	14.08	20.42	13.24	23.45	19.90
5 Co-operative Banks	2.55	2.07	2.55	1.95	1.63
6 Financial Institutions	1.82	2.12	0.58	1.67	1.34
7 Corporates	1.57	1.66	1.89	1.43	1.63
8 Foreign Portfolio Investors	0.00	0.00	0.00	0.00	0.00
9 Provident Funds	0.01	0.01	0.02	0.05	0.00
10 RBI	0.00	0.00	0.00	11.27	4.80
11. Others	21.70	20.70	10.95	7.95	10.99
11.1 State Governments	17.91	16.36	6.22	4.35	7.76

No. 46: Combined Receipts and Disbursements of the Central and State Governments

(₹ Crore)

Item	2015-16	2016-17	2017-18	2018-19	2019-20 RE	2020-21 BE
	1	2	3	4	5	6
1 Total Disbursements	**3760611**	**4265969**	**4515946**	**5040747**	**5875914**	**6470254**
1.1 Developmental	2201287	2537905	2635110	2882758	3486519	3818358
1.1.1 Revenue	1668250	1878417	2029044	2224367	2708218	2920507
1.1.2 Capital	412069	501213	519356	596774	694262	794599
1.1.3 Loans	120968	158275	86710	61617	84038	103252
1.2 Non-Developmental	1510810	1672646	1812455	2078276	2295105	2556504
1.2.1 Revenue	1379727	1555239	1741432	1965907	2171963	2421566
1.2.1.1 Interest Payments	648091	724448	814757	894520	969344	1091617
1.2.2 Capital	127306	115775	69370	111029	121159	132961
1.2.3 Loans	3777	1632	1654	1340	1984	1977
1.3 Others	48514	55417	68381	79713	94290	95393
2 Total Receipts	**3778049**	**4288432**	**4528422**	**5023352**	**5779396**	**6524526**
2.1 Revenue Receipts	2748374	3132201	3376416	3797731	4338225	4828088
2.1.1 Tax Receipts	2297101	2622145	2978134	3278947	3547958	3951657
2.1.1.1 Taxes on commodities and services	1440952	1652377	1853859	2030050	2157126	2436871
2.1.1.2 Taxes on Income and Property	852271	965622	1121189	1246083	1386652	1510287
2.1.1.3 Taxes of Union Territories (Without Legislature)	3878	4146	3086	2814	4180	4500
2.1.2 Non-Tax Receipts	451272	510056	398282	518783	790267	876430
2.1.2.1 Interest Receipts	35779	33220	34224	36273	33272	30911
2.2 Non-debt Capital Receipts	59827	69063	142433	140287	129507	232172
2.2.1 Recovery of Loans & Advances	16561	20942	42213	44667	62499	18302
2.2.2 Disinvestment proceeds	43266	48122	100219	95621	67008	213870
3 Gross Fiscal Deficit [1 - (2.1 + 2.2)]	**952410**	**1064704**	**997097**	**1102729**	**1408183**	**1409995**
3A Sources of Financing: Institution-wise						
3A.1 Domestic Financing	939662	1046708	989167	1097210	1403250	1405373
3A.1.1 Net Bank Credit to Government	231090	617123	144792	387091	518093	-----
3A.1.1.1 Net RBI Credit to Government	60472	195816	-144847	325987	190241	-----
3A.1.2 Non-Bank Credit to Government	708572	429585	844375	710119	885156	-----
3A.2 External Financing	12748	17997	7931	5519	4933	4622
3B Sources of Financing: Instrument-wise						
3B.1 Domestic Financing	939662	1046708	989167	1097210	1403250	1405373
3B.1.1 Market Borrowings (net)	673298	689821	794856	795845	962386	1105573
3B.1.2 Small Savings (net)	80015	35038	71222	88961	213430	213430
3B.1.3 State Provident Funds (net)	35261	45688	42351	51004	42900	42529
3B.1.4 Reserve Funds	-3322	-6436	18423	-18298	-241	2978
3B.1.5 Deposits and Advances	13470	17792	25138	66289	32949	35987
3B.1.6 Cash Balances	-17438	-22463	-12476	17395	96518	-54272
3B.1.7 Others	158378	287268	49653	96014	55309	59147
3B.2 External Financing	12748	17997	7931	5519	4933	4622
4 Total Disbursements as per cent of GDP	*27.3*	*27.7*	*26.4*	*26.6*	*28.9*	*28.8*
5 Total Receipts as per cent of GDP	*27.4*	*27.9*	*26.5*	*26.5*	*28.4*	*29.0*
6 Revenue Receipts as per cent of GDP	*20.0*	*20.3*	*19.7*	*20.0*	*21.3*	*21.5*
7 Tax Receipts as per cent of GDP	*16.7*	*17.0*	*17.4*	*17.3*	*17.4*	*17.6*
8 Gross Fiscal Deficit as per cent of GDP	*6.9*	*6.9*	*5.8*	*5.8*	*6.9*	*6.3*

…: Not available. RE: Revised Estimates; BE: Budget Estimates

Source : Budget Documents of Central and State Governments.

No. 47: Financial Accommodation Availed by State Governments under various Facilities

(₹ Crore)

Sr. No	State/Union Territory	During December-2020					
		Special Drawing Facility (SDF)		Ways and Means Advances (WMA)		Overdraft (OD)	
		Average amount availed	Number of days availed	Average amount availed	Number of days availed	Average amount availed	Number of days availed
	1	2	3	4	5	6	7
1	Andhra Pradesh	999	30	1128	26	955	3
2	Arunachal Pradesh	-	-	-	-	-	-
3	Assam	-	-	-	-	-	-
4	Bihar	-	-	-	-	-	-
5	Chhattisgarh	-	-	-	-	-	-
6	Goa	133	17	26	10	-	-
7	Gujarat	-	-	-	-	-	-
8	Haryana	-	-	-	-	-	-
9	Himachal Pradesh	-	-	-	-	-	-
10	Jammu & Kashmir UT	-	-	1078	29	183	9
11	Jharkhand	-	-	-	-	-	-
12	Karnataka	-	-	-	-	-	-
13	Kerala	131	8	33	1	-	-
14	Madhya Pradesh	-	-	-	-	-	-
15	Maharashtra	2505	15	-	-	-	-
16	Manipur	50	28	201	27	79	7
17	Meghalaya	-	-	-	-	-	-
18	Mizoram	4	5	28	5	-	-
19	Nagaland	171	31	271	26	81	15
20	Odisha	-	-	-	-	-	-
21	Puducherry	-	-	-	-	-	-
22	Punjab	595	28	397	13	-	-
23	Rajasthan	1502	16	126	2	-	-
24	Tamil Nadu	-	-	-	-	-	-
25	Telangana	940	28	1379	20	1037	13
26	Tripura	-	-	-	-	-	-
27	Uttar Pradesh	-	-	-	-	-	-
28	Uttarakhand	-	-	-	-	-	-
29	West Bengal	-	-	-	-	-	-

Note: The State of J&K has ceased to exist constitutionally from October 31, 2019 and the liabilities of the State continue to remain as liabilities of the new UT of Jammu and Kashmir.
Source: Reserve Bank of India.

No. 48: Investments by State Governments

(₹ Crore)

Sr. No	State/Union Territory	As on end of December 2020			
		Consolidated Sinking Fund (CSF)	Guarantee Redemption Fund (GRF)	Government Securities	Auction Treasury Bills (ATBs)
	1	2	3	4	5
1	Andhra Pradesh	8471	833	--	-
2	Arunachal Pradesh	1577	2	--	-
3	Assam	4625	55	--	-
4	Bihar	7131	--	--	-
5	Chhattisgarh	4528	--	1	4550
6	Goa	608	306	--	-
7	Gujarat	7419	494	--	-
8	Haryana	1426	1232	--	-
9	Himachal Pradesh	--	--	--	2300
10	Jammu & Kashmir UT	--	--	--	-
11	Jharkhand	185	--	--	-
12	Karnataka	4324	--	--	33000
13	Kerala	2198	--	--	-
14	Madhya Pradesh	--	938	--	-
15	Maharashtra	42090	436	--	35000
16	Manipur	387	103	--	-
17	Meghalaya	681	37	9	-
18	Mizoram	508	40	--	-
19	Nagaland	1678	34	--	-
20	Odisha	12815	1486	86	19045
21	Puducherry	300	--	--	807
22	Punjab	949	--	8	-
23	Rajasthan	--	--	129	2000
24	Tamil Nadu	6790	--	40	14762
25	Telangana	5800	1257	--	-
26	Tripura	381	9	--	-
27	Uttar Pradesh	3237	81	--	-
28	Uttarakhand	763	--	180	-
29	West Bengal	9015	544	214	-
	Total	**127889**	**7888**	**666**	**111464**

Note: The State of J&K has ceased to exist constitutionally from October 31, 2019 and the liabilities of the State continue to remain as liabilities of the new UT of Jammu and Kashmir.

No. 49: Market Borrowings of State Governments

(₹ Crore)

Sr. No.	State	2018-19		2019-20		2020-21						Total amount raised, so far in 2020-21	
						October		November		December			
		Gross Amount Raised	Net Amount Raised	Gross Amount Raised	Net Amount Raised	Gross Amount Raised	Net Amount Raised	Gross Amount Raised	Net Amount Raised	Gross Amount Raised	Net Amount Raised	Gross	Net
	1	2	3	4	5	6	7	8	9	10	11	12	13
1	Andhra Pradesh	30200	23824	42415	33444	6000	5417	2000	1417	5000	4708	44250	38710
2	Arunachal Pradesh	719	693	1366	1287	-	-	53	53	-	-	481	481
3	Assam	10595	8089	12906	10996	2000	2000	2500	2500	1100	1100	8900	8900
4	Bihar	14300	10903	25601	22601	4000	4000	4000	4000	-	-	20000	19000
5	Chhattisgarh	12900	12900	11680	10980	2000	1000	2000	2000	2000	2000	8000	7000
6	Goa	2350	1850	2600	2000	200	-	300	300	354	354	2354	2054
7	Gujarat	36971	27437	38900	28600	3000	1000	5500	3500	1500	1500	29780	21823
8	Haryana	21265	17970	24677	20677	2000	1200	2000	2000	-	-	22500	19900
9	Himachal Pradesh	4210	2108	6580	4460	1500	1500	1000	1000	1000	1000	4000	3200
10	Jammu & Kashmir UT	6684	4927	7869	6760	500	500	1605	1605	500	500	7310	5810
11	Jharkhand	5509	4023	7500	5656	2600	2600	-	-	1000	1000	3600	3100
12	Karnataka	39600	32183	48500	42500	8000	6000	8000	5400	10000	7500	55000	47900
13	Kerala	19500	13984	18073	12617	-	-	636	-364	3000	1500	19566	17066
14	Madhya Pradesh	20496	15001	22371	16550	3000	3000	4000	4000	4000	2000	22000	20000
15	Maharashtra	20869	3107	48498	32998	11000	8673	5500	350	-	-	65000	52800
16	Manipur	970	667	1757	1254	-	-	-	-	180	180	880	880
17	Meghalaya	1122	863	1344	1070	250	250	-	-100	365	325	1415	1225
18	Mizoram	0	-123	900	745	-	-	232	232	100	100	774	674
19	Nagaland	822	355	1000	423	250	150	314	314	220	220	1284	1084
20	Odisha	5500	4500	7500	6500	-	-	-	-1000	-	-	3000	2000
21	Puducherry	825	475	970	470	125	125	200	-	100	100	650	450
22	Punjab	22115	17053	27355	18470	2785	535	3321	1871	3307	1507	21523	13323
23	Rajasthan	33178	20186	39092	24686	3000	1730	3761	3261	5000	5000	39211	32129
24	Sikkim	1088	795	809	481	-	-	312	312	-	-	927	927
25	Tamil Nadu	43125	32278	62425	49826	6000	4125	4000	3375	5000	3175	63000	52744
26	Telangana	26740	22183	37109	30697	3000	2583	3573	3156	7000	6792	36534	32574
27	Tripura	1543	1387	2928	2578	300	300	413	413	600	600	1713	1613
28	Uttar Pradesh	46000	33307	69703	52744	8000	5524	4000	4000	8000	6922	33500	19713
29	Uttarakhand	6300	5289	5100	4500	1200	1200	-	-	-	-	3700	3000
30	West Bengal	42828	30431	56992	40882	3500	2500	4000	3500	5500	5500	35000	25500
	Grand Total	478323	348643	634521	487454	74210	55912	63219	47094	64826	53583	555852	455579

- : Nil.

Note: The State of J&K has ceased to exist constitutionally from October 31, 2019 and the liabilities of the State continue to remain as liabilities of the new UT of Jammu and Kashmir.

Source: Reserve Bank of India.

Explanatory Notes to the Current Statistics

Table No. 1
1.2& 6: Annual data are average of months.
3.5 & 3.7: Relate to ratios of increments over financial year so far.
4.1 to 4.4, 4.8,4.9 &5: Relate to the last friday 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.
4.10 to 4.12: Relate to the last auction day of the month/financial year.
4.13: Relate to last day of the month/ financial year
7.1&7.2: Relate to Foreign trade in US Dollar.

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

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

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

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

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

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

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

Table No. 13
Data against column Nos. (1), (2) & (3) are Final (including RRBs) and for column Nos. (4) & (5) data are Provisional (excluding RRBs)

Table No. 14
Data in column Nos. (4) & (8) are Provisional.

Table No. 15 & 16

Data are provisional and relate to select 41 scheduled commercial banks, accounting for about 90 per cent of total non-food credit extended by all scheduled commercial banks (excludes ING Vysya which has been merged with Kotak Mahindra since April 2015).

Export credit under priority sector relates to foreign banks only.

Micro & small under item 2.1 includes credit to micro & small industries in manufacturing sector.

Micro & small enterprises under item 5.2 includes credit to micro & small enterprises in manufacturing as well as services sector.

Priority Sector is as per old definition and does not conform to FIDD Circular FIDD.CO.Plan.BC.54/04.09.01/2014-15 dated April 23, 2015.

Table No. 17

2.1.1: Exclude reserve fund maintained by co-operative societies with State Co-operative Banks
2.1.2: Exclude borrowings from RBI, SBI, IDBI, NABARD, notified banks and State Governments.
4: Include borrowings from IDBI and NABARD.

Table No. 24

Primary Dealers (PDs) include banks undertaking PD business.

Table No. 30

Exclude private placement and offer for sale.
1: Exclude bonus shares.
2: Include cumulative convertible preference shares and equi-preference shares.

Table No. 32

Exclude investment in foreign currency denominated bonds issued by IIFC (UK), SDRs transferred by Government of India to RBI and foreign currency received under SAARC SWAP arrangement. Foreign currency assets in US dollar take into account appreciation/depreciation of non-US currencies (such as Euro, Sterling, Yen and Australian Dollar) held in reserves. Foreign exchange holdings are converted into rupees at rupee-US dollar RBI holding rates.

Table No. 34

1.1.1.1.2 & 1.1.1.1.1.4: Estimates.
1.1.1.2: Estimates for latest months.
'Other capital' pertains to debt transactions between parent and subsidiaries/branches of FDI enterprises.
Data may not tally with the BoP data due to lag in reporting.

Table No. 35

1.10: Include items such as subscription to journals, maintenance of investment abroad, student loan repayments and credit card payments.

Table No. 36

Increase in indices indicates appreciation of rupee and vice versa. For 6-Currency index, base year 2018-19 is a moving one, which gets updated every year. REER figures are based on Consumer Price Index (combined). The details on methodology used for compilation of NEER/REER indices are available in December 2005, April 2014 and January 2021 issues of the RBI 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

Part I-A. Settlement systems

1.1.3: Tri- party Repo under the securities segment has been operationalised from November 05, 2018.

Part I-B. Payments systems

4.1.2: 'Others' includes e-commerce transactions and digital bill payments through ATMs, etc.

4.2.2: 'Others' includes e-commerce transactions, card to card transfers and digital bill payments through ATMs, etc.

5: Available from December 2010.

5.1: includes purchase of goods and services and fund transfer through wallets.

5.2.2: includes usage of PPI Cards for online transactions and other transactions.

6.1: Pertain to three grids – Mumbai, New Delhi and Chennai.

6.2: 'Others' comprises of Non-MICR transactions which pertains to clearing houses managed by 21 banks.

Part II-A. Other payment channels

1: Mobile Payments –
- Include transactions done through mobile apps of banks and UPI apps.
- The data from July 2017 includes only individual payments and corporate payments initiated, processed, and authorised using mobile device. Other corporate payments which are not initiated, processed, and authorised using mobile device are excluded.

2: Internet Payments – includes only e-commerce transactions through 'netbanking' and any financial transaction using internet banking website of the bank.

Part II-B. ATMs

3.3 and 4.2: only relates to transactions using bank issued PPIs.

Part III. Payment systems infrastructure

3: Includes ATMs deployed by Scheduled Commercial Banks (SCBs) and White Label ATM Operators (WLAOs). WLAs are included from April 2014 onwards.

Table No. 45

(-): represents nil or negligible

The revised table format since June 2016, incorporates the ownership pattern of State Governments Securities and Treasury Bills along with the Central Government Securities.

State Government Securities include special bonds issued under Ujwal DISCOM Assurance Yojana (UDAY) scheme.

Bank PDs are clubbed under Commercial Banks. However, they form very small fraction of total outstanding securities.

The category 'Others' comprises State Governments, Pension Funds, PSUs, Trusts, HUF/Individuals *etc.*

Table No. 46

GDP data is based on 2011-12 base. GDP data from 2019-20 pertains to the Provisional Estimates of National Income released by National Statistics Office on 29th May 2020. GDP for 2020-21 is from Union Budget 2020-21.

Data pertains to all States and Union Territories.

Total receipts and total expenditure exclude National Calamity Contingency Fund expenditure.

1 & 2: Data are net of repayments of the Central Government (including repayments to the NSSF) and State Governments.

1.3: Represents compensation and assignments by States to local bodies and Panchayati Raj institutions.

2: Data are net of variation in cash balances of the Central and State Governments and includes borrowing receipts of the Central and State Governments.

3A.1.1: Data as per RBI records.

3B.1.1: Borrowings through dated securities.

3B.1.2: Represent net investment in Central and State Governments' special securities by the National Small Savings Fund (NSSF).

This data may vary from previous publications due to adjustments across components with availability of new data.

3B.1.6: Include Ways and Means Advances by the Centre to the State Governments.

3B.1.7: Include Treasury Bills, loans from financial institutions, insurance and pension funds, remittances, cash balance investment account.

Table No. 47

SDF is availed by State Governments against the collateral of Consolidated Sinking Fund (CSF), Guarantee Redemption Fund (GRF) & Auction Treasury Bills (ATBs) balances and other investments in government securities.

WMA is advance by Reserve Bank of India to State Governments for meeting temporary cash mismatches.

OD is advanced to State Governments beyond their WMA limits.

Average amount Availed is the total accommodation (SDF/WMA/OD) availed divided by number of days for which accommodation was extended during the month.

- : Nil.

Table No. 48

CSF and GRF are reserve funds maintained by some State Governments with the Reserve Bank of India.

ATBs include Treasury bills of 91 days, 182 days and 364 days invested by State Governments in the primary market.

--: Not Applicable (not a member of the scheme).

The concepts and methodologies for Current Statistics are available in Comprehensive Guide for Current Statistics of the RBI Monthly Bulletin **(https://rbi.org.in/Scripts/PublicationsView.aspx?id=17618)**

Time series data of 'Current Statistics' is available at https://dbie.rbi.org.in.

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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4. State Finances - A Study of Budgets of 2020-21	₹600 per copy (over the counter) ₹650 per copy (inclusive of postal charges)	US$ 24 per copy (inclusive of air mail courier charges)
5. Report of the committee on Fuller Capital account Convertibility (Tarapore Committee Report II)	₹140 per copy (over the counter) ₹170 per copy (inclusive of postal charges)	US$ 25 per copy (inclusive of air mail courier charges)
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8. Bank Me Rajbhasha Niti Ka Karyanvayan: Dasha Aur Disha (Hindi)	₹150 per copy (over the counter) ₹200 per copy (inclusive of postal charges)	
9. Reserve Bank of India Occasional Papers Vol. 39, 2018	₹200 per copy (over the counter) ₹250 per copy (inclusive of postal charges)	US$ 18 per copy (inclusive of air mail courier charges)
10. Reserve Bank of India Occasional Papers Vol. 40, No. 1 & 2, 2019	₹200 per copy (over the counter) ₹250 per copy (inclusive of postal charges)	US$ 18 per copy (inclusive of air mail courier charges)
11. Reserve Bank of India Occasional Papers Vol. 41, No. 1, 2020	₹200 per copy (over the counter) ₹250 per copy (inclusive of postal charges)	US$ 18 per copy (inclusive of air mail courier charges)
12. Perspectives on Central Banking Governors Speak (1935-2010) Platinum Jubilee	₹1400 per copy (over the counter)	US$ 50 per copy (inclusive of air mail courier charges)

Notes

1. Many of the above publications are available at the RBI website (www.rbi.org.in).
2. Time Series data are available at the Database on Indian Economy (http://dbie.rbi.org.in).
3. The Reserve Bank of India History 1935-1997 (4 Volumes), Challenges to Central Banking in the Context of Financial Crisis and the Regional Economy of India: Growth and Finance are available at leading book stores in India.

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