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SPEECHES

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*What, Why, Who and How of Financial Literacy**

K. C. Chakrabarty

Dr. Prakash Bakshi, Chairman, NABARD; Ms. Caitlin Wiesen, Country Director, UNDP India; Mr. Manoj K. Sharma, Director, MicroSave; delegates at the Workshop, ladies and gentlemen. As you all know, financial literacy has emerged as a focus area for policy makers not just in India, but all across the globe, particularly in the aftermath of the global financial crisis. Success in dissemination of financial literacy has been identified as key to meeting the critical objectives of financial inclusion and consequently, financial stability. The workshop is extremely topical as it brings together key stakeholders and brainstorms on steps needed to provide impetus to the financial literacy mission going forward. I congratulate the organisers for today's initiative and hope that some meaningful and credible strategies emerge from the deliberations.

2. The United Nations Development Programme (UNDP) has had a significant impact on the social emancipation of people across the globe, ever since its inception in 1966. Over the years, it has focused on Poverty Reduction, Democratic Governance, Crisis Prevention and Recovery; and Environment and Sustainable Development. It is heartening to note that UNDP has partnered with the Government machinery and civil society in India, with a particular focus on seven of the less developed states, to work towards improvement in the quality of lives of the poorest of the poor. Achieving inclusive growth has been one of the predominant objectives of UNDP's programmes in India and across the world. NABARD, as you all know, was set up with a mandate of facilitating credit flow for promotion and development of agriculture, rural industries and services. It has evolved to occupy a pivotal position in the financial inclusion efforts, particularly in the rural hinterland of the country. Similarly, MicroSave has also made important contributions in the field of financial inclusion by successfully partnering with diverse stakeholders such as financial institutions, investors, donors, corporate and regulators for providing, what its corporate tagline claims, 'Market-led solutions for financial services'. I am happy to note that the three organisations have come together to host today's seminar and hope that the partnership yields fruitful results for our financial inclusion/financial literacy initiatives.

3. I am happy to note that at the behest of UNDP and NABARD, MicroSave has conducted a Financial Literacy Assessment Survey to assess the current status of financial literacy in the UN focused states and to gather relevant inputs from other similar programmes operating nationally/internationally. It is, indeed, very important not only to work hard, but also to have periodic appraisals of the performance, as it helps one to refocus, reorient and undertake mid-course correction, which is so very vital to the achievement of the ultimate objective. I am sure the insight gained from this exercise would provide valuable guidance to UNDP and help them in further streamlining the existing programmes and taking it further, both – in terms of its penetration across the targeted states and the impact it has on the financial behaviour of the beneficiaries.

4. In my address today, I shall answer four basic questions about financial literacy:

- What is implied by the concept of financial literacy?

* Address by Dr. K. C. Chakrabarty, Deputy Governor, Reserve Bank of India at the Stakeholders' Workshop on Financial Literacy organised jointly by the UNDP, NABARD and MicroSave at Mumbai on February 4, 2013. The assistance provided by Smt. Jaya Mohanty and Smt. Pallavi Chavan in preparation of this address is gratefully acknowledged.

- Why is financial literacy necessary?
- Who all need to be made financially literate and in what aspects?
- And finally, how to spread financial literacy?

What is implied by the concept of Financial Literacy?

5. Let me begin by answering the first question. Financial literacy is not a new term to all of us present here. While we have heard a number of definitions of financial literacy, I would use the one given by Organisation for Economic Cooperation and Development (OECD), which defines it as 'a combination of financial awareness, knowledge, skills, attitude and behaviours necessary to make sound financial decisions and ultimately achieve individual financial wellbeing.' Financial literacy is expected to impart the wherewithal to make ordinary individuals into informed and questioning users of financial services. It is not just about markets and investing, but also about saving, budgeting, financial planning, basics of banking and most importantly, about being 'Financially Smart'.

6. Financial literacy is a complex concept, and it is important to understand its full import. In fact, as a society, we are yet to fully recognise the need and potential of financial literacy. As I would explain subsequently, financial illiteracy permeates across all levels of society and economic strata. The nature of illiteracy and its manifestations may vary, but it gets reflected in the everyday financial choices that many of us make. The lack of basic knowledge about financial products and services and their risk-return framework is one common instance of financial illiteracy that is widely observed. The greed for higher returns eventually culminates into a crisis involving larger number of retail investors. This basic lesson holds true not just for an individual investing his hard earned savings in financial products, but also for a bank or financial institution that manages public funds and channels them, either as investments or loans. Thus, appreciation of various aspects of financial literacy and how it impacts our lives holds the key to prudent financial planning and welfare maximisation, both at the individual level and for the society as a whole.

Why is Financial Literacy necessary?

7. I, now, come to the second question: Why is financial literacy necessary? Together with Financial Inclusion and Consumer Protection, Financial Literacy forms a triad, which is necessary for ensuring financial stability. Not only do the three have a bearing on financial stability, they also have a strong interplay among each other, with each having a vital impact on the other. Thus, financial literacy has significant relevance for financial inclusion and consumer protection. Without financial literacy, we cannot expect to make major headway in either financial inclusion or consumer protection.

8. Financial inclusion, essentially, involves two elements, one of access and the other of awareness. It is a global issue, and the relative emphasis on the two elements varies from country to country. For developed countries with widespread financial infrastructure, the access to financial products/ services is not a matter of concern. It is more of a financial literacy issue in that market players/ consumers are required to be educated about the characteristics of the available financial products/ services, including their risks and returns. In developing countries like India, however, the access to products itself is lacking. Therefore, here, both the elements, *i.e.,* access and awareness need to be emphasised, with improving access assuming greater priority.

9. Financial Stability, as a policy objective, refers to the avoidance of financial crises as also to the ability of the financial system to limit, contain, and deal with the emergence of imbalances before they pose a threat

to the economic processes.[1] The recent global financial crisis is a glaring example of how lack of financial literacy can impact financial stability. The genesis of the crisis was in the sale of inappropriate mortgage products to sub-prime borrowers, who did not understand the product characteristics. The crisis was also fanned by the creation of sophisticated financial products by seemingly expert market participants, without understanding the underlying risks involved. Ben Bernanke, Chairman, Board of Governors of the Federal Reserve System, remarked 'In light of the problems that have arisen in the subprime mortgage market, we are reminded of how critically important it is for individuals to become financially literate at an early age so that they are better prepared to make decisions and navigate an increasingly complex financial marketplace'.[2]

10. As already noted, financial literacy involves imparting knowledge about the risk and return of financial products to the users and providers of these products. It is this knowledge that helps in containing risks and maintaining stability in the financial system. I would like to argue that with knowledge, financial market players are expected to control their avarice for higher returns, keeping in view their inherent risk taking abilities.

11. Financial literacy is an essential pre-requisite for ensuring consumer protection. The low levels of transparency and the consequent inability of consumers in identifying and understanding the fine-print from a large volume of information lead to an information asymmetry between the financial intermediary and the consumer. In this context, financial education can greatly help the consumers to narrow this information divide. Besides, knowledge about the existence of an effective grievance redressal mechanism is essential for gaining the confidence of the unbanked population and overcoming apprehensions they may have about joining, what would appear to be a complex and unfriendly financial marketplace. For the population group that would have newly entered into the formal financial system through our financial inclusion initiatives, awareness about the consumer protection mechanism is critical as any unsavory experience could result in them being permanently lost to the financial system.

Who needs to be financially literate and in what respect?

12. This brings me to the third question of who needs to be financially literate. I shall argue here that everyone associated with the financial system needs to be financially literate. This includes all users of financial services, be it the financially excluded resource-poor, the lower and middle income groups or the high net worth individuals; the providers of services; and even the policy makers and the regulators.

13. For the resource-poor population, which operates at the margin, vulnerability can be acute due to constant financial pressures. Household cash management can be daunting under difficult circumstances, with few resources to fall back upon. Financial literacy efforts, in case of such population groups, essentially, involves educating them about the benefits of being part of the formal financial system and managing short-term volatility in incomes and meeting unexpected emergencies without getting trapped in unnecessary debt. To cite one example, a study by NCAER and Max New York Life has shown that in India, around 60 per cent of labourers surveyed

1 Schinasi, Garry (2004), 'Defining Financial Stability', IMF Working Paper, WP/04/187.

2 The Importance of Financial Education and the National Jump$tart Coalition Survey', Remarks by Ben Bernanke, Chairman, Board of Governors of the Federal Reserve System, at the Jump$tart Coalition for Personal Financial Literacy and Federal Reserve Board joint news conference, on April 9, 2008 at Washington D.C.

stored cash at home, while borrowing from moneylenders at high interest rates; a pattern of saving money that is bound to aggravate financial vulnerability of these labourers.[3] The process of educating these excluded sections would involve addressing deep entrenched behavioural and psychological factors that are major barriers to participating in the financial system.

14. For the middle and lower-middle income groups that are participating in financial markets as either savers or borrowers or both, *i.e.,* the financially included, financial literacy efforts should aim at enhancing their knowledge about the market and new products/services. For instance, there is a large section of our population that has a bank account but refrains from participating in the capital market on account of lack of knowledge. Financial literacy, in such cases, would focus on creating awareness about the way the capital market functions and also about the fact that the equity market provides relatively higher returns as compared to other investments, over a longer time horizon.

15. Similarly for high net worth individuals, better knowledge about the financial markets, new and innovative products and instruments is important as it helps them in making better use of the available avenues in the financial markets. This knowledge is also useful for fetching greater returns from their investments in the market and to avail credit at relatively cheaper rates. However, whether saving or investing, the basic lesson that 'higher return implies higher risks' should not be lost sight of.

16. While the need for financial literacy for the users of financial products/services is a well accepted fact, I would like to emphasise that even banks, financial institutions and other market players need to be financially literate and be fully aware of the risk and return framework. Financial literacy for the providers of financial services would involve understanding the risks involved in their businesses and in the products that they offer to their customers. As market players, they need to understand risks inherent in complex financial products and choose wisely while committing funds. For service providers, financial literacy also involves understanding the needs of existing and potential customers and creating products and services suited to those needs.

17. Finally, I would argue that financial literacy is also relevant for opinion makers and policy makers. Literacy is a must to gauge the needs of the population and financial institutions; to understand the risks inherent in products and markets; and to create a policy environment conducive to attainment of the national goals. Only such an approach would ensure that physical and financial resources are put to their optimum use to generate higher economic growth, while minimising the financial stability risks.

18. Some basic concepts are not fully appreciated even by seemingly literate groups, resulting in assumption of excessive risks. One example that I often quote about the widespread financial illiteracy is the theory being floated around by the so called 'financial advisers' about investment in gold being a 'hedge against inflation' and a 'safe asset'. The steep rise in gold prices over the past few years only indicates that the risk involved in investment in gold has heightened, a fact which is not recognised by people.

How to spread Financial Literacy

19. Let me now turn to my final question about how to promote financial literacy and who should spearhead the process. As I have already argued, financial literacy is required for each player in the economy, *albeit* in different degrees, forms and modules.

[3] How India Earns, Spends and Saves', A Max New York Life-NCAER Study, 2008.

20. World over, countries have targeted programmes for school children, teachers, research institutions, among others. Further, they have also launched mass media campaigns/websites providing simplified information, often in vernacular mediums, which can be used by the public to learn about the monetary and banking system. A global problem requires a global approach. Realising this, the OECD created the International Network on Financial Education (INFE) in 2008 to promote and facilitate international co-operation between policy makers and other stakeholders on financial education issues worldwide. Currently, more than 200 institutions from 90 countries have joined the OECD/INFE.

21. In view of the sheer magnitude of the task at hand, it is beneficial to have a strong institutional architecture guiding and coordinating the efforts of various stakeholders towards spreading financial literacy. In India, we have that advantage through the Financial Stability and Development Council (FSDC), which is chaired by the Union Finance Minister with heads of all financial sector regulatory authorities as members. FSDC is mandated, *inter alia* to focus on spread of financial inclusion and financial literacy. The Reserve Bank, besides its role as a member of the FSDC, has also taken numerous initiatives for spreading financial inclusion and financial literacy, both in terms of creating an enabling policy environment and providing institutional support.

22. Under the aegis of the FSDC, the draft National Strategy for Financial Education (NSFE) for India has been prepared. The Strategy envisages ways of creating awareness and educating consumers on access to financial services; availability of various types of products and their features; changing attitudes to translate knowledge into responsible financial behaviour; and making consumers of financial services understand their rights and obligations. The Strategy calls for active involvement of individuals, financial sector regulators, educational institutions, NGOs, financial sector entities, multilateral international players and the Government at both Centre and State.

23. The Strategy envisages a time frame of five years for its massive financial education campaign. It envisages that financial education will be delivered to different target groups through trained users. Basic financial education is aimed to be included in school curricula up to senior secondary level. This is based upon the premise that the most effective way is to weave financial education into the normal content of curriculum. Accordingly, we are engaging with the curriculum setting bodies like the National Council of Educational Research and Training (NCERT), Education Boards like the Central Board for Secondary Education (CBSE), Central and State Governments to try and embed such concepts in the school curriculum.

24. Simultaneously, the Strategy aims at establishing initial contact with 500 million adults, educating them on key savings, protection and investment related products so that they are empowered to take prudent financial decisions. It also seeks to create awareness about consumer protection and grievances redressal machinery available in the country. All the above measures would be undertaken through various stakeholders including NGOs, civil society and by using all available channels of mass communication. As a first step towards increasing financial education, the NSFE envisages conducting a National Survey on Financial Education to provide a holistic assessment of the need for financial education in the country.

25. Since the challenge in India is to link large number of financially excluded people to the formal financial system, the focus of our strategy at the base level is to create awareness of basic financial products. Some of the steps that have been taken by the Reserve Bank and other stakeholders to promote financial

literacy in India are as under:

- **Outreach visits** by Top Executives of Reserve Bank of India to remote villages: The objective of these visits is to understand the ground level position, spread awareness about benefits of being connected to the formal financial system and disseminate information about the functioning of RBI.
- **RBI website** - A link on Financial Education in the RBI website, containing material in English, Hindi and 11 vernacular languages, which includes comic books on money and banking for children, films, messages on financial planning, games on financial education and link for accessing the Banking Ombudsman Scheme.
- **Awareness** - distributing pamphlets, comic books, enacting plays and skits, arranging stalls in local fairs, exhibitions, participation in information/literacy programmes organised by Press. Books on financial planning for students and new professionals have also been released.
- **Financial Literacy Centres** (FLCs) have been opened by various banks with focus on the spread of Financial Literacy, to create awareness about financial products and provision of counseling facilities for customers of banks. There were 575 FLCs in the country as on September 30, 2012.
- Conducting Town Hall events across the country, including in Tier II and smaller cities, bringing together commercial banks and other stakeholders.
- Newsibition on Mint Road Milestones has become the focal point for financial literacy activities with all activities relating to financial literacy coalescing at a common forum at each centre.
- Setting up of a monetary museum by the Reserve Bank to create awareness about money and banking among general public and spread knowledge about the history of money.
- Use of mobile financial literacy vans by banks in the North Eastern States.
- Awareness programmes on various Government Sponsored self employment schemes involving bank loans and subsidy by Government agencies like KVIC, DICs and SC/ST corporations.
- Mass media campaign tie-ups with educational institutes, financial awareness workshops/help lines, books, pamphlets and publications on financial literacy by NGOs, financial market players, *etc.*
- National and State level rural livelihood missions have large number of field functionaries for proper handholding support to large number of Self Help Groups.
- Large number of websites/portals of banks/State Level Bankers Committees disseminating information on banking services.
- Conduct of Financial Literacy programmes by **Rural Self Employment Training Institutes**.

26. In line with the 'catch them young' strategy for our financial education initiatives, the Reserve Bank launched the RBIQ, an all India inter school quiz competition in 2012. The quiz seeks to be an effective platform for disseminating financial education by creating awareness and sensitisation about the history and role of the Reserve Bank, about banking and finance, economics, current affairs, *etc.*, besides seeking to build a 'connect' between the Reserve Bank and the young student community enrolled in schools across the country.

27. As part of its efforts to gain from international perspectives on financial literacy initiatives, the

Reserve Bank, in association with the World Bank and the OECD, is organising a Regional Conference on Financial Education in New Delhi next month. The Conference is among the various events organised globally to disseminate the knowledge and products developed through the Financial Literacy and Education Trust Fund, managed by the World Bank and the OECD, for strengthening the capacity for planning and implementation of financial education programs.

28. One of the objectives of the NSFE is to standardise the messages that various stakeholders seek to disseminate through their financial education initiatives. The draft NSFE document identifies certain simple messages such as why save; why invest; why insure; why save with banks; why borrow within limits; why repay loans in time; why borrow for income generating purposes, what is interest and how moneylenders charge very high interest rates, *etc.* It is a well recognised fact that the standardisation will help in ensuring consistency in the messages reaching the target audience from various sources and making them more focused and powerful.

29. The Reserve Bank has released on its website on January 31, 2013, a comprehensive Financial Literacy Guide, which, banks have been advised to use as a standard curriculum to impart basic conceptual understanding of financial products and services. The financial literacy guide consists of guidance note for trainers, operational guidelines for conduct of financial literacy camps, and financial literacy material, including posters. The guide also contains a financial diary to be distributed to the target audience, so as to enable them to keep a record of their income and expenses, as a first step towards financial planning.

30. I am glad to note that the assessment survey conducted by MicroSave has highlighted that most of the UNDP programmes were liked by the targeted population and succeeded in creating a positive change in their knowledge, skills and financial behaviour. I agree with the survey observation that there is a need for closer integration between the financial literacy and financial inclusion initiatives, as our experience shows that the two are complementary to each other and the absence of any one diminishes the effectiveness of the other. About the suggestion regarding introduction of chapters on financial literacy by UNDP in school curriculum through CBSE/NCERT, our experience within the FSDC sub-committee, is that financial education needs to be embedded into the existing school curriculum. Significant work has already been done in this regard, under the aegis of the FSDC, in association with the CBSE/NCERT. We would be happy to receive suggestions/inputs from the UNDP on this.

Conclusion

31. While a number of measures have and are being taken across the country, given the enormity of the task, a lot of ground still needs to be covered. Apart from the Government and the regulatory bodies, there is a need for involving the civil society and all other stakeholders in spreading financial literacy. We need to evolve distinct strategies targeting the school children and the adult population. We are still evolving a formalised curriculum for schools, which teaches the school children the basic principles of money, credit, savings and investments and introduces them to the way our financial system operates. After all, while one-time, targeted programmes are useful, including financial education into school curriculum in an on-going manner would hold the key to making our future generations financially literate. I congratulate the UNDP, NABARD and MicroSave for their contributions to improving the quality of lives of the poor through their financial literacy initiatives. However, the widespread existence of financial illiteracy indicates that we need to do a lot more.

32. I once again thank the organisers of this Workshop for providing me the opportunity to present my thoughts on the important subject of financial literacy. Conferences such as these are important in generating new ideas and diffusing clarity of thought and purpose among the various stakeholders. By way of anecdotal evidence, I would like to share the feedback I received on the positive impact that a seminar on financial inclusion, that I addressed last December, had on the conference participants. I am informed that based on the awareness generated during the conference about recent relaxations in KYC norms for opening new bank accounts, there was a perceptible improvement in the willingness of banks to open accounts of the marginalised and migrant workers in the unorganised sector, thereby providing them access to various financial services. The message disseminated at the seminar galvanised the organisers to conduct several camps where sizeable number of bank accounts were opened. They plan to conduct several such camps in the coming days. I hope today's workshop will also have a similar impact on the participants present here.

Thank you

*Banking as a Fundamental Right of People!**

K. C. Chakrabarty

Com. Rajen Nagar, President and Com. C H Venkatachalam, General Secretary of All India Bank Employees Association (AIBEA), Shri P. Sainath, Rural Affairs Editor, The Hindu, Prof. Victor Louis Anthuvan, other office bearers of the AIBEA, Office bearers and delegates from other trade union bodies, guest delegates from abroad and dear friends. I am extremely happy to be here today in Kochi in the 'God's Own Country' to address this gathering of fellow bankers at this National Seminar organised as part of the 27th National Conference of the AIBEA. The fact that the AIBEA is one of the oldest and widely respected associations of Bank employees is made clear by the fact that Deputy Governor of the Reserve Bank could not say no to a call from Mr. Venkatachalam, your General Secretary.

2. Having said that, I would admit that I have come here with a vested interest. Vested interest in the sense that the subject you have selected for this seminar is very close to my heart; to the hearts of the senior management in the Reserve Bank of India. Also, being in-charge of the administration and human resource in the Reserve Bank of India, which is the regulator of the entire banking system in India, we want a responsible and strong trade union system in the banks because we feel that strong trade unions are a pre-condition for strong managements in the banks. I will come back to this issue a little later.

3. It is, indeed, very heartening to note that the AIBEA has organised this conference on the theme 'Meeting the Challenges of the Decade'. In fact, this could very well have been titled 'Meeting the Challenges of the Century'. The banking system is unlikely to face the kind of challenges that it has been facing for the last 4-5 years. The challenges for the banking and financial sector are, indeed, gargantuan as is revealed by a recent survey conducted by research firm StrategyOne, across the globe. The interview based survey involving some 30,000 people in 25 countries has identified the financial services and banking sectors as the world's least-trusted industry for the second year in a row. The financial crisis has dealt such a blow to the people that they have lost faith in the banking system. Globally, the basic challenge for the industry at the present juncture is, therefore, to restore the credibility and trust that the banking and finance profession enjoyed before the onset of the financial crisis. I hope the Conference is focusing on these challenges that the banking industry currently faces and is critically deliberating on the role that the bank employees, as the most important stakeholder, can play in managing them. I am sure that discussions held during these four days would trigger new thought processes and help chalk out future course of action for the employees to make the Indian banking system not just more efficient and resilient but also socially more relevant.

Role of the Trade Unions

4. Over the years, the trade union movement has played a very important role. Across the globe, they have not only been instrumental in preventing exploitation of the employees but have also brought dignity to labour. Not only this, the unions also play a very important role in bringing equity and social justice into the system and preventing managements from inflicting exploitative practices, not only on the employees but also on the society at large.

5. In this context, I must commend the AIBEA, which is the oldest union of the bank employees in India, for the commanding role it has played in making

* Address by Dr. K. C. Chakrabarty, Deputy Governor, Reserve Bank of India, at the 27th National Conference of the AIBEA at Kochi on February 9, 2013. Assistance provided by Shri Shailendra Trivedi and Smt. Sushma Vij in preparation of this address is gratefully acknowledged.

the services of bank employees respectable, that too, at a time when banking was in private hands. I hail from Bengal, the province where the modern day Indian banking originated. The people say that the condition of bank employees was very bad around the time of the Second World War. In fact, there is a saying in Bengali which, when roughly translated, means that vultures, bank clerks and maid servants always have their heads down. The bank clerks had no time to raise their heads – that was the kind of exploitation they faced. I have heard that even during the time of the Sastry Tribunal award, the expenses on the pet dog of the Bank CEO used to be more than the salary of an employee. It was during such times that unions were fortunate to have some great leaders like Com. Prabhat Kar, Com. Naresh Paul, Com. Asish Sen, Com. Sudhindra Nath Biswas, Com. Chadha, Com. H. L. Parwana, Com. Tarakeshwar Chakrabarty and, I am sure, several others. These people have, over the last 65 – 70 years, done all of us here a very great favour that we probably do not even realise today. They brought respectability to the bank job in the society, a profession which was earlier looked down upon. Today, banking jobs are amongst the most sought after. Here, I will also like to emphasise that the improvement in the wage structure and service conditions of bank employees were not achieved by agitation, demonstration and strike alone, but by persuasion and logic given by enlightened leaders of trade unions such as AIBEA before the bank management and award tribunals. In fact, the foundation of bipartite settlement in the banking industry was laid down by Sastry Award and Desai Award. While we glorify the bipartite settlement, we should not undermine the persuasive and intellectual role played by trade union leaders in facilitating these two awards, which are landmarks in the history of bank trade union movement in the country. As our organisations transform into being knowledge institutions, I hope that the glorious tradition of presenting the case of bank employees and the bank customers with logic, information and compassion will be further encouraged and strengthened by the present leadership of the AIBEA.

The need of the day

6. Let me, now, move to the theme of this seminar. You have chosen 'Banking as a Fundamental Right of People' as the theme. While you have chosen this theme, let me tell you that if the acceptance of banking as a fundamental right of people has not happened so far, it is because of all of us – collectively we all are responsible. The issue is, no doubt, very relevant. Especially at a time when the country's socio-political agenda is focused on inclusive growth, people ought not to remain financially excluded. I remember that sometime in April 2012, I had said at a seminar that 'Banking services should now be made a fundamental right, with financial inclusion drive turning from fashion to a passion for the country'. In my address today, I would dwell upon the implications of declaring banking as a fundamental right of the people, essential pre-requisites that must be met, the spadework that needs to precede the promulgation and some of the pitfalls that we must avoid in this journey. I would also argue that banks ought to treat banking as a fundamental right, whether or not it is constitutionally provided, as it is inextricably linked to their very survival.

7. Why are we discussing this issue of making banking a fundamental right today? Why does the Deputy Governor of the RBI have to talk about this? Why is the RBI and the Government concerned about extending basic banking services to all households in the country?

8. Answers to all these questions are right there – like the proverbial 'writing on the wall'. Till sometime back:

- Out of the 600,000 habitations in the country, only about 36,000+ had a commercial bank branch.

- Just about 40 per cent of the population across the country had bank accounts.
- The proportion of people having any kind of life insurance cover was as low as 10 per cent.
- People having debit cards comprised only 13 per cent and those having credit cards only a marginal 2 per cent of the population.

9. Though Financial Inclusion has remained a national agenda for a fairly long time, as reflected in initiatives such as the co-operative movement, bank nationalisation, lead bank scheme, setting up of RRBs, *etc.*, the progress has been nothing to write home about. Why has this been the state of affairs in our country where banking, in some formal way, has been in existence for more than 200 years; where we have several banks which have been in existence for more than 100 years and why, even the AIBEA is close to 70 years old. Why is the position so? Part of the blame could be put on infrastructural bottlenecks – unavailability of technology, lack of brick and mortar branches – largely due to high initial costs. However, I would reiterate that all of us are collectively responsible. The bank managements are responsible, the employees are responsible, and even the Bank unions cannot escape their share of the blame. Considering the widespread exclusion of people from the financial mainstream, RBI launched a focused drive from 2005 onwards to achieve financial inclusion and extend banking services to all inhabitations in the country.

10. I would, however, hasten to add here that financial exclusion is a global phenomenon and was one of the primary reasons for the financial crisis. Estimates suggest that more than half of the world's adult population – about 2.5 billion people, do not have access to basic financial services like a bank account, some kind of insurance or access to credit. Needless to add, most of these people are in developing countries like ours.

Should Banking be made a Fundamental Right?

11. Before we examine an answer to the above question we must understand what Fundamental Rights mean, genesis of their inclusion in our Constitution and what would be the implications for the stakeholders if the right to banking was to be made a fundamental right. The Fundamental Rights embodied in Part III of the Constitution guarantee civil rights to all citizens of the country irrespective of race, place of birth, religion, caste, creed or sex, and prevent the State from encroaching on individual liberty while simultaneously placing upon it an obligation to protect the citizens' rights from encroachment by society. Thus, the purpose of the Fundamental Rights is to preserve individual liberty and democratic principles based on equality of all members of society.

12. Here, we must understand that banking is not a service that is to be provided by the State. It is a service that has to be provided on commercial lines. Now, who prohibits banks from opening everybody's bank accounts or from giving credit to everyone. Nobody does. However, the price is such that it makes it prohibitive. Take for instance flying by a plane – everyone who can afford to buy a ticket can fly in a plane as a matter of right, but how many are able to exercise that right?

13. If banks had decided to provide banking services to all, of their own accord, right to banking could have been a fundamental right on its own. While this would have been the best possible approach, it has, regrettably, not happened. One may argue that the bank managements were not too interested in financial inclusion as they did not consider it a viable business proposition. This essentially reflected short-sightedness and a misplaced assessment based on static rather than dynamic considerations. This left one with the second-best solution – to achieve it is through regulatory measures – something that we are

trying to do. Our instructions to banks are to open a basic savings bank account for all individuals without any conditions and thereby, make banking almost a fundamental right. And, please remember, regulations are not only for the public sector banks but are equally applicable for private banks, foreign banks, cooperative banks, *etc.* We want everybody to follow the instructions and provide universal access to basic banking services.

14. However, if the people in this country are not able to get access to basic banking services even after the regulatory guidelines, we would have to think about enactment of legal provisions for making banking a fundamental right. But, it may be like the right to education that we have made, the right to food that we are trying to make or the right to liberty that is often debated due to a variety of reasons. The point is that if the system is not ready for delivery of a particular service to all the people efficiently, making it a fundamental right would only result in all-round chaos. We are unable to implement the right to food or right to housing because we do not, perhaps, have the ability today. While I am happy that the AIBEA and its leaders are deliberating on this topic, let us also discuss about the modalities of making banking services available to all the people and assess if we are ready for the challenge.

15. Before going further, let me provide you some global perspective on the issue of banking as a right. Under Canadian law, everyone has the right to open a personal bank account. A bank cannot refuse to open a bank account for an individual merely because he/she is unemployed or does not make a minimum deposit or because he/she has previously been bankrupt — as long as they have the proper identification. Of course, the opening of the account can be refused subject to certain conditions such as the account being likely to be used for illegal or fraudulent purposes, false identification given by the customer or the prospective customer suspected to have committed a crime related to any bank. Likewise, in the UK, banks cannot refuse to open an ordinary deposit account except where it is not possible for the bank to identify the customer in a reliable manner or bank has reasons to suspect abuse or if it has any past experience of the customer materially breaching the contract entered into with the bank. EU is presently holding consultations on a document which, among others, seeks to ensure facilities of consumers' access to basic bank accounts, including a provision which allows switch over of the bank account providers, including on a cross-border mode.

16. Thus, across the globe, the provision of a basic banking account for the consumer is considered a right. As I have already mentioned, RBI has issued guidelines advising banks to offer a 'Basic Savings Bank Deposit Account' without any minimum balance and provision of basic services without any charges (subject to limitations of operations), thus, conferring a right to every citizen to have a bank account. The mandate is already there and it is for the bank employees to ensure that they open the accounts of everyone who approaches them and not tell them to go to some other bank or branch.

17. The employees may, then, say that it cannot happen as the owners do not want it or the management does not want it. But, this is why the banks were nationalised – and AIBEA played an important role in nationalisation of the banks. But still, after more than forty years of nationalisation, we are still discussing whether banking should be made a fundamental right. Why the flaw with government appointed managements? Also, I must add that banking is an industry where workmen have participation in the management; they are represented on the boards and participate in the discussions and the policy making. The unions and the employees can, therefore, not escape from the responsibility if banking services have not reached everybody in the country. All of us - the unions, employees and the

bank managements are responsible. We could not take products or services to the masses earlier as suitable technology was not there. Initially, we opposed technology in banking and it took close to twenty years to effectively introduce technology-enabled products and services for bank customers. I am happy that we overcame the problem several years ago and today, technology is widely accepted in banking industry and there are no impediments in taking banking products or services to the masses.

The three pre-requisites

18. In theory, it may be very easy to say that any service can be declared as a fundamental right. However, from an implementation perspective, a service cannot be proclaimed as having become a fundamental right unless it meets the following criteria:

(a) **Access**: A service cannot be called to have an effect of a fundamental right unless it is accessible to all. For instance, we cannot say that healthcare is a fundamental right if people have to travel to the district headquarters from the village to take treatment. The same applies to banking also - it must be available at the doorsteps. That is why, it is our target that in the next three years, all the 6 lakh villages must have access to banking products and services – either through a brick and mortar branch or through ICT based systems and banking correspondents.

(b) **Affordability**: We have tried to provide access to the banking services to the customers. Some 15 crore, new bank accounts have been opened. On the face of it, the statistics appear very impressive – this is more than the total population of several countries taken together. But, we need to view this in the context of our population of 1.2 billion. Moreover, there are no transactions in a large proportion of these accounts. This is because the cost of transactions is very high. I agree that there will be a cost per transaction as banking is, indeed, a commercial activity. But, what should be that cost? Somebody complained to me about a year back that his bank has charged a commission of ₹60/- for a demand draft of ₹30/-. Why is this so? For this, all of us are responsible. The empowerment of the employees and the improved service conditions, which were supposed to act a means to serve the objective of mass banking, have actually become a deterrent. The salaries of bank employees have gone up significantly and, therefore, the transaction costs have also been raised significantly to keep the banks viable.

I am not saying that the bank employees are overpaid as per global standards but as compared to our GDP, the operating cost of banking system is very high. The prevalent cost structure of banks makes the banking transaction costs unaffordable to the common man. Hence to make banking services affordable to all, we need transition to a low cost structure. The dream of financial inclusion cannot be fulfilled unless the transaction costs are brought down substantially. Now, I do not say that the salaries of bank employees be reduced by half in order to reduce the transaction costs. However, all of us - the employees and the unions have to collectively work with the policy makers, management and the regulator to see how, by use of appropriate information and communication technologies, our productivity can be substantially enhanced. Increased productivity will lower transaction costs for the poor people, making services affordable for everybody. Unless that happens, banking cannot become a fundamental right. This requires change in our delivery model, reshaping of our rural branches' organisational set up and creating a low cost cadre of barefoot bankers to deliver banking services at an affordable cost to rural poor at their doorsteps.

(c) **Fair and transparent delivery**: The third of the essential prerequisites for making banking capable of being declared a fundamental right is the ability to deliver of banking services in a fair and transparent manner consistently. Unless, this happens, people will not avail of the services. Unfortunately, the reliability of our technology based systems is worse than that of physical systems. I get complaints everyday about ATMs not dispensing cash even though the accounts had got debited. This cannot happen in the physical branch banking system. Nobody who presented a cheque had his account debited without getting the money. Now, think of someone who has suffered this fate at an ATM - he would think twice before visiting an ATM next, as he had to spend months in getting the position rectified. We have to make the services reliable with the use of technology. Take the case of the Business Correspondents (BCs). We are trying to use BCs to take banking to the people's doorsteps. The BC model is aimed at reducing the transaction costs of banking services as the cost of regular bank employees is very high, making it difficult to provide low cost banking services to the unbanked poor. However, banks do not seem willing to pay reasonably to these people from the unorganised sector. The poor BCs are paid so low that people accept this job only if they do not have any other option and at the very first opportunity, leave the BC's work. The BC needs to be paid reasonably and also supported through appropriate ICT enabled infrastructure. How do we integrate the BC model with the overall delivery model of the banking services is another challenge for making financial inclusion a reality.

19. Therefore, unless the banking services are made accessible, affordable and reliable, there is no point in making a demand for declaring banking a fundamental right. Moreover, making banking a fundamental right at this stage and thereafter, not being able to provide the services on demand due to lack of appropriate ground work, may only result in the banks and bank employees getting implicated in avoidable legal wrangles. Hearing this, you might sense that you have made a mistake in choosing this theme and inviting me to come and speak on this. Let me emphasise that evading this debate will not solve our problems as unless banking is made available to everyone and universal financial inclusion is attained, the development agenda of the country will be incomplete and we will not see the kind of economic growth that we want to see. It is, therefore, essential that banking services are made akin to fundamental rights. We need to collectively deliberate, discuss and work out the modalities of how this can be made to happen. For this, we will need to reform our systems, procedures and functions, and roll out an effective business process reengineering.

20. Why the BCs cannot become an integrated part of the banking system as employees. We can have different wage structure for them. You need to deliberate, innovate and work towards an integrated structure around the BCs that will remain low cost, while protecting the rights and dignity of the people who work as BCs. The time has now come for the bank unions to work together with bank managements and policy makers to develop integrated low cost structures for providing banking at the doorsteps of the people.

21. Talking of banking services, I want to highlight one more pertinent issue here. You may open bank accounts, you may provide some remittance facilities, you may also provide some emergency overdraft or consumption credit. But, bank credit *per se* cannot be a fundamental right. Bank credit is available only to those people who are credit worthy and banks will always argue that they are not extending credit as people are not credit worthy. Again, if people are not credit worthy, they alone are not to be blamed for it.

The banking system, bank employees and unions are also responsible. We must educate the people, make them financially literate and credit worthy to take them out of poverty. It is for this reason that the Reserve Bank is vigorously pursuing the twin policy objectives of financial inclusion and financial literacy and that is why, I think, you have also chosen this theme for today's seminar. We are working hard in pursuit of our goal of universal financial inclusion and we want you - the employees and the unions - to work together with us.

22. Many people in the unions may not like the idea of working together with the managements. They feel that the people in management are adversaries and do not listen to their demands. Here, as a last point, I would like to say that the entire industrial relations scenario across the world is undergoing a change; the trade union movement is changing. Land, labour and capital were the factors of production about a hundred years ago. Today, especially in the knowledge based services like banking; the above three are no longer the factors of production; instead technology, people and skills have become the new factors of production. Today, you are no longer 'labour' but are ''people''. When I say 'people', I am including bank managements, regulators, policy makers and bank employees of all kinds – officers, clerical staff and the sub staff. To effectively harness the new factors of production, trade unions and the management should not be adversaries but join together to fight the market forces and reap the benefits for self and more importantly society. In fact, bank managements and unions are no longer adversaries as you are represented on the Board and, hence, are part of management. Together, you should fight the forces that prevent greater financial inclusion and stand in the way of our desire to make banking a fundamental right. And why only should the public sector banks do financial inclusion, we also want the private banks, the cooperative banks and the foreign banks to do financial inclusion and the employees and unions have to play a major role in this task.

23. Only responsible and strong trade unions can vigorously pursue the measures aimed at improving the conditions of labour and the vulnerable sections of the society. In turn, this makes the management responsible and stronger in meeting its commitment to vulnerable customers and, thereby, strengthens the corporate governance in the institution. One of the reasons why the general standard of corporate governance in the banking system has deteriorated is because trade unions preferred to have weak bank managements. This is amplified from the fact that the trade unions in our country has been very active in the public sector banks while the customers of the private sector banks appear to be more vulnerable. We all know that the regulation for doing business and general contours of labour laws for private sector banks are identical to that in the public sector. So why are the unions not so active in private banks? I hope AIBEA, which has a long tradition of dealing with the strong private bank managements, will ensure this change in outlook in the banking trade union movement in the country, thereby improving the corporate governance in the banks and also bringing in greater financial inclusion and better customer protection.

Conclusion

24. You may or may not agree to things that I have said here but, believe me, financial inclusion, leading to larger social and economic good of the country, is in the interest of the banks. It is in our interest and more so, it is in the interest of the bank unions if they have to remain relevant in the system. World over, the trade unions are increasingly becoming irrelevant and I am sure an old and responsible union like the AIBEA and its leaders and members will agree with me on the need to reform the trade unions. If you do not

embrace reforms you will become irrelevant. You have to reform by appropriate use of skills, technology and human resources to make banking services accessible, affordable and reliable for the citizens of our country. We have a great opportunity for the first time in the history of human civilisation to bring millions of people within the ambit of banking and financial services and, thereby, make inclusive growth a reality. In this endeavour focus should not only be on public sector banks but also on private sector and foreign banks. This can only be achieved with the help of the bank trade unions and the bank employees and by evolving a low-cost delivery model. The Reserve Bank has already laid down the appropriate regulatory framework and this would *de jure* make banking a fundamental right. Once we reach this stage, we would have no problem in enacting the law for making banking a fundamental right or at least a directive principle of state policy to begin with. By inviting me to this seminar today, you have signalled your willingness to take up this challenge. I am sure with the collective efforts of the bank trade unions, bank management, regulators and policy makers; we would realise our dream of making banking a fundamental right which, in turn, would lay down the foundation of making 21st century as India's century.

25. I wish you the very best in your efforts. Thank you!

*Indian Banking Sector: Pushing the Boundaries**

K. C. Chakrabarty

Dr. Pritam Singh, Director General, International Management Institute (IMI), participants from Reserve Bank of India and the commercial banks! It is a pleasure to be amongst you today as you complete the first leg of the learning experience which is the Advanced Management Programme. I believe that the programme is craftily designed with an appropriate blend of lectures and interactive sessions with some leading academicians, industry captains and management experts, both from India and from European business schools. It is a rare learning opportunity for all participants – to understand and gain insights into global banking systems and develop awareness and appreciation of the emerging business environment. Apart from the opportunity to gain from structured classroom learning, such programmes also offer a unique forum through which participants can learn from each other and assimilate the best management practices across organisations. I hope all of you will take advantage of this wonderful opportunity.

2. Being a part of the banking system, which forms the core of the financial architecture of the economy, you have an inimitable opportunity to influence the economic lives of the nation's populace. We all know that banking plays a silent, yet crucial part in our day-to-day lives. The banks perform financial intermediation by pooling savings and channelising them into investments through maturity and risk transformations, thereby keeping the economy's growth engine revving.

3. The central theme of the programme, as in the previous year, is: 'Indian Banking Sector: Towards the next orbit'. The theme is, arguably, even more relevant today than a year ago. While, on the one hand, the outlook for the global economy continues to be grim, the outlook for the domestic economy is also far more subdued than the last year. Growth of the Indian economy for 2012-13 is projected at 5 per cent – significantly below the 9 per cent growth rate envisaged during the Twelfth Plan and well below our desired goal of double digit growth rate. The Indian banking sector has also faced significant challenges. Asset quality of banks has come under increasing pressure with rising NPAs and Restructured loans. The Gross NPA ratio for the banking system, which was 2.4 per cent in March 2011, increased to 3.6 per cent by September 2012. Going forward, the banking system will continue to face a challenging environment given that its fortunes are closely linked with those of the economy - domestic and global.

4. Having seen the challenges before the Indian banking system, what are our motivations for discussing, today, the issue of taking the Indian banking sector towards the next orbit? Our elementary knowledge of astrophysics would tell us that for being propelled to the next orbit, a rocket needs to pull against the earth's gravitational force. For this, the rocket needs to have the requisite fire power to generate the necessary 'escape velocity'. Also, the rocket needs to be in a stable condition before the blast can propel it to a higher orbit. In the absence of adequate propellant force, the rocket would fail to defy the force of gravity and would crash land.

5. So, as we deliberate upon this issue today, are we comfortable with the dynamism and stability that the Indian banking system possesses? What do we actually wish to achieve by taking the banking sector to the next orbit? The issue which needs to be addressed is whether we – from the regulatory community or as part of the commercial banking sector of the country – are satisfied with the financial system as it exists today. The answer to this question is not very comforting. Events in recent years have called to question the relevance and purpose of the financial sector. Episodes like the 'Occupy Wall Street'

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movement leave little scope for doubt that the global financial crisis has left the financial sector discredited. Thus, if the financial system has to play a purposeful and relevant role in the economy and if it has to regain its credibility, it will have to develop the necessary fire power and stability and move to the next orbit.

6. What are the key drivers for propelling the banking sector forward? Which are the key factors that will determine whether the banking system is able to transform itself into a relevant, purposeful and credible system? What are the major challenges and hurdles ahead? What are the major goals that the banking sector has to achieve in the next few years? I will spend some time in trying to answer these questions.

The key drivers and challenges for the banking system originate from different sources.

7. First, the regulatory environment in which banks in India are functioning is undergoing a paradigm shift. In particular, with the implementation of the global reforms agenda relating to Basel III, implementation of OTC derivative reforms, reducing reliance on credit rating agencies, amongst others, the regulatory landscape of banks is set to change forever, both domestically and in the global arena. This will, *inter alia*, require banks to fine tune and refine their risk management systems.

8. Second, the growing global emphasis on fair treatment to customers, financial inclusion and improved Know Your Customer (KYC) practices will require banks to reorient their business models, their data and information systems, and, in fact, the very mindset of banking, if banks have to remain relevant, going forward.

9. Third, impending developments in regulatory policies are likely to result in banks facing a far more competitive environment in the coming years relative to what was, virtually, a sellers' market so far. As banks' customers – both businesses and individuals - become global, banks will also need to develop global ambitions. The challenge for banks will be to develop new products and delivery channels that meet the evolving needs and expectations of its customers.

10. Besides the formidable challenges that the evolving global regulatory and supervisory landscape present for banks, the developments in the domestic business/regulatory environment will also need to be factored in as banks set about recalibrating their business plans. For instance, in line with global developments, India is also embarking upon a project to develop a framework for assigning a unique Legal Entity Identifier for all customers accessing the formal financial system. However, before attaining this goal at a national or global level, we need to immediately ensure that within each institution a customer is assigned a unique ID and that there are no instances of multiple customer IDs for the same customer. This is important not just from the perspective of better management of customer business, but also for an effective AML framework.

11. Similarly, frauds are a cause for concern within the banking system, particularly for the public sector banks, which account for a large proportion of total frauds reported in the banking system. Frauds do not just represent lost money; they also indicate serious gaps in banks' systems and processes and in the internal control framework. Plugging these gaps and institutionalising a mechanism for identifying accountability and taking stringent action against the perpetrators of the frauds is very important for tackling this menace.

12. The leveraging of the banking system by Multi-level Marketing (MLM) companies to defraud common people of their hard earned money is another critical challenge that financial sector supervisors are facing in various jurisdictions, including in India. It results in a loss of confidence of customers in the formal financial system and could have severe adverse implications, particularly at a time when we are putting all our energies into bringing the marginalised groups within the fold of the banking system.

13. All these developments will present significant challenges for the banking system and banks will need to face them head-on in the coming years. To gear up to these challenges, banks will need to look inwards – at their human resource management,

their information systems and the technology at their disposal. Importantly, they will need to look into the efficiency with which they perform their functions – that of credit intermediation and the allocation of funds to the most productive sectors of the economy. These will be the key internal drivers of change if banks are to gear up to the emerging regulatory and external environment and move into the next orbit.

Let me now dwell on some of the major issues in a greater detail.

Risk Management

14. The risk management challenge for banks has been steadily growing over the last two to three decades. This can be attributed to several developments in the financial sector over the last couple of decades. First, the deregulation of financial markets led to increased volatility placing greater demands on banks to manage their risks. Second, banking activities diversified from the traditional function of lending and borrowing to a larger set of activities including, *inter alia*, custodial services, securities underwriting and corporate advisory. Third, complex global financial institutions emerged leading to growing inter-connectedness of the financial system. Fourth, the role of securities and derivative products in banking expanded with increasing growth of complex financial products. The recent financial crises have further reemphasised the importance of risk management frameworks for banks.

15. The question for the Indian banking sector is to what extent the risk management framework in banks are oriented towards identifying risks and tracking the passage and path of risks so as to be able to price the risks appropriately. My own view is that we in India are still at a rudimentary stage and hence, the banking system needs to urgently work on upgrading its risk identification, management and pricing abilities.

16. An associated issue arising in this context is the growing importance of stress testing. Stress tests, typically, assess the resilience of banks to shocks in an extreme adverse scenario as compared to a baseline scenario. It also provides banks' management with a tool to improve their internal risk managements by identifying the stress points in their operations. The relevance of stress tests for assessing banks' resilience to shocks lies in the fact that these tests focus on the unexpected or 'tail' events going beyond typical risk management assessments. If banks are to meet the challenges of the emerging environment and to move to the next orbit, it would be critical that the stress testing results be incorporated in the business and capital assessment and planning exercise of banks. The overall acceptable levels of expected and unexpected loss willing to be incurred by banks should be a management decision driven based on rigorous and analytical assessment of available information. While it is not expected that banks provide for unexpected losses in the manner prescribed for expected losses, the 'economic capital' which the bank seeks to maintain must be driven by considerations which encompass such losses.

17. A risk management framework is incomplete without an effective system of internal controls and methodologies. The first line of defense for risk management has to come from bank managements and, especially, from bank boards. Unless the bank's management is geared to internalise and institutionalise a risk and control culture in banks, any attempts to increase the resilience of banks can be effective only to a limited extent. The management has a critical role to play in ensuring the right balance between the business units and risk management, both in times of stress and in good times, when there is a tendency for misaligned incentives to emerge.

Treating Customers Fairly

18. The touchstone of any successful business lies in the edict that 'customer is king'. Serving customers is, essentially, the reason why the banks exist in the first place. But over the years, I believe, the customer has become rather peripheral in the banks' scheme of things. In my view, while for the private sector banks, shareholders have, perhaps, emerged as the sole focus; for the public sector banks, employees and

their well-being has become the primary focus. In my opinion, neither approach is sustainable in the long run. Improving bottom lines and preserving NIMs are the primary motives for the bank management, while making banking services accessible and the transactions affordable, has reduced to being a regulatory agenda.

19. Ensuring fair treatment for the customers has become a priority for financial sector regulators globally and the regulatory framework is being tightened across jurisdictions. The expectation from financial service providers is that they display high levels of transparency in product design, pricing and financial disclosures. In addition, a credible, cost effective and expedient grievance redressal mechanism has to be made available to all customers. Banks must make use of technology to deliver banking products and services in a cost-effective manner. Customer education is also critical so that the user can have the ability to choose appropriate and need based products and services. Unless the banking system becomes customer centric in all its dimensions, it would fail to attain sufficient momentum to gain access to the next orbit.

Know Your Customer, his business and business risks

20. Across the world, greater emphasis is being laid by the financial service providers on knowing their customers. It has important regulatory and business dimensions. From a regulatory perspective, banks and other financial service providers are expected to understand the business activities of their customers so that they do not, inadvertently, end up being conduits for illegal activities such as terrorism, MLM, frauds, hawala transactions, *etc.* From a business perspective, Know Your Customer (KYC), Know Your Customers' Business (KYCB) and Know Your Customers' Business Risks (KYCBR) are important for understanding the nature of the customer's business, which would help in offering suitable products, managing credit exposure and generating early warning signals for potential delinquency risks.

21. It is important that the emphasis on KYC compliance is effectively conveyed across the organisation by the top management, not just for meeting regulatory requirements, but as an opportunity to understand the customer better and maximise the gains from the customer relationship.

Human Resource Management

22. We must realise that the traditional factors of production named in economics textbooks are no longer relevant in the banking industry. Land, labour, physical capital and enterprise have given way to skills, technology and human capital as the prime factors of production in the banking sector. Employees are no longer 'labour', they are 'people' who ought to be nurtured and cared for. When I say 'people', I mean the bank management and all employees - officers, clerical staff and the sub staff. An organisation's 'people' are the force that can, potentially, make the difference between success and failure. When the marketplace has number of players with broadly similar product offerings, the ability and motivation levels of employees could be the clinching factor when it comes to gaining an edge over rivals. The challenge before management is to use the vast unused potential in people and produce 'leaders' out of 'managers' who can not only work hard but also motivate their co-workers for producing extraordinary results. The sector needs to recognise the transformation in the factors of production in the banking industry early and aim to effectively harness these new factors for its own betterment and, more importantly, in the interest of the society. By effectively utilising these new factors of production, the sector could quickly bring in more and more financially excluded people under the ambit of the formal banking system and help it to be seen as a relevant and purpose-oriented sector.

Promoting Financial Literacy

23. In today's digitised world, stating that information is power, is perhaps to state a truism. Our economy is traversing towards being a knowledge economy. This is amply demonstrated by the

contribution of services sector in our economy. However, much as we would hate admitting it, we are a financially illiterate society. And here, I am not talking about the common man alone. The financial illiteracy is all pervasive – the banks, the regulators, the policy makers – all suffer from some degree of financial illiteracy. Let me quote a few examples to drive home my point. Take the recent instances where banks had sold forex derivatives to their customers without proper understanding of their suitability and appropriateness. Neither the customers nor the banks had an iota of understanding of the quagmire that they were getting into while entering into these contracts. The subsequent legal wrangling and losses suffered by some of the banks aptly demonstrate their financial illiteracy. Take the case of the Benchmark Prime Lending Rate (BPLR), which was, till recently, used by the banks for lending to their borrowers. My understanding of the BPLR is that it is the rate at which the bank lends to its best borrowers *i.e.*, those borrowers who are least likely to default on their loans. However, for years together, the banks continued to lend to their borrowers well below their BPLR until the regulator introduced the base rate regime. Another conundrum that needs to be solved is one surrounding the gold import. Though many of us have realised its implications for the Current Account Deficit, there have not been very sincere efforts to check its imports. We need to examine why public money should be utilised for importing gold by banks. I firmly believe that we need to begin a vigorous campaign to educate the society about the myth of investment in gold as a 'safe asset' and a 'hedge against inflation.' I believe that the Indian banking sector cannot be propelled into the next orbit unless all its stakeholders and the society as a whole, has attained basic financial literacy.

Improving Efficiency

24. What are the attributes of an efficient financial system? To my mind, efficiency of any system may be gauged in terms of its ability to not only deliver products and services in a cost-effective and affordable way, but also in an inclusive manner. Neither of these two traits characterises our present banking and financial system. A wide section of the population remains excluded from the formal financial system even years after 'growth with a human face' has been the clichéd socio-political agenda of the policy makers. Moreover, the operating cost of banking system remains at an elevated level which renders the banking transaction costs unaffordable for the common man. The dream of financial inclusion cannot be realised unless the banking transaction costs are brought down substantially. This would need a collective effort from the policy makers, bank managements, regulator and the employees. Effective use of the new factors alluded to above – skills, technology and human capital – would help in increasing the productivity and, thereby, lowering the transaction costs. For the realisation of this dream, the banking system would need to acquire allocational and operational efficiency:

- **Allocational Efficiency:** This requires banks to ensure that the precious societal resources are allotted to the most productive activities and that the interests of the vulnerable sections of the society are also taken into account.
- **Operational Efficiency:** Operational Efficiency requires banks to provide financial products and services to its customers in a safe, secure and speedy manner and to ensure that the cost of financial intermediation is minimised.

25. As you all gain knowledge and exposure through this Advanced Management Programme, I expect you to deliberate and introspect on how your banks and the banking system as a whole can improve on both – allocational and operational efficiency parameters – so that the financial intermediation function is efficiently performed. You must realise that banks would need to 'perform or perish.' This will be an important takeaway for all of you from the programme and will determine whether banks can, indeed, regain the trust and confidence of the common man on the street and retain their pivotal position in the emerging financial order.

Challenges before Regulator/supervisor

26. Though the Indian banking system remained largely unaffected by the global financial crisis, we cannot pat ourselves on the back, for it was much to do with lack of product innovation and a comparatively lesser degree of integration with the global markets. The coming years, however, will pose big challenges for the supervisors as well. The significant rise in interconnectedness of financial markets across jurisdictions, the growing complexities of banking products and services, introduction of newer delivery channels and the need for emphasising on inclusion of the vulnerable and marginalised groups has significantly increased the challenges presented before the financial sector regulator/supervisor.

27. The supervisory processes within the Reserve Bank are changing so as to make them more forward looking and geared to assess the risks that the supervised entities pose to the supervisory objectives. The processes are being re-oriented to move away from transaction based to risk based and from incidence based to theme based supervision. An effective supervisory regime must facilitate good business and must obstruct bad business. Supervisory practices will also need to imbibe additional lessons from the financial crisis which are emerging in the form of new regulatory and supervisory benchmarks like Basel III, revised core principles for effective bank supervision, increased focus on systemically important banks, *etc.*, if they are to remain robust and relevant in a changing banking environment.

28. The decks for banking systems' flight to the next orbit cannot be clear unless all necessary safeguards have been validated by the regulators/supervisors. The latter have a key role in overseeing the banks' transition to the next orbit for it has to ensure that the banking system smoothly settles into the next higher orbit without crash landing. Some of the major safety checks that the regulator and supervisors need to perform are related to the 'Fit and Proper' assessment of the senior management, adequacy of the management information systems, risk management processes, internal audit, grievance redressal system, compliance to regulatory guidelines and prescriptions, *etc.*

Conclusion

29. We are all living in exciting times – times which offer as many opportunities as it offers challenges. While the global and domestic economic environment might, presently, give little cause for cheer, one needs to look at the opportunities available and also seek to strengthen our systems and processes by institutionalising the lessons learnt during this period. This will help in strengthening the financial system so that it sees through these challenging times and is ready to thrive, as the economy sets on its recovery path.

30. In this process, while the bankers have to act as change agents within their institutions, supervisors have a critical role to play in ensuring that they are equipped with the necessary skills to deal with a rapidly expanding, increasingly complex and global banking system. The financial system the world over has come under increased public scrutiny. Both supervisors and supervised entities are increasingly accountable for their actions. We need to collectively and decisively act in the interests of the economic system.

31. Perhaps, the greatest opportunity that exists is the vast mass of financially excluded people who are waiting to be touched by the formal financial system. The potential benefits to the banking system and to the economy from financially including this segment would be enough to galvanise the economy and restore it back to the high growth trajectory.

32. Each one of us assembled here today has to walk the extra mile to ensure that the Indian banking system acquires the necessary 'escape velocity' to catapult itself to the new orbit. I wish you all the very best of learning in the remaining part of your programme. Thank You!

*Regulation of Shadow Banking – Issues and Challenges**

Anand Sinha

Mr. Hiranandani, President, Indian Merchants' Chamber (IMC), Mr. Thakkar, Co-Chairman, Finance and Banking Committee, IMC, Mr. T T Srinivasaraghavan, Managing Director, Sundaram Finance Ltd., Mr. K V Srinivasan, CEO, Reliance Commercial Finance, Ms. Usha Thorat, my erstwhile colleague in the Reserve Bank, currently the Director, CAFRAL and the Chairperson of the Working Group that examined the issues and concerns in the Non Banking Financial Companies (NBFC) sector, and all other distinguished guests – it is a pleasure to be here among you in this seminar on NBFCs to discuss the recent guidelines issued by us based on the recommendations of the Working Group on NBFCs chaired by Ms. Usha Thorat.

2. The recommendations of the Working Group have generated a lot of debate in the industry, and as I observed from the presentations of other speakers, the issues continue to elicit considerable interest, if not apprehension. My aim during this talk would be to put the issues in perspective. As a backdrop to my comments on Indian NBFC sector, I would briefly touch upon the global shadow banking sector along with the recent international initiatives in the regulation of the sector. Then I would trace the genesis and development of the NBFC sector in India as well as the evolution of its regulatory framework, and finally the thought process which led to the setting up of the Working Group. I would like to focus on the big picture and elaborate the rationale behind the recent guidelines which is the agenda of this seminar.

3. All of you must be closely observing the global developments in the context of financial crisis which shook the entire world, and the consequent overhaul of the regulatory framework. Both the regular banking system and the shadow banking system have come under greater regulatory focus on account of gaps in the respective regulatory frameworks and also, most importantly, on account of inter-linkages between both the systems. The shadow banking system that had burgeoned in the run up to the global financial crisis was one of the major causes of the global turmoil and quite understandably, the regulators are revamping its regulation to ensure financial stability. Before I dwell further on the regulatory developments, let me touch upon some underpinnings to the conceptual framework.

What is shadow banking?

4. The term '*shadow banking system*' was first used in 2007, and gained popularity during and after the recent financial crisis, as it highlighted the bank-like functions performed by entities outside the regular banking system. The more comprehensive definition, as adopted by the Financial Stability Board (FSB), *i.e.*, '*credit intermediation involving entities and activities (fully or partially) outside the regular banking system*' has been globally accepted. This definition has two important components: First, non bank financial entities or entities outside the banking system that engage in the '*bank like*' activities of maturity transformation, undertaking credit risk transfer and using direct or indirect financial leverage. Second, activities such as securitisation, securities lending and repo transactions that act as important sources of funding for non-bank entities. Thus, shadow banks comprise entities which conduct financial intermediation directly, such as finance companies or NBFCs, and entities which provide finance to such entities, such as mutual funds. Globally, shadow banking entities could be covered under the broad heads of (i) Money Market Funds, (ii) Credit investment Funds, Hedge Funds, *etc*,

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(iii) Finance Companies accepting deposits or deposit like funding, (iv) Securities brokers dependent on wholesale funding, (v) Credit insurers, financial guarantee providers and (vi) Securitisation vehicles.

5. Such non-bank intermediation, when appropriately conducted, provides a valuable alternative to bank funding and supports real economic activity. But experience from the crisis demonstrates the capacity of some non-bank entities and transactions to operate on a significantly large scale, in ways that create bank-like risks to financial stability (longer-term credit extension based on short-term funding and leverage). Such risk creation may take place at an entity level but it can also form part of a complex chain of transactions, in which leverage and maturity transformation occur in stages, creating multiple forms of feedback into the regulated banking system.

6. Like banks, a leveraged and maturity-transforming shadow banking system can also be vulnerable to 'runs' and generate contagion, thereby amplifying systemic risk. Shadow banking can also heighten procyclicality by accelerating credit supply and asset price increases during upswings and exacerbating fall in asset prices during downswings. These effects were powerfully revealed during the global financial crisis in the form of dislocation of asset-backed commercial paper (ABCP) markets, the failure of an originate-to-distribute model employing structured investment vehicles (SIVs) and conduits, 'runs' on MMFs and a sudden reappraisal of the terms on which securities lending and repos were conducted.

7. Traditionally, regulation of banks has assumed greater importance than that of their non-banking counterparts. One reason, of course, is that protection of depositors has been traditionally an important mandate of banking supervisors. Banks are at the centre of payment and settlement systems and monetary policy transmission takes place through them. Banks play a critical role in credit intermediation through maturity transformation, *i.e.,* acceptance of short-term liabilities and converting them into long-term assets *viz.,* loans and advances. Along with economic value, this function also creates potential liquidity risk. Moreover, banks also operate on a significantly higher leverage compared to non-financial entities which could amplify their vulnerability. For all these reasons, banks are subject to a detailed and a rigorous regulatory framework. However, when non-bank financial entities, which are subject to no regulation or light touch regulation, undertake bank-like functions, large risks are created which could potentially be destabilising for the entire system. The global financial crisis demonstrated many ways in which shadow banking can have an impact on the global financial system, both directly and through its interconnectedness with the regular banking system, prompting the move to overhaul the regulation of shadow banking system.

The importance and benefits of shadow banking

8. Shadows do not necessarily mean dark and sinister. In fact, shadow banking activities constitute a very useful part of the financial system. The main advantages of shadow banks lie in their ability to lower transaction costs of their operations, their quick decision-making ability, customer orientation and prompt provision of services. In India, we have always maintained that Non-Banking Finance Companies (NBFC[1]s), a significant segment of shadow banking system, play a crucial role in broadening access to financial services, and enhancing competition and diversification of the financial sector. While NBFCs are, sometimes, seen as akin to banks in terms of the products and services offered, this comparison is strictly not accurate, as more often NBFCs play a range of roles that complement banks. They have carved out niche areas of businesses, such as auto financing, which enables them to address specific needs of the

[1] In India, NBFCs constitute a major segment of shadow banking system alongside other entities such as Insurance companies and Mutual Funds, both of which are regulated by other regulators. In the address, NBFCs are referred to be largely representing the shadow banking sector.

people more efficiently. In addition to complementing banks, NBFCs add to economic strength to the extent they enhance the resilience of the financial system to economic shocks. They can act as backup financial institutions should the primary form of intermediation come under stress, thereby constituting an important avenue for risk diversification away from the banking system. Other non banking finance entities such as mutual funds, insurance companies, *etc*, provide alternatives to bank deposits and constitute alternative funding for the real economy, which is particularly useful when traditional banking or market channels become temporarily impaired.

Risks of shadow banks[2]

9. Notwithstanding the complementary role played by shadow banks to the banking system, their activities, on the flip side, create risks which can assume a systemic dimension, due to their complexity, cross-jurisdictional nature, as well as their interconnectedness with the banking system. The risks emanating from shadow banking could be primarily of four types *viz.*, (i) liquidity risk, (ii) leverage risk, (iii) regulatory arbitrage and (iv) contagion risk

- ***Liquidity risk*** – This is one of the most common risks faced by shadow banks, as these entities undertake maturity transformation *i.e.*, funding long-term assets with short-term liabilities. The risk of ALM mismatch leading to liquidity problems is quite high. In India, we had a situation during the height of global crisis in 2008 when some NBFCs ran into severe liquidity problems as they were using short-term liabilities such as CPs (commercial paper) and NCDs (Non-Convertible Debentures) to fund their long-term lending or investment. I will be discussing this issue in detail a little later.
- ***Leverage risk*** – As shadow banks do not usually have prudential limits on borrowings, they can become highly leveraged. High leverage exacerbates the stress in the financial system and the real economy during the downturn adversely affecting financial stability.
- ***Regulatory arbitrage*** – Credit intermediation is, traditionally, a banking activity. Regulations applied to banks in this regard can be circumvented by transferring components of the credit intermediation function to shadow banks which are subject to less stringent regulation. Transfer of risks outside the purview of banking supervision played an important role in the build-up to the global financial crisis.
- ***Contagion risk -*** Shadow banking entities have close interlinkages with the banking sector both from the asset as well as the liabilities side, and also with other segments of the financial system, which can lead to contagion risk in times of loss of confidence and uncertainty.

Global approach to regulation of shadow banking

10. The developments during the global crisis reflected the gravitas of the risks I have highlighted above. The light touch regulation enabled the shadow banking system to have high leverage. The liquidity risks faced by the shadow banking system quickly got transferred to the banking system due to its interconnectedness and interlinkages with the regular banking system, largely through committed liquidity facilities and reputational concerns. The contagion that followed, prompted the policy makers to review the regulation of the shadow banking sector to ensure and preserve financial stability. As such, at the November 2010 Seoul Summit, the G20 Leaders highlighted the fact that, after formulation of the new capital standards for banks *i.e.*, Basel III, '*strengthening regulation and supervision of shadow banking*' was one of the remaining issues of financial sector regulation that warranted attention. As you are aware, the FSB has the mandate to develop and promote the implementation of effective regulatory, supervisory and other financial sector policies in the interest of

2 Green Paper Shadow Banking European Commission March 2012

financial stability. Therefore, the G20 requested the FSB to develop recommendations to strengthen the oversight and regulation of the shadow banking system by mid-2011 in collaboration with other international standard setting bodies. The FSB formed a task force to develop initial recommendations for discussion that would:

- clarify what is meant by the 'shadow banking system';
- set out potential approaches for monitoring the shadow banking system; and
- explore possible regulatory measures to address the systemic risk and regulatory arbitrage concerns posed by the shadow banking system.

11. The FSB felt that the objective of regulation is to ensure that shadow banking is subject to appropriate oversight and regulation, to address bank-like risks to financial stability emerging outside the regular banking system, while not inhibiting sustainable non-bank financing models that do not pose such risks. Their approach was activity specific rather than entity specific, as they focused on identification of those activities that can affect systemic stability, particularly those that caused or exacerbated the crisis. The approach also included monitoring the shadow banking system so that any rapidly growing new activities that pose bank-like risks can be identified early and, where needed, those risks are addressed.

12. The activities identified by FSB can be divided into 5 broad categories

- management of client cash pools with features that make them susceptible to runs (*e.g.* credit investment funds with stable NAV features, leveraged credit hedge funds);
- loan provision that is dependent on short-term funding (*e.g.* finance companies with short-term funding structure or that accept deposits);
- intermediation of market activities that is dependent on short-term funding or on secured funding of client assets (*e.g.* securities brokers whose funding is heavily dependent on wholesale funding);
- facilitation of credit creation (*e.g.* credit insurers, financial guarantee insurers); and
- securitisation and funding of financial entities (*e.g.* securitisation vehicles).

13. The FSB advised that monitoring and responses be guided by a two-stage approach.

- Firstly, authorities should cast the net wide, looking at all non-bank credit intermediation to ensure that data gathering and surveillance cover all the activities within which shadow banking-related risks might arise.
- Authorities should then narrow the focus, concentrating on the subset of non-bank credit intermediation where maturity/liquidity transformation and/or flawed credit risk transfer and/or leverage create important risks.

14. The FSB, working with the Basel Committee on Banking Supervision (BCBS) and the International Organisation of Securities Commissions (IOSCO), has, therefore, examined and developed recommendations in five areas where financial stability risks from shadow banking have arisen. Work streams were created for analysing the issues in greater detail and developing effective policy recommendations in these areas, *viz.*:

- to mitigate the spill-over effect between the regular banking system and the shadow banking system – (BCBS);
- to reduce the susceptibility of money market funds (MMFs) to 'runs' – (IOSCO);
- to assess and mitigate systemic risks posed by other shadow banking entities – (FSB sub group);
- to assess and align the incentives associated with securitisation – (IOSCO and BCBS); and
- To dampen risks and pro-cyclical incentives associated with secured financing contracts such

as repos, and securities lending that may exacerbate funding strains in times of 'runs' – (FSB sub group).

15. The policy recommendations have been guided by the following five general principles for regulatory measures:

- *Focus:* Regulatory measures should be carefully designed to target the externalities and risks the shadow banking system creates;
- *Proportionality:* Regulatory measures should be proportionate to the risks shadow banking poses to the financial system;
- *Forward-looking and adaptable:* Regulatory measures should be forward-looking and adaptable to emerging risks;
- *Effectiveness:* Regulatory measures should be designed and implemented in an effective manner, balancing the need for international consistency to address common risks and to avoid creating cross-border arbitrage opportunities against the need to take due account of differences between financial structures and systems across jurisdictions; and
- *Assessment and review:* Regulators should regularly assess the effectiveness of their regulatory measures after implementation and make adjustments to improve them as necessary in the light of experience.

Size of the Shadow Banking Sector

16. Efficient oversight of any sector requires monitoring which involves data collection and analysis. Given its growing significance, monitoring of the global shadow banking system is being very vigorously pursued. The FSB committed to conducting annual monitoring exercises to assess global trends and risks in the shadow banking system through its Standing Committee on Assessment of Vulnerabilities (SCAV) and its technical working group, the Analytical Group on Vulnerabilities (AGV), using quantitative and qualitative information. The FSB's second annual monitoring exercise, which was recently concluded, covered 25 jurisdictions and the euro area as a whole, thereby bringing the coverage of the monitoring exercise to 86 per cent of global GDP and 90 per cent of global financial system assets. The primary focus of the exercise was on a 'macro-mapping' based on national Flow of Funds and Sector Balance Sheet data, that looks at all non-bank financial intermediation to ensure that data gathering and surveillance cover the areas where shadow banking-related risks to the financial system might potentially arise.

17. The main findings from the 2012 exercise are as follows:

- According to the 'macro-mapping' measure, the global shadow banking system, as conservatively proxied by 'Other Financial Intermediaries' grew rapidly before the crisis, rising from US$ 26 trillion in 2002 to US$ 62 trillion in 2007. The size of the total system declined slightly in 2008 but increased subsequently to reach US$ 67 trillion in 2011 (equivalent to 111 per cent of the aggregated GDP of all jurisdictions). The global estimate for the size of the shadow banking system has increased by some US$ 5 to 6 trillion since last year.
- The shadow banking system's share of total financial intermediation (which includes banks, insurance and pension funds, public financial institutions and central banks) has decreased since the onset of the crisis and has remained at around 25 per cent in 2009-2011, after having peaked at 27 per cent in 2007. In broad terms, the aggregate size of the shadow banking system is around half the size of banking system assets.
- There is also a considerable diversity in the relative size, composition and growth of the non bank financial intermediaries across jurisdictions. For example, the size of the shadow banking system in US and a number of other jurisdictions

continues to be large relative to the regular banking system. The US has the largest shadow banking system, with assets of US$ 23 trillion in 2011, followed by the euro area (US$ 22 trillion) and the UK (US$ 9 trillion).

- There is also considerable divergence among jurisdictions in terms of: (i) the share of non-bank financial intermediaries (NBFIs) in the overall financial system; (ii) relative size of the shadow banking system to GDP; (iii) the activities undertaken by the NBFIs; and (iv) recent growth trends.
- Even during the period immediately following the global financial crisis (2008-11), the shadow banking system continued to grow, although at a slower pace, in seventeen jurisdictions (half of them being emerging market and developing economies undergoing financial deepening) and contracted in the remaining eight jurisdictions.
- Among the jurisdictions where data is available, interconnectedness risk tends to be higher for shadow banking entities than for banks. Shadow banking entities seem to be more dependent on bank funding and are more heavily invested in bank assets, than *vice versa.*

Shadow Banking in India

18. Notwithstanding the data constraints in actual evaluation of its size, the shadow banking sector in India is still small in size compared to its counterparts in advanced economies. In 2011, assets of Other Financial Institutions (OFIs) in India were US$ 375 billion *vis-a-vis* bank assets of US$ 1518 billion and GDP of US$ 1766 billion. The assets of the shadow banking system accounted for 21 per cent of GDP as compared to bank assets which were 86 per cent of GDP.[3] Apart from the fact that the sector is not significant in terms of size, the activities carried out by these entities are also limited.

19. In India, the shadow banks have been brought under progressively tighter regulations and many of the activities which contributed to the global crisis are either not allowed, or, if allowed, are allowed in a regulated environment with appropriate limits. Illustratively, the concern expressed by the FSB regarding Money Market Funds and Credit Investment Funds including ETFs *etc.* was in the context of the practice in some countries, including the US, regarding maintenance of constant NAVs, which led to runs on these funds. On the contrary, in India, Money Market Funds, investment funds and ETFs form part of Mutual Funds and are regulated by the Securities and Exchange Board of India (SEBI) under its Mutual Fund Regulations. SEBI has been gradually mandating a shift from NAVs valued on amortisation basis to mark to market. (In February 2012, SEBI reviewed the valuation norms to ensure fair treatment to all investors based on the principles of fair valuation *i.e.* valuation shall be reflective of the realisable value of the securities/assets). The entire Assets under Management (AUM) of Mutual Funds stood at ₹5872.17 billion as on March 31, 2012 which was 6.6 per cent of GDP. Of this FIIs had a holding of 0.9 per cent and NRIs 6 per cent. Thus, cross border linkages and the consequential impact are also not seen as very high on such funds.[4]

20. Hedge Funds are not significant players in India. Moreover, comprehensive guidelines (Alternative Investment Fund Guidelines) have been put in place by SEBI to regulate all funds established in India, which are private pooled investment vehicles raising funds from Indian or foreign investors.

21. Transferring of risk off balance sheet by banks by using SIVs/conduits is not a model adopted in India. Apart from this, complex and synthetic derivative products which were at the core of the global crisis are also not presently permitted in India. Further, explicit regulations have been put in place to ring fence NBFCs

[3] Source: RBI data

[4] Source SEBI Annual Report 2011-12

from the adverse impact of cross border linkages and minimising the financial contagion. (For example, NBFCs can take equity and fund based exposure while investing overseas within a limit liked to NOF). They are not permitted to provide implicit support such as guarantees or letters of comfort.

NBFC sector in India – Evolution of regulation

22. Non-Banking Financial Companies (NBFCs) in India are defined as companies carrying out a range of financial activities such as making loans and advances; investing in shares/bonds/debentures/and other securities; asset financing including leasing, and hire-purchase finance. The recent additions to this sector have been (i) Infrastructure Finance Companies (IFC), (ii) Infrastructure Debt Funds (IDF), (iii) Micro Finance Institutions (NBFC- MFI) and (iv) Factors. In India, NBFCs quintessentially epitomise the shadow banking system as they perform bank like credit intermediation outside the purview of banking regulation. Apart from this, where the entire OFI assets account for approximately 24 per cent of bank assets as on March 31, 2012, assets of the NBFC sector alone account for 12 per cent, denoting the significance of NBFCs in the Indian shadow banking system.

23. As a background to the setting up of the Working Group on NBFCs chaired by Ms. Usha Thorat, let me briefly touch upon the evolution of regulation of NBFC sector in India. Steps for regulation of NBFCs were initiated as early as in the sixties. Regulation of NBFCs was found to be necessary for three reasons *viz.*, ensuring efficacy of credit and monetary policy, safeguarding depositors' interest and ensuring healthy growth of Non-Banking Financial Intermediaries (NBFIs). Thus, the Banking Laws (Miscellaneous Provisions) Act, 1963 was introduced to incorporate a new chapter (*i.e.*, Chapter III B) in the Reserve Bank of India Act, 1934 to regulate the NBFIs. Subsequently, to enable the regulatory authorities to frame suitable policy measures, several committees were appointed from time to time, to conduct in-depth study of these institutions and make suitable recommendations for their healthy growth. These include the Bhabatosh Datta Study Group (1971), the James Raj Study Group (1974), and the Chakravarty Committee, 1985. Thereafter, the Narasimham Committee (1991) outlined a framework for streamlining the functioning of the NBFCs, which would include, in addition to the existing requirements of gearing and liquidity ratios, norms relating to capital adequacy, debt-equity ratio, credit-concentration ratio, adherence to sound accounting practices, uniform disclosure requirements and assets valuation. The Joint Parliamentary Committee (JPC), appointed in connection with the irregularities in the Securities Transactions, had also recommended that legislative framework should be strengthened to vest in RBI more powers to effectively regulate NBFCs. The extant regulatory and supervisory framework as it stands today is based on the recommendations of the Shah and Khanna Committees (1992 and 1995).

24. The growing significance of NBFCs was also recognised by the second Narasimham Committee (1998) as well as by the Reserve Bank in its Discussion Paper on Harmonisation of the Role and Operations of DFIs and Banks. Recognising the increasing significance of the sector, the Working Group on Money Supply (Chairman: Dr. Y.V. Reddy) in 1998 proposed a new measure of liquidity aggregate incorporating NBFCs with public deposits of ₹0.20 billion and above.

25. There was a significant increase in the nature of NBFC activities in the nineties. NBFCs grew sizably both in terms of their numbers as well as the volume of business transactions. The number of NBFCs grew more than seven-fold from 7,063 in 1981 to 51,929 in 1996. Accordingly, based on the recommendations of the Shah Committee, the RBI Act was amended in January 1997 to provide a comprehensive legislative framework for regulation of NBFCs by effecting changes in the provisions contained in Chapter III-B and Chapter V of the Act and vested more powers with the Reserve Bank. The regulatory framework was

based on the three pillars *viz.*, onsite supervision, offsite monitoring and exception reporting by auditors. Though the amended Act provided for registration of all NBFCs, the focus continued to be the protection of depositors' interest thus covering the deposit taking NBFCs, while keeping the non-deposit taking NBFCs subject to minimal regulation. These measures resulted in consolidation of the sector, reduction in the number of deposit taking NBFCs, reduction in the quantum of public deposits and increase in the number of non-deposit taking NBFCs. The number of deposit taking NBFCs, including Residuary Non-Banking Finance Companies (RNBCs), decreased from 1,429 in March 1998, to 273 in March 2012. The deposits held by these companies (including RNBCs) decreased from ₹238 billion to ₹101 billion during the same period.[5]

26. With the consolidation of the sector and stabilising of deposit taking NBFCs, the focus in 2006 widened to include non-deposit taking NBFCs which were growing in number as well as in size. Considering the issue of systemic importance of large NBFCs in view of their size, their enhanced risk taking capabilities, growing complexity of their activities, and the financial market interlinkages, a comprehensive regulatory framework was introduced for these NBFCs. To begin with, non deposit taking companies having asset size of ₹1 billion (100 crore) and above were classified as systemically important non deposit taking NBFCs (NBFCs-ND-SI) and subjected to capital adequacy and credit concentration norms. Subsequently, liquidity and disclosure norms were made applicable to them. Presently, as on March 31, 2012, there are 375 NBFCs-ND- SI with a total asset size of ₹9,213 billion.

27. The NBFC sector has been the fastest growing segment in the Indian financial sector today with year on year growth higher than that of banking sector as seen from the figures below (Table 1) :

5 RBI data

Table 1: Growth in Total Assets of Banks *vis-à-vis* NBFCs

Item	As at end					
	2007	2008	2009	2010	2011	2012
Banks	3459961	4326486	5241330	6025141	7183522	8299400
Growth (Y-o-Y)		*25*	*21.1*	*15*	*19.2*	*15.5*
NBFCs	366452	478997	560035	657185	866713.7	1038189
Growth (Y-o-Y)		*30.7*	*16.9*	*17.3*	*31.9*	*19.8*

Note: NBFCs include all deposit taking NBFCs and NBFCs-ND-SI
Source: Report on Trend and Progress of Banking in India, RBI, various issues

NBFC sector during the 2008 crisis

28. The NBFC sector came under pressure during the 2008 crisis due to the funding interlinkages among NBFCs, mutual funds and commercial banks. NBFCs-ND-SI relied significantly on short-term funding sources such as debentures (largely non convertible short-term debentures), and CPs, which constituted around 56.8 per cent of the total borrowings of NBFCs-ND-SI as on September 30, 2008. These funds were used to finance assets which were reportedly largely a mix of long-term assets, including hire purchase and lease assets, long-term investments, investment in real estate by few companies, and loans and advances. These mismatches were created mainly as a business strategy for gaining from the higher spreads. However, there were no fall back alternatives in cases of potential liquidity constraints. The ripple effect of the turmoil in American and European markets led to liquidity issues and heavy redemption pressure on the mutual funds in India, as several investors, especially institutional investors, started pulling out their investments in liquid and money market funds. Mutual funds being the major subscribers to CPs and debentures issued by NBFCs, the redemption pressure on MFs translated into funding issues for NBFCs, as they found raising fresh liabilities or rolling over of the maturing liabilities very difficult. Drying up of these sources of funds along with the fact that banks were increasingly becoming risk averse, heightened their funding problems, exacerbating the liquidity tightness.

Measures taken by RBI to enhance availability of liquidity to NBFCs

29. The Reserve Bank undertook many measures, both conventional as well as unconventional, to enhance availability of liquidity to NBFCs such as allowing augmentation of capital funds of NBFCs-ND-SI through issue of Perpetual Debt Instruments (PDIs), enabling, as a temporary measure, access to short-term foreign currency borrowings under the approval route, providing liquidity support under Liquidity Adjustment Facility (LAF) to commercial banks to meet the funding requirements of NBFCs, Housing Finance Companies (HFCs) and Mutual Funds, and relaxing of restrictions on lending and buy-back in respect of the certificates of deposit (CDs) held by mutual funds.

31. In addition to these measures, a Stressed Asset Stabilisation Fund *viz.*, IDBI SASF, was set up to provide liquidity to NBFCs through purchase of securities of NBFCs which would in turn be refinanced by RBI through purchase of Govt. guaranteed securities issued by the SASF.

31. Notwithstanding the market reports, the actual condition of NBFCs was not so alarming inasmuch as only one NBFC availed refinance from the SASF and no NBFCs went under. However, this dichotomy between perception and reality serves to show how susceptible the sector could be to reputational risk. Thus, the significance of the above measures lies also in their ability to create confidence in the sector.

32. The crisis did, however, highlight some regulatory issues concerning the non-banking financial sector, particularly risks arising from regulatory gaps, arbitrage and systemic inter-connectedness. A need was, therefore, felt to reflect on the broad principles that underpin the regulatory architecture for NBFCs keeping in view the economic role and heterogeneity of this sector and the recent international experience. It was felt necessary to examine in depth, the risks in the NBFC sector in the changed scenario and recommend appropriate regulatory and supervisory measures to address these risks with the aim of creating a strong and resilient financial sector which is vital for all round economic growth of the country. Accordingly a Working Group (Chairperson: Ms. Usha Thorat) was constituted to suggest reforms in various important areas relating to NBFC sector. The Working Group comprised representatives from the industry and co- regulators like SEBI.

Recommendations of the Working Group

33. The Working Group in its report submitted in August 2011 made various recommendations both to ensure the resilience of the NBFC sector and also to contain risks emanating from the sector in the context of overall financial stability. The recommendations of the Working Group can broadly be divided into four categories, comprising issues relating to (i) Entry Point norms, Principal Business Criteria, Multiple and Captive NBFCs; (ii) Corporate Governance including Disclosures, (iii) Liquidity management and (iv) Prudential regulation including capital adequacy, asset provisioning, risk weights for certain sensitive exposures, and restrictions on deposit acceptance.

34. Based on the recommendations of the Working Group and the subsequent extensive deliberations with all the stakeholders, *viz.*, industry participants as well as the Government of India, draft guidelines have been formulated and put in the public domain for comments in December 2012.

35. As I have stated before, going by press reports as well as the responses observed today, some apprehension has been expressed regarding the proposed guidelines. However, let me emphasise that our intention is not to restrict the activities or constrain the innovativeness of the sector but rather ensure that possible risks to financial stability are addressed, thereby creating, or should I say, ensuring continuation of a resilient system of non-bank credit intermediation. To go back to my earlier remarks on shadow banking and global regulatory initiatives, I

would stress that the setting up of the Working Group and implementation of its recommendations was undertaken in line with the international agenda for shadow banks.

36. Some apprehensions have been expressed that the regulation of shadow banking is becoming as rigorous as banking regulation, which is not warranted given the differences in the profiles of these two segments. I agree with the concerns. While one can argue that identical functions should be regulated in an identical manner irrespective of the nature of the legal entity in which these functions are housed, we have gone for differential regulations between banks and NBFCs due to differences in business models, their significance in the financial system and varying risk profiles. Regulations for banks are much more stringent than that for NBFCs and the proposed new regulatory framework for banks under Basel III proposes even more stringent requirements to address the risks of banks.

37. However, the distinction between banks and non-banks is more fuzzy now and as the global crisis has adequately evidenced, non-banks are increasingly taking up bank-like activities. In such a scenario, where both banks and non-banks undertake similar activities, if only bank regulation is tightened, there is a very distinct possibility of risks migrating from the more tightly regulated sector to a more lightly regulated sector, the way water flows from high pressure points to low pressure points. Therefore, to contain risks in the overall financial system, there is a case for reviewing the regulations of the non-banking sector along with that for banks, holistically. In India, we have been alive to these issues as I have already mentioned earlier. Setting up of the Working Group on the Issues and Concerns of the NBFC Sector in September 2010 is another instance of taking a pro-active stance in dealing with regulatory issues and concerns.

38. The overarching principles to the new regulatory framework revolve around some guiding principles:

- appreciating the contribution of the NBFC sector to the financial system and the economy and rationalising regulations to preserve the innovativeness of the sector;
- recognising the need to address systemic risk arising out of concentration and exposure of NBFCs to sensitive sectors;
- Recognising that the NBFCs have the ability to leverage on the RBI registration and therefore, rationalising the scope of regulation to address risks appropriately;
- conserving regulatory resources and directing them where required;
- dealing with regulatory arbitrage while not recommending completely bank-like policies and regulation for NBFCs and
- giving adequate transition period to the industry so as to cause minimum dislocation to the sector.

39. Let me briefly touch upon some of the significant features of the draft guidelines.

Principal Business Criteria

40. Under the present dispensation, a company is treated as an NBFC if its financial assets are more than 50 per cent of its total assets (netted off by intangible assets) and income from these financial assets is more than 50 per cent of its gross income. Both these tests are required to be satisfied. There is a problem with this definition. As a financial regulator, Reserve Bank primarily regulates the financial activities of NBFCs, while they can also engage in non financial activities of comparable magnitude. It is, therefore, important to insulate the sector from the spillover of possible risks from non-financial activities. The most preferred solution, therefore, from a regulatory perspective, would be the one in which the NBFCs do not undertake any activity other than financial activities on the same lines as banks are permitted to undertake only those activities which are enumerated in Section 6(1) of the Banking Regulation Act, 1949. However, that is not

possible for the NBFC sector given the structure of the sector. As ensuring 100 per cent financial activity is not feasible, the next best alternative would be to raise the threshold for principal business. Accordingly, the threshold has been raised from 50 per cent to 75 per cent of total assets/income, to ensure that the regulation focuses on predominantly financial entities. However, raising the threshold could result in keeping out of purview of regulations, certain non banking financial entities having financial activities of significant scale which could adversely impact financial stability. This could happen in the following two situations:

- The financial activities of these entities are a significant proportion of the total activities and of significant magnitude; and
- The financial activities of these entities are not a significant proportion of total activities but are of large magnitude.

41. To cover (a) above, the definition of principal business has been expanded to cover those non-bank financial entities whose financial assets or income from financial assets are 50 per cent or more of total assets or gross income respectively and total assets are ₹10 billion or more. However, entities covered by (b) cannot be possibly subjected to entity specific regulation as the scale of non financial activities would be much larger than that of financial activities. Regulatory approach in such a situation will have to evolve over time. One approach could be to subject their financial activities to prudential regulations for those activities. The other alternative would be, as envisaged in FSB's approach, to build up a data base, identify vulnerabilities, and take suitable regulatory action where vulnerabilities could acquire systemic proportions.

Exemption from requirement of registration:

42. In formulating the threshold for registration of NBFCs, we were guided by considerations of conserving limited regulatory resources and issues of materiality of the risk profile of NBFCs. Accordingly, we have proposed to exempt two categories of NBFCs from registration – one, all non-deposit taking NBFCs with asset size below ₹0.25 billion and two, NBFCs with asset size below ₹5 billion and not accessing public funds. These NBFCs would also be exempt from regulation. Small NBFCs having asset size of less than ₹0.25 billion or NBFCs with asset size below ₹0.5 billion and not accessing public funds are not likely to create systemic risk in view of their small size and absence of leverage respectively. This is consistent with the recommendations of the Geneva Report[6] which suggested that such small companies, which it termed 'Tinies', should have minimal conduct of business regulations especially if they are unlevered. It is possible that some of these companies may pose insignificant risks as individual entities but their correlated behaviour may create risks when they move together as part of a larger group or 'herd' and these may not be adequately captured. To address this risk, we have propounded the group concept, in which all NBFCs in a group will be individually treated as Systemically Important (NBFCs-ND-SI) if their aggregate assets total ₹1 billion and above. This is not to deny that there may be valid reasons for creation of multiple NBFCs, but the possible risks from their activities need to be addressed.

43. A lot of apprehension has been expressed in some quarters that NBFCs (*i.e.*, non banking financial entities meeting the Principal Business criteria) having assets below the threshold will be forced out of business. I would like to clarify that this is not the intention of the proposed regulations. All we are saying is that from a materiality perspective such entities need not be the focus of RBI's regulatory oversight and, therefore, should be exempted from registration and regulation. We also do not feel that this will have an adverse impact on their activities because after all, there must be many entities doing

[6] The Fundamental Principles of Financial Regulation – Geneva Reports on the World Economy 11.

business even under the current regime, which have significant financial activities but below the 50/50 threshold and, therefore are not NBFCs and not registered with RBI.

Captive NBFCs

44. There are some regulatory concerns regarding the business model of captive finance companies. As captives provide finance for purchase of products of the parent, their business is inextricably linked to the parent's fortunes. It is likely that credit underwriting standards in such companies may be weaker. Hence, while setting up of captive NBFCs is a commercial decision, the risks arising out of the business model of such captives need to be adequately addressed and hence the review of guidelines, requiring a higher Tier I Capital.

Prudential Norms

45. Apprehensions have also been expressed that tightening of prudential norms as proposed in the draft regulations may affect the profits of the NBFCs and increase their lending cost. You would observe that changes have been proposed only in areas where there is a heightened risk perception. While the intention is not to mimic bank regulation completely, I am sure, you all would agree that we should take some of the relevant best practices of the bank regulation which are well developed and tested and adapt them to other sectors where the benefits of such approach outweigh the costs. The proposed increase in the capital requirements for NBFCs is to ensure that the risks in the financial system which surfaced during the crisis are addressed and the regulatory gap between banks and NBFCs does not widen, especially when the capital requirements for banks have increased significantly under Basel III. The proposed measures address regulatory arbitrage between banks and NBFCs in areas such as capital marketor realestate exposure through the calibrated use of prudential measures such as higher capital requirements, and risk weights for sensitive sectors, wherever greater risks are perceived. Accordingly, we have proposed to raise the minimum Tier l capital requirement, for captive NBFCs, NBFCs with major exposure to sensitive sectors such as capital market, commodities and real estate, and NBFCs predominantly engaged in lending against gold jewellery. For NBFCs that are part of a banking group, risk weights for capital market exposure (CME) and Commercial Real Estate (CRE) would be the same as that for banks; for others these would be revised upwards.

46. Convergence in regulation between banks and NBFCs is thought to be required in the areas of asset classification and provisioning norms. This is because both banks and NBFCs are financing similar assets and there is no logical reason for prudential norms to be different. In fact, initially when the 180 day norm was introduced for NBFCs, for assets other than lease and hire purchase transactions, for whom the norms were even more relaxed, the norms were similar to those of banks at that time. However, while banks migrated to 90 day norm, NBFCs continue to be on 180 days norm. As regards the proposed 90 day norm for classification of assets, it has been argued that the clientele of NBFCs is very different from that of banks and hence a longer collection period is needed. I would like to emphasise that once an amount becomes due there is no reason why it should not be paid within 90 days irrespective of the nature of business and clientele. As regards fixing the payment schedules, there are no regulatory prescriptions or constraints. As lenders, NBFCs have the option of fixing the repayment schedule suiting the credit cycle of the borrowers. However, to ensure minimal dislocation, this convergence of time norms will be brought about in a phased manner, and a one-time adjustment of the repayment schedule which shall not amount to restructuring, is proposed to be permitted. Similarly, in the case of provisioning for standard assets, convergence with the banking sector is envisaged and sufficient transition time will be given for compliance.

Deposit acceptance

47. Since 2004-2005, we have maintained that, as a policy, only banks should be allowed to accept public deposits. Deposit acceptance in the NBFC sector is a legacy of the past but no new NBFC has been given a license for acceptance of deposits. Initially, the concept of rating had been introduced for NBFCs accepting public deposits, but, as an exception, unrated AFCs were allowed to accept deposits upto ₹0.10 billion. You would all agree that depositor protection is not a function of the amount of deposit. It is, therefore, proposed to make it compulsory for all existing deposit accepting NBFCs to obtain credit ratings from credit rating agencies. In future, unrated NBFCs will not be permitted to accept deposits and existing unrated deposit taking NBFCs will be given a period of one year to get themselves rated if they wish to continue to accept deposits. Further, to bring parity in the sector, the limit for acceptance of deposits for rated AFCs is proposed to be reduced in line with other deposit taking NBFCs.

Liquidity Management

48. I have spoken in detail about the liquidity risk due to maturity transformation during the credit intermediation process and how this affected NBFCs in 2008. As seen during the crisis, liquidity risks can rapidly translate into solvency risks. Taking lessons from the global crisis, the Basel Committee on Banking Supervision has stipulated that a banking institution should maintain adequate levels of high quality liquid assets which can be converted into cash at very short notice and at small discount to enable it to survive a stress situation over a 30 day time horizon. The Committee has also looked at a longer time horizon by expecting institutions to fund their activities with more stable sources of financing on an on-going basis. These are prudential practices and need to be adopted by all financial entities. Consequently, it is proposed that all registered NBFCs would be required to maintain high quality liquid assets in cash, bank deposits available within 30 days, money market instruments maturing within 30 days, actively traded debt securities (valued at 90 per cent of the quoted price and carrying a rating not lower than AA or equivalent), equal to the gap between total cash inflows and outflows over the 1 to 30 day time bucket as a liquidity coverage requirement. For deposit taking NBFCs, the extant requirement of maintenance of liquid assets will continue. I would like to clarify that the proposed requirement is much less onerous than that for banks in as much as the holding of liquid assets is not calibrated to a stress scenario and holding of financial sector liabilities as liquid assets is permitted which is not the case for banks.

Corporate Governance

49. The global financial crisis exposed major weaknesses in corporate governance systems, particularly in risk management policies and procedures. Internationally, the emphasis on good governance is increasing and it is firmly believed that improving corporate and risk governance could prevent, or at least mitigate, systemic crises. In 2007, the OECD lauded Asian countries for substantially revamping their corporate governance frameworks, but warned that enforcement remained the most significant challenge and an '*unfinished agenda*'. CLSA and the Asian Corporate Governance Association echo the same conclusion in their *2010 Corporate Governance Watch* Report for Asia. A key observation is that '*regulators make it too easy for companies to get away with box-ticking*,' which keeps even the best Asian markets far from international best practices. As per BCBS principles (October 2010) for enhancing corporate governance, effective corporate governance practices are essential to achieve and maintain public trust and confidence in the banking system, which are critical to the proper functioning of the banking sector and economy as a whole.

50. The above arguments apply to the NBFC sector also, especially, in view of their growing size, multiplicity of stakeholders and the increasing complexity of operations. For the purposes of

corporate governance, we have felt it necessary to increase the focus on companies with asset size of more than ₹10 billion, *i.e.*, the really large companies. Again, the proposed prescriptions in this regard centre around materiality, whether in ensuring fit and proper shareholders and management or the quality of disclosures. The proposed prescriptions are aimed at enhancing governance standards in NBFCs by, *inter alia*, stipulating that all registered NBFCs will require prior approval whenever these is a change in control, or a significant increase in share holding; requiring RBI's approval for appointing CEOs of large NBFCs. Other measures are: restricting the number of directorships a director can accept; putting in place a system of due diligence to ensure fit and proper criteria; and requiring enhanced disclosure requirements, including those mandated under Clause 49 of the SEBI listing agreement, *etc.*

Conclusion

51. In conclusion, let me reiterate a few points. The NBFC sector is a very important segment of the financial system warranting encouragement for further development, but at the same time, would also require to be watched and regulated more closely given its growth, increasing complexity and impact on the financial system due to increased interconnectedness. Said differently, the very factors which would require the NBFC sector to be actively promoted would also require the sector to be actively regulated. In India, we have always been cognizant of the fact that NBFCs play a significant role in the financial system and in the economic growth. The regulatory framework has been designed and is reviewed from time to time keeping in mind the requirement of the sector as well as the changing dynamics in the financial system due to increased interconnectedness. It may be said that while the shadow banking sector in India did come under stress during the global financial crisis, the stress levels were comparatively modest which did not threaten their solvency. The sector has been largely sound, mainly due to the kind of regulation that has been put in place. Nevertheless, continuing fine tuning of regulation is required to monitor the growth of this sector as it can take unexpected and unforeseen turns and mutations. That is ultimately the objective of the proposed Guidelines. In my remarks today, I have elaborated on the rationale behind the proposed guidelines so that there is a better understanding of the revised regulations. I am sanguine that the new regulatory framework would address risks and help build a more resilient and robust NBFC sector.

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*Principles of Financial Market Infrastructure & Innovations in Retail Payment Systems: Some Perspectives**

Harun R Khan

It is a pleasure to be here in New Delhi to inaugurate this International Seminar on Principles of Financial Market Infrastructure (PFMI) and Innovations in Retail Payment Systems in the midst of the guest speakers and distinguished participants from around the world. The spring season in New Delhi is very pleasant and its beauty is all pervasive. I am sure the participants will enjoy the beauty of New Delhi and there would be a lot of takeaways from the seminar. I understand that after completion of the seminar the participants will have an opportunity to see the splendour of Taj Mahal, a world heritage monument, known for its grandeur and magnificence. It touches the hearts of millions of tourists every year to remind them the power of love. Like Taj Mahal, the Payment Systems with its many innovations have charmed billions of population across the globe through its products, services, efficiency and convenience. It has assumed such a criticality that it has become necessary to regulate it with utmost care and diligence as any slippage could lead to instability in the financial sector. The payment systems of the country touches millions every day through different delivery channels, instruments and institutions. In India too, we have created such a mega Payment System infrastructure that is expected to cater to 1.2 billion people. As you all are aware, the development of Payment Systems in a country, both Large Value and Retail, depends upon its banking and financial structure and vision of regulators to modulate the developments. However, while framing policies for orderly development of the Payment Systems, regulators do face newer challenges every day.

Challenges in Large Value Payment Systems

2. Recent crisis has once again emphasised the need for an efficient and secure financial structure. Large-Value Payment Systems that contribute significantly to financial stability is one of the critical components. Various initiatives of the Committee on Payment and Settlement Systems (CPSS) and the Technical Committee of the International Organisation of Securities Commissions (IOSCO) have been the offshoots of the increasing risk and uncertainty in the financial markets, particularly visible during the recent financial crisis. Financial Market Infrastructures (FMIs) have stood the test of time by settling obligations whenever they were due and provided market participants enormous confidence to transact business without the risk of defaults and failures during periods of uncertainty and volatility. Nevertheless, the need for sound risk management and governance with focus on areas like liquidity and credit risks has been realised by all the stakeholders and this has acted as the driving force behind the initiatives to review the existing standards as a part of crisis proofing exercise. Principles for Financial Market Infrastructure (PFMI) are part of such initiatives. PFMI is meant for the Financial Market Infrastructure (FMIs) like Systemically Important Payment Systems (SIPS), Central Securities Depositories (CSDs), Securities Settlement Systems (SSSs), Central Counter Parties (CCPs) and Trade Repositories (TRs) (newly included) which facilitate the recording, checking and settlement of financial transactions. The CPSS and IOSCO have published new PFMI replacing their previous principles and standards *viz.,* (i) Core Principles for Systemically Important Payment Systems (CPSIPS) (2001), (ii) Recommendations for Securities Settlement Systems (RSSS) (2001) and (iii) Recommendations for Central Counterparties (RCCP) (2004).

* Inaugural address delivered by Shri Harun R Khan, Deputy Governor at the International Seminar on Principles for Financial Market Infrastructures and Innovations in Retail Payment Systems organized by Reserve Bank of India on February 14, 2013 at New Delhi. The speaker acknowledges with thanks the contributions of Shri Simanchala Sahu and Shri Surajit Bose of the Reserve Bank of India.

3. These 24 principles (PFMI/2011) which have come in place of the existing standards include new features like (i) default handling of clearing participants; (ii) addressing of operational risk; (iii) principles on segregation and portability; (iv) tired participation and (v) handling of business risk. The new principles in essence reflect the learnings from the recent financial crisis. Alongwith these principles five responsibilities have been assigned to the regulators. They are :

i. FMIs should be subject to appropriate regulation, supervision and oversight by the central bank, market regulator or other relevant authority;

ii. These authorities should have the powers and resources to carry out their responsibilities in regulating, supervising and overseeing FMIs;

iii. Authorities should clearly define and disclose their regulations, supervisory & oversight policies with respect to FMIs;

iv. Authorities should adopt the relevant internationally accepted principles for FMIs and apply them consistently; and

v. Authorities should cooperate with each other, both domestically and internationally in promoting the safety and efficiency of FMIs.

As we observe, the focus of the new principles alongwith the above responsibilities is to improve efficiency and safety by limiting systemic risk and enhancing transparency and stability in the financial system

Assessment Methodology and Disclosure Framework under PFMI

4. CPSS and IOSCO have also published the assessment methodology for the PFMIs and the disclosure framework for FMIs. The objective of the assessment methodology is to provide a framework for assessing an FMI's observance of each of the 24 principles and the relevant authorities' observance of each of the five responsibilities. The assessment methodology is, therefore, a tool to promote the implementation and ongoing observance of the principles and responsibilities and to help ensure objectivity and comparability across all relevant jurisdictions. The assessment methodology is primarily intended for external assessors at the international level and in particular, international financial institutions, such as, the World Bank and International Monetary Fund {*e.g.*, assessment under Financial Stability Assessment Programme (FSAP)}. It also provides a baseline for national authorities to assess FMIs under their oversight/supervision. National authorities should use the assessment methodology in its current format or develop an equally effective methodology for their national oversight/supervision processes.

5. The disclosure framework requires an FMI to publicly disclose sufficient information to participants and prospective participants so that they can understand the design and operations of the system, their rights and obligations, cost and risks from participating in the system. Information that should be publicly disclosed extends beyond all relevant rules and key procedures and includes other explanatory material to help promote a better understanding of operations of the FMI and their impact on participants and the market it serves. The disclosure framework thus aims at enhancing the transparency in operations & risk management systems and, in the process, facilitate comparison across FMIs in different jurisdictions.

6. Implementing 24 principles and five responsibilities in their true spirit is a challenge before the FMIs and the regulators in terms of enabling legal provisions, availability of infrastructure, management of risks, cost for putting in place default handling mechanism and effective system of oversight of FMIs. All these responsibilities require resources, both financial and human, in the central banks, FMIs and other regulators. This Seminar is part of the initiatives of the Reserve Bank for capacity building in this critical area.

Challenges in Retail Payment Systems

7. The Retail Payment Systems today is dominated by continuous innovations aided by breakthroughs in technology. It has brought immense benefits in terms of new products and delivery channels and at the same time, they have engendered concerns for the regulators across the globe. Such innovations in the retail payment landscape have thrown challenges to regulators in the following key areas:

i. Increased use of technologies like internet and mobile phones have resulted in innovative yet complex products and processes;

ii. The lines of demarcation between products are getting blurred as multiple access channels and devices are being increasingly used interchangeably (*e.g.,* both mobile banking and internet payments through smart phones);

iii. The entry of non-bank players into payment space has increased responsibilities of the regulators for continuous monitoring of their activities as they may pose threat to the payment systems in terms of cost and assurance to the consumers;

iv. The pricing related issue of payment services offered by non-banks has become a major concern;

v. The security issues often threaten the confidence of users of the technology dominated retail payment system products;

vi. In the context of efforts being made for financial inclusion, trade-off between expanding the reach of financial services to unbanked and the sustainability of the business model has become a challenge;

vii. Although, the recent financial crisis did not show any strong evidence of correlation between payment systems and financial stability, going forward payment systems, both large value and retail could be the source of instability when the financial transactions moves largely to electronic mode that gives rise to several operational & financial risks; and

viii. As often innovations are technology driven and developments in retail payment system have been rapid, the expertise and competence of staff of central banks and others engaged in regulation and oversight has become a major issue that needs to be addressed effectively.

8. These challenges, therefore, need innovative solutions. However, taking the capacity of the regulators to encourage or inhibit the innovations, it is important to create policy environment that meets the expectation of the consumers for a safe and sound payment systems and encourages participants of the payment system to sustain their business interest.

Reference of PFMI for the Retail payment Systems: 7'S Framework

9. It is appropriate to ask the question whether and how the 24 new Principles for Financial Market Infrastructure would be relevant for the Retail Payment Systems. Although at the current juncture Retail Payment System may not threaten the financial stability, the segment requires greater monitoring and oversight to keep the public confidence in the system. Any breach of trust will prove disastrous for the payment systems leading to macroeconomic concerns, particularly in emerging countries like India where several initiatives have been taken or are on the anvil to further financial inclusion by leveraging developments in retail payment system. One could possibly suggest a 'PFMI Light' framework that could strike a balance between the need for a safe and sound retail payment system & the requirements of accessible and affordable financial services for the unbanked/under-banked population. Here I would like to briefly flag the following seven issues in the form of what could be called as 7'S Framework. The components of the 7' S Framework are: **S**tructure, **S**afety, **S**uitability, **S**tandards, **S**ettlements, **S**ustainability and **S**trategy.

Structure

10. The Retail Payment System plays an important role in the economy although the total amount of settlement is less than that of Large Value Payment System. The retail payment differs from Large Value Payments as it has to be accessible and affordable by a common man. There is a need to create payment system infrastructure that provide users the experience of the cash payment or near-cash payments to wean them away from cash usage. This would require a lot of investment in Research & Developments and understanding the need of the stakeholders to design the Retail Payment Systems. The trust in the Retail Payment System would increase once the Retail Payment Service providers are authorised by the regulators having legal backing to lay down rules and regulations (Principle 1 of the PFMI). Governance plays a key role in setting up credible and robust retail payment systems that supports stability of the broader financial system and works in public interest (Principle 2 of the PFMI). Like many countries, the Payment & Settlement Systems Act, 2007 provides statutory power to the Reserve Bank of India to regulate and supervise the payment system entities. This has helped the Reserve Bank to promote an orderly payment system structure in the country.

Safety

11. Safety and soundness of the Retail Payment Systems is of prime importance. Safety boosts confidence in the system. One of the basic principles of safety is identifying the risks and responsibilities of various stakeholders and managing it effectively (Principle 3 of the PFMI). Risks like credit (Principle 4 of the PFMI), collateral (Principle 5 of the PFMI), margin (Principle 6), liquidity (Principle 7), operational (Principle 17) and business risks (Principle 15 of the PFMI) remain as major challenges before the system participants and system operators of the Retail Payment Systems. As a regulator, we are required to create a framework that enables all the stakeholders to design and provide Retail Payment Systems so as to address these risks, particularly in the context of introduction of newer technologies and complex products. The continuous assessment of various risks should be carried out using on-line/off-line methods and market intelligence to avoid any serious setback to the payment systems. The soundness of Retail Payment System remains the critical element of the regulatory framework and supervisory policies of central banks and regulators. It is the responsibility of the regulators to ensure that the policies are aligned with the country's economy and its emerging needs without sacrificing the sound principles of safe payment system. Another aspect of safety would be the availability of robust Business Continuity Plan (BCP) and Disaster Recovery (DR) framework so that critical payment systems remain robust and are able to handle disruptions in efficient manner.

Suitability

12. Although the urge for replicating the successful payment systems of other countries in one's own country is very high, it is necessary to customise the processes and products as per the suitability to the country keeping in view particularly the socio-economic and cultural distinctiveness and the regulatory and institutional aspects Regulators need to assess effectiveness of different payment products in their jurisdictions by the authorised entities to ensure that they suit the needs of the common people, the complexities are understood by them and they have inbuilt provision for consumer protection (Principles 21 and 23 of the PFMI). There should be an institutional mechanism to assess and certify the retail payment products that matches minimum laid down norms by the regulators. Regulators also need to keep a check on proliferation of products and systems which are difficult to monitor. The suitability may be assessed from the point of view of the SMART principles, *i.e.*, **S**implicity, **M**anageability, **A**cceptability, **R**isk controls and **T**ransparency.

Standards

13. It is very important to create standards and principles that create a level playing field for the system participants, system providers and consumers.

Standards like PFMI, Basel III and ISO help in creating best practices that act as benchmarks for the players and the industry. Standards also reduce discretionary powers leading to fewer disputes and chances of favouritism. While setting standards, we need to be sensitive to the practicality of their implementation. Setting higher standards that are not achievable by the stake holders will remain on paper. Further, standards need to be flexible to cater changing needs and should not act as barriers for the entry of new payment system players. Standards should take into account cost of compliance as that is ultimately passed on to consumers. One example is policy of regulators on default handling and guarantee mechanism (Principle 13 of the PFMI) applicable for retail payment systems that has cost implications for system participants. It is, therefore, necessary to take a practical view on such cases to prescribe the rules that are implementable and cost-effective taking into account the risks involved in retail payment systems. Further, there should be standard setting bodies that can continuously benchmark the products, systems and services for continuous improvements. Regulators need to play an active role in encouraging entities to put in place various standards and leveraging them for business growth and risk management. There is also strong case for uniform security standards across the jurisdictions for minimising frauds in electronic banking. A case in point is frauds relating to misuse of international credit cards due to the absence of the requirement of second factor authentication for all the Card Not Present (CNP) transactions.

Settlements

14. As the retail payment being dominated by the deferred net settlement processes, there is a need for a guaranteed retail payment & settlement systems that will give comfort and assurance to all the stakeholders. In describing the settlement characteristics of net settlement systems, the concept of certainty of settlement is sometimes used. This concept refers to the certainty that the system will be able to effect final settlement when the netting cycle and the associated settlement procedures have been completed. Certainty of settlement relates to a multilateral netting system's ability to ensure the timely completion of daily settlements in the event of inability to settle by a participant with the largest single net debit position or failure of more than one participant. The PFMI also emphasises on settlement risk. Principle 8 of the PFMI which talks about settlement finality addresses the fundamental issue of the finality of transactions processed by an FMI. This principle is equally applicable for the Retail Payment Systems as also Principle 9 of the PFMI which encourages settlements using central bank money and where a commercial bank is used for settlement there has to be strict control credit and liquidity risks.

Sustainability

15. The sustainability depends a lot on efficiency and effectiveness (Principles 21 & 22 of the PFMI) of the system that meets the goals and objectives laid down by the payment system participants. Efficiency can be measured on three parameters, *i.e.*, Cost, Time and Assurance. Cost effective does not necessarily mean providing services at lower cost to consumers; it has to be cost effective for the system and the service providers too. It has always been a debate who should set the price, *i.e.*, regulators or market. Although it sounds good to leave the cost aspect to markets, it is not always true, particularly in developing countries with high rate of financial illiteracy and where payment systems are still evolving. In the Indian context, it is the regulator that often takes various initiatives to develop the payment systems and sometime even the products. Hence, they, at times, put a cap on the price of services to ensure that consumers use the payment services offered through various delivery channels to the maximum extent. For example recently in India the Reserve Bank has reduced merchant discount rate for use of debit cards to promote card based transactions which have not taken off in a big way although the number of cards issued is significant. Regulators have also to ensure that service providers, particularly non-banks, remain

healthy and robust so that they can deepen the payment system infrastructure. Consumers expect access to the payment systems that provides timely services to them (Principle 18 of the PFMI). Therefore, a balance has to be achieved between timely service and fees charged by the service provider. Technologies and shared infrastructure are to be encouraged to minimise cost and ensure timely services due to economy of scale. The third factor of efficiency is assurance. All the stakeholders should have assurance in using the retail payments system. The retail payment system should have inbuilt capability to protect consumers' interest, particularly in the electronic payment environment. The endeavors should be towards designing fraud proof systems and reliable compensation mechanisms that will boost confidence of all the stakeholders.

Strategy

16. Regulators of retail payment systems should put in place a short, medium and a long term strategy with a transparent manner (Principles 23 & 24 of the PFMI). It helps all the stake holders to prepare themselves in advance without any surprise. The Reserve Bank of India, for example, has to come out with a strategy paper in the form of Payment Systems Vision Document for 2012-15 describing all its plans for the next three years. A major focus area of the Vision Document is Retail Payments. The thrust of the vision is to proactively encourage electronic payment systems for ushering in a less-cash society in India and ensure payment and settlement systems in the country are safe, efficient, interoperable, authorised, accessible, inclusive and compliant with international standards. Reserve Bank of India had consulted all stake holders before finalising the Vision Document so that they are on board during the critical phase of implementation. I am happy to share with you that such a strategy has enabled us to take many initiatives alongwith all the stakeholders. The strategy should include sensitising all stakeholders like bank staff, system providers, service providers and consumers on the risk and responsibilities of using the payment services. Mediums like TV, social media, newspaper, outreach programmes and town hall meetings are best way to achieve the objectives. The school and college students particularly need to be sensitised through their curriculum or through familiarisation programmes as they are the future users of the retail payment systems. Pensioners, housewives and unbanked people are vulnerable groups who need to be treated on a special footing in usage of retail payment products. Reserve Bank of India has, for instance, started an initiative called e-BAAT (Electronic Banking Awareness And Training) for creating awareness on use of different retail electronic payment products for different target groups.

Conclusion

17. To conclude, let me reiterate that implementation of the new PFMI is going to be a big challenge before all of us. There is a need to assess the relevance of PFMIs for the Retail Payment Systems which are characterised by expanding volumes arising out of Person to Person (P 2 P), Government of Person (G 2 P) and e-commerce transactions, continuous innovations and increasing complexities, particularly in the context of technology driven products and processes. Possibly a 'PFMI Light' approach for the Retail Payment Systems could be appropriate keeping in view the need for a safe, efficient and robust retail payment systems that would serve the cause of accessible, appropriate and affordable financial services for the consumers, particularly those who have remained financially excluded. I am sure this two day seminar would further enrich our understanding of the Principles of Financial Market Infrastructure and the innovations emerging in the retail payment system space through the presentations of eminent experts and lively interactions among the participants. I am confident the views/suggestions that would emerge from this seminar would in some way help all the stakeholders to promote safe and sound payment systems in our respective jurisdictions. I wish all the participants a pleasant stay in India and wish the seminar all success.

Thank you all for patient hearing.

*Principles of Financial Market Infrastructures and Innovations in Retail Payments**

G. Padmanabhan

Distinguished speakers, participants, other guests, ladies and gentlemen. It is a pleasure to be amidst you and speak to you all as we conclude this International Seminar on 'Principles of Financial Market Infrastructures and Innovations in Retail Payments' organised by the Reserve Bank.

2. The theme of the seminar, which was chosen after considerable deliberations, is quite apt, given the markets around us. As you know, the term FMI refers to systemically important payment systems, CSDs, SSSs, CCPs, and TRs which facilitate the clearing, settlement, and recording of monetary and other financial transactions, such as, payments, securities, and derivatives contracts (including derivatives contracts for commodities).

3. The role and importance of FMIs in the global financial system came to fore during the crisis which has been succinctly captured in the IMF report 'Central Banking Lessons from the Crisis' (May 27, 2010). The report mentions '*The crisis would have been much more severe had central banks not taken efforts to introduce robust payment and settlement systems, including for foreign exchange, over the two decades ahead of the crisis. The systemic impact of failure of a financial institution depends critically on the robustness of the infrastructure underpinning those markets in which it is active*'.

4. The FMIs which act as plumbers in the financial system helped in maintaining the market confidence during the crisis for two reasons. First, FMIs like the CCPs shift the counterparty risk from participants to themselves thereby ensuring trust in an environment where participants distrust each other and thus provide the market confidence to carry on transacting. Second, their ability to settle when transactions are due for settlement on account of their risk management practices helps in retaining the sanity in the market.

5. Many studies had been undertaken analysing the role of FMIs during the crisis. The common findings of such studies are that FMIs were successful in ensuring reliability and mitigating risks despite unprecedented volatility and shaken market confidence. FMIs like CLS, RTGS systems and CCPs helped in containing the materialisation of systemic risk by maintaining confidence in the interbank trading and settlement of foreign exchange, money markets, *etc.* FMIs were successful in handling the defaults in a non-disruptive manner.

6. Lessons learned from earlier crisis, such as, Herstatt failure in 1974, US equity clearing house difficulties faced in 1987, Hong Kong Future Exchange in 1987, *etc.* helped the regulators in addressing the risks in payment, clearing and settlements systems. Implementation of RTGS systems, adoption of PvP and DvP modes of payments, sound legal framework for settlement finality, setting up of new market infrastructures and robust clearing and settlement infrastructure are the initiatives that helped in curbing recurrence of these risks. Establishment of global standards, such as, RCCP, RSSSs, SIPS, *etc.* helped in effective governance, oversight and supervision of systemically important financial market infrastructures.

7. However, the crisis also gave few important lessons to the regulators. Readiness for the worst case

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* Valedictory address delivered by Shri G. Padmanabhan, Executive Director at the International Seminar on Principles for Financial Market Infrastructures and Innovations in Retail Payment Systems organised by Reserve Bank of India on February 15, 2013 at New Delhi. Assistance provided by Shri Saswat Mahapatra and Smt. Radha Somakumar is gratefully acknowledged.

scenario does not guarantee protection against future scenario as the future crisis could be much bigger than what has been experienced. There is a need to capture newer risks emerging from links, tiering and indirect participation which were hitherto not captured fully in the existing standards. The recent global crisis revealed that liquidity lines assumed to be secured are not so secured in a stressed scenario. Another important lesson that can be drawn from the recent crisis, especially in a globally interconnected financial market on account of links and interdependencies, is the need for communication and co-ordination among regulators. Finally, there is a need to reduce regulatory and policy arbitrage within and among the jurisdictions.

8. The response of the policy makers to the crisis has been multi-prong and multi-dimensional to ensure that a crisis on this scale may never happen again. The regulatory reforms undertaken under the aegis of G-20, Financial Stability Board and other international standard setting bodies focus on strengthening the micro-prudential and market-conduct regulations supplemented by effective macro-prudential frameworks.

9. The CPSS-IOSCO Principles for Financial Market Infrastructure which replace the earlier standards are part of the global initiatives to reform the financial markets. The principles amplify the critical role the FMIs play in maintaining and promoting financial stability and economic growth and also prescribe standards for strengthening the FMIs to make them robust and resilient to handle future crisis. The standards when fully implemented would ensure that FMIs perform the role they have been designed for *viz.*, shock absorber and plumber of financial systems rather than being the major channel for transmission of financial shocks in form of liquidity dislocations and credit losses.

10. Given this background, we thought PFMI would be an apt theme for the conference. I am certain the esteemed speakers who have been closely associated with the framing of new standards would have demystified the principles and explained the nuances and subtleties of the principles. You would have noticed that the new standards seek to introduce more demanding requirements. The new standards have raised the bar in form of financial resources and risk management frameworks. The significant being the need for Cover 2 requirements both for liquidity and credit risks for systemically important CCPs which are operating in multiple jurisdictions/currencies and which deal in asset classes with 'jump to default' risk profile in recognition of the increased risk posed by such CCPs. The standards also bring forth other important requirements, such as, need for addressing the business risk, need for a recovery and resolution plan, fair and open access, portability and segregation which are all critical.

11. The new standards when compared to old standards provide additional guidance both to the regulators and the FMIs. The standards provide building blocks for risk models, be it for margin calculation, collateral requirements, back-testing and stress testing methodology requirements or liquidity and financial resource planning. It must be recognised that the FMIs differ significantly in terms of their organisation, functionality and design. Thus, principles have been framed with a functional focus so that they provide flexibility while applying them to the FMIs in respective jurisdictions.

12. The intended benefits of the standards could be achieved through effective implementation. The challenge lies in measuring the effectiveness. The assessment methodology provides guidance to the regulators for determining the scope of assessment, gathering facts, developing conclusions and assigning a rating of observance for each principle. The assessment methodology helps in promoting objectivity and comparability across the assessments of observance across FMIs and across jurisdictions. I

hope the sessions on the assessment methodology would have equipped the participants in undertaking effective assessment of principles in your jurisdictions.

13. Another aspect you might have observed would be that unlike the previous standards, the new standards have more enforceability as they are binding on the members of the CPSS-IOSCO on account of their commitment to financial sector reforms. Further, compliance to these standards also provides economic incentive in terms of capital benefits to banks for their exposure to qualified CCPs.

14. No doubt the implementation of these principles is going to pose challenges both to the authorities and FMIs. I am sure the panel discussion would have provided insights on how to meet the implementation challenges. Meeting the liquidity requirements under Principle 7 is going to pose challenges for countries where markets are dominated by a few large players with limited liquidity support from private sources. In such a scenario, liquidity support from central banks assumes significance but it has its own challenges. First, central banks should have mandates for providing liquidity support. Second, even if there are no technical obstacles, the challenge would be in addressing the moral hazards.

15. Similarly, some of the principles would require changes in the legal and regulatory framework. Many jurisdictions are likely to face limitations while complying with requirements under segregation, portability, recovery and resolution, *etc.* In some of the jurisdictions, the Trade Repository (TR) may be a new concept. Without proper legal framework for the regulation and oversight of TRs including the need for addressing the confidentiality issue, it would be a challenge for the regulator to mandate reporting of trades to TRs.

16. The FMIs would also find it challenging in meeting the new standards involving credit risk, liquidity risk or financial resources. FMIs need to build skills and have adequate resources in terms of technology, manpower to develop risk models, historical data bases, scenarios analysis, *etc.* The regulators also need to build skills for evaluation and validation of risk management framework put in place by the FMIs.

17. To summarise, the deliberations, the central bank and the market regulators have challenges ahead of them with respect to performing the responsibilities envisaged under the CPSS-IOSCO principles of FMI. The regulators will be required to set out responsibilities, objectives and criteria for determining who the standards apply to and the necessity to clarify roles in case of multiple authorities. A combination of enforcement tools consisting of formal legal instruments (guidelines, regulations, instructions, sanctions, *etc.*), informal tools (moral suasion), co-operation with other authorities, voluntary agreements, *etc.* have to be worked out. Further, these regulatory and oversight policies have to be transparent, consist and effective.

18. Let me now turn to the other major theme of the seminar – Innovations in Retail Payment Systems.

Retail Payment Systems

19. Although the growing importance of FMIs is acknowledged, the retail payments have their own share of recognition. The innovations that have taken place in retail payments have been country specific, within the respective regulatory framework catering to the needs of the customers. The impact of innovation in retail payments is directly felt by the end-users and reshapes the payment process. Allowing retail payment operations in the country within the broad vision of inclusiveness and moving to less-cash society and ensuring its compliance to the regulatory stipulations keeps the regulators on their toes. But the uniqueness lies in the fact that in most of the countries, the innovations in retail payments are regulator driven.

20. While the Report of the Working Group on Innovations in Retail Payments (BIS, May 2012) formed under the CPSS identifies five product categories: (i) innovation in the use of card payments; (ii) internet payments; (iii) mobile payments; (iv) electronic bill presentment and payments and (v) improvements in infrastructure and security, it is increasingly evident that innovations are taking place with new technology by intertwining products and processes. The emergence of the NFC technology is an example where the card payment product is intertwined with the mobile technology. The mobile POS is also another example. Hence, to my mind, the need of the hour is to think of linkages and integration of technologies.

Thinking beyond domestic coverage and integrating retail payments worldwide

21. As you know, one of the trends highlighted in the Report of the Working Group on Innovations in Retail Payments, is the fact that most of the innovations are developed for the domestic market and only a few have international reach, although similar products and categories have emerged worldwide. The challenge of stretching a retail payment product or process beyond domestic boundaries brings about the need for international standards and principles. The success of the card payment networks like MasterCard and Visa is a classic example of the above. The PCI-DSS[1] standards for the card industry and the PA-DSS standards for the payment application software developer are some such internationally accepted standards. Owing to the network effects inherent in the retail payment market, common standards may help to achieve the necessary critical mass and can create a stable ground for new players coming into the market. Economies of scale and scope, pricing and cost reduction are advantages of the same.

Thinking of inter-operability while innovating a retail payment system

22. While innovation has brought about many products and processes, the challenge is in gearing up to allow interoperability between two retail payment operators. Have the risk factors, costing, pricing, customer convenience and ease been thought of? Integrating two competitive offerings and giving the best product with portability to a customer would lead to a demand driven initiative for the retail payment system providers. For interoperability to happen, standardisation is a pre-requisite. Convergence of any payment instrument into the mainstream acceptance infrastructure is the need of the hour. In India, the Prepaid Payment Instrument (PPI), popularly known as '*e-money*', is also issued by non-banks and accepted on their own infrastructure. If these instruments have to be accepted on the existing POS infrastructure, it presupposes adherence to internationally accepted standards of form factor and connectivity. Is the industry geared up for this? Significant changes will, therefore, be required in the technology and business model of non-bank PPI issuers.

Thinking of financial inclusion while innovating a retail payment system

23. We are all aware that financial inclusion has served as an important driving force for innovations in many countries either under a government mandate or because of the new business opportunities opened up by an untapped market. But how many companies are betting on innovation beyond the Return on Investment (ROI) concept, given the fact that the bottom of the pyramid is very sensitive to costs? Moving away from the single economic ROI to an integrated economic, social and environmental approach would bring in the desired results of financial inclusiveness.

Non-banks in retail payments – need for a status

24. The role of non-banks in retail payments has increased significantly, owing in part to the growing

[1] The Payment Card Industry Data Security Standard (PCI DSS) is a proprietary information security standard for organisations that handle cardholder information for the major debit, credit, prepaid cards *etc.*

use of innovative technology that allows non-banks to compete in areas not yet dominated by banks. The Working Group on Non-banks in Retail Payments firmed under the aegis of CPSS is also attempting to understand the challenges and the advantages of non-banks in the payments space. The increased role of non-bank entities in payment system is linked to their potential to change the payment system landscape as they can leverage on their product offerings with latest technological features to cater to wide segment of the market.

Regulators' effectiveness as catalysts, overseers and/or operators of payment systems

25. As regulators, you will agree that the most defining moment is to be effective as a catalyst without compromising on the regulatory concerns. It is like a parent having to know when to be a friend of the child and when to be a parent. Monitoring and assessment of innovative retail payments by central banks calls for engaging appropriate skill-sets regularly updating with technological developments and having a machinery to gauge the need and efficacy of such a retail payment system for the country. The impact of innovations on cash and monetary policy may be required to be analysed in the long run once the volumes pick up.

Retail Payment Systems - KYC constraint

26. Although, we always propagate that availability and accessibility of a payment product/process is the key factor to be considered for financial inclusion the fact remains that these customers have to pass the test of proving identity. Innovating a retail payment system keeping the biometric identity in mind is the need of the hour. But that calls for nationwide initiative. In India, however, integrating the Aadhaar (biometric) with payment systems has started happening with the regulator supporting its acceptance as a valid KYC proof.

Concluding thoughts

27. I hope all of you have had two days of fruitful discussions and debate. I also hope you had a pleasant stay in India. I know the best is yet to come when you will be taken to the country's historically most important infrastructure, the Taj Mahal, tomorrow. Wish you have a great time exploring India and that you will all return academically and culturally richer back to your respective countries. Wish you all the best.

ARTICLES

Developments in India's Balance of Payments during
Second Quarter (July-September) of 2012-13

Position of Order Books, Inventories and Capacity Utilisation
for the Quarters during October 2011 to September 2012

Finances of Non-Government Non-Financial Large Public
Limited Companies: 2011-12

*Developments in India's Balance of Payments during Second Quarter (July-September) of 2012-13**

The data on India's Balance of Payments (BoP) are compiled and published by the Reserve Bank on a quarterly basis with a lag of one quarter. This article presents the analysis of major developments in India's BoP (i) during the second quarter (July-September) of 2012-13 and (ii) during first half (April-September) of 2012-13.

1. Balance of Payments during July-September (Q2) of 2012-13

Highlights

- India's current account deficit (CAD) as a percentage of Gross Domestic Product (GDP) deteriorated to an all time high of 5.4 per cent in Q2 of 2012-13 on account of widening of trade deficit and slower growth in invisibles.
- Rise in CAD to GDP ratio was also partly due to slower growth in GDP and rupee depreciation.
- A steeper decline in exports growth as compared with imports growth led to widening of trade deficit.
- While net services receipts registered reasonable increase, net invisibles earnings during the quarter could finance only a lower proportion of trade deficit as net 'primary and secondary' income flows were relatively smaller.
- Although net capital inflows surged led by foreign direct investment (FDI) and portfolio investment, they were barely sufficient to meet the financing needs and there was a marginal drawdown of reserves by US$ 0.2 billion.

After witnessing some improvements during Q1 of 2012-13 over the preceding four quarters, BoP again turned into stress during Q2 of 2012-13 as large trade deficit resulted in all time high current account deficit and capital inflows, though higher, fell short of financing requirement. The developments in the major items of the BoP for Q2 of 2011-12 are set out below in Table 1.

Goods Trade

- India's subdued exports performance which began at the end of Q2 of 2011-12 witnessed further deterioration in 2012-13. On a BoP basis, merchandise exports recorded a decline of 12.2 per cent (year-on-year) during Q2 of 2012-13 as against an increase of 45.3 per cent during the corresponding quarter of 2011-12. It resulted from adverse trade spillovers from low growth and uncertainty in the advanced and emerging market & developing economies (EMDEs). Export

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

(US$ Billion)

	Second Quarter Jul-Sep		Financial Year Apr-Sep	
	2011 (PR)	2012 (P)	2011-12 (PR)	2012-13 (P)
1. Goods exports	79.6	69.8	158.4	146.5
2. Goods Imports	124.1	118.2	247.7	237.2
3. Trade Balance(1-2)	-44.5	-48.3	-89.4	-90.7
4. Services Exports	32.3	34.8	66.0	69.6
5. Services Imports	18.3	19.2	35.7	40.0
6. Net Services (4-5)	14.0	15.6	30.3	29.6
7. Goods & Services Balances (3+6)	-30.5	-32.7	-59.1	-61.1
8. Primary Income, Net	-4.0	-5.6	-7.6	-10.5
9. Secondary Income, Net (Private Transfers)	15.6	16.1	30.4	32.9
10. Net Income (8+9)	11.6	10.5	22.8	22.4
11. Current Account Balance (7+10)	-18.9	-22.3	-36.3	-38.7
12. Capital and Financial Account Balance, Net (Excl. change in reserves)	19.6	23.8	43.4	40.0
13.Change in Reserves (-)increase/ (+)decrease	-0.3	0.2	-5.7	-0.4
14. Errors & Omissions (-) (11+12+13)	-0.4	-1.6	-1.3	-0.7

P: Preliminary; PR: Partially Revised

* Prepared in the Division of International Trade and Finance, Department of Economic and Policy Research, Reserve Bank of India.

Revised quarterly BoP data for 2010-11, 2011-12 and 2012-13 are available on RBI site at dbie.rbi.org.in and also at RBI press release dated December 31, 2012. In addition, the disaggregated quarterly data on invisibles for 2010-11, 2011-12 and 2012-13 are being released separately on RBI site.

diversification efforts also could not sustain as the continued sluggish economic conditions in advanced economies spilled over to major emerging and developing economies.

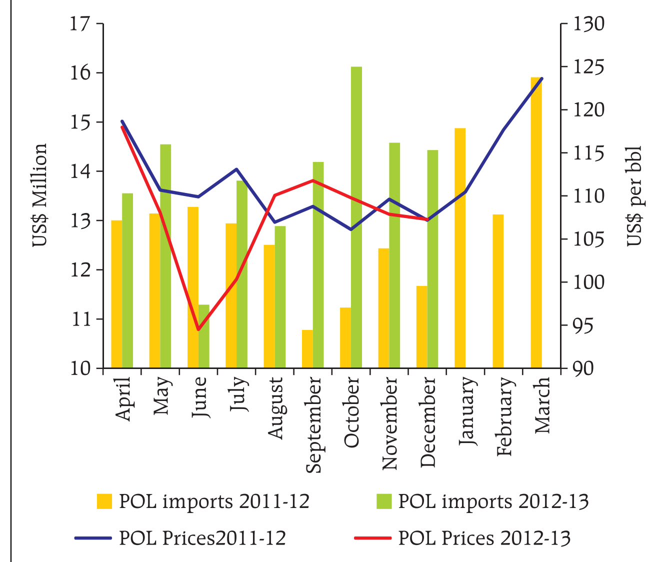
- In terms of destination, exports to European Union registered a decline of 9.5 per cent. Exports to developing countries which could offset the lower demand from advanced countries in the previous year also recorded a fall of 5.5 per cent during Q2 of 2012-13. Among the Asian countries, fall in exports was more prominent in case of China (-49.1 per cent) and Hong Kong (-8.7 per cent). Moderation in exports was also noticeable in case of most of the African and SAARC countries.

- On the other hand, though sluggish domestic economic activity caused moderation in import demand, inelastic demand for POL imports resulted in modest overall decline in merchandise imports relative to that of merchandise exports during the quarter. On BoP basis, during Q2 of 2012-13, merchandise imports at US$ 118.2 billion declined by 4.8 per cent over the corresponding quarter of the previous year. The non-oil non-gold segment of imports declined by 5.7 per cent as against an increase of 36.2 per cent in Q2 of the previous year. There has been a significant decline in import of gold by 13.7 per cent. POL imports rose to US$ 40.9 billion recording a rise of 12.9 per cent over the corresponding quarter.

- The decline in gold imports has been due to decline in both quantum as well as prices. The international gold prices at US$ 1652 per troy ounce remained marginally lower than the previous year level.

- The rise in oil imports was largely a reflection of higher volume of POL imports as the price of international crude oil for Indian basket recorded a marginal decline. The price of Indian basket of crude oil at the elevated level of US$ 107.3 per bbl has been around 2 per cent lower than that in the same period in the preceding year (Chart 1).

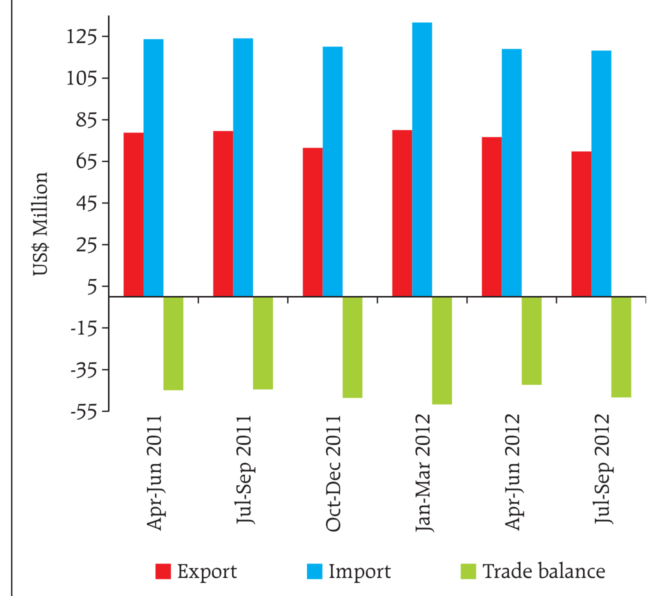
Chart 1: India's POL Imports and International Crude Prices



Trade Deficit

- With sharper decline in exports relative to the imports, the trade deficit increased to US$ 48.3 billion in Q2 of 2012-13 (11.7 per cent of GDP) as compared with US$ 44.5 billion in Q2 of 2011-12, showing an increase of around 9 per cent on y-on-y basis (Chart 2).

Chart 2: Quarterly Movements in Trade Balance



Services

During the quarter, growth in net services receipts decelerated sharply and, therefore, in absolute terms, there has been only a marginal rise over the same period of the previous year (Table 2).

- Services exports recorded a lower growth of 7.7 per cent to US$ 34.8 billion in Q2 of 2012-13 as compared with 10.1 per cent in the same period of 2011-12, primarily due to lower growth in receipts under transports, travel, insurance & pension, and software services.
- On the other hand, services imports during Q2 of 2012-13 witnessed a growth of 5.0 per cent to US$ 19.2 billion as against a decline of 6.1 per cent in the same period of 2011-12 mainly led by transport, software and other business services (Table 2).

Income

Net outflow on account of primary income not only continued in Q2 of 2012-13 but also showed an uptrend mainly on account of higher interest payments under external commercial borrowings (ECBs) and FII investments in debt securities. There has been a modest increase in net secondary income which may be attributed to weakening of Indian rupee, inducing higher workers' remittances for family maintenance (Table 2).

- During Q2 of 2012-13, payments on account of investment income, comprising mainly the interest payments on ECBs, NRI deposits and profits & reinvested earnings of FDI companies in India, rose by 20.4 per cent. In contrast, investment income receipts, largely representing earning on foreign currency assets, recorded a decline of 13.3 per cent in Q2 of 2012-13. Thus, net outflow on account of primary income in Q2 of 2012-13 at US$ 5.6 billion was significantly higher than that recorded in Q2 of 2011-12 (US$ 4.0 billion).
- Secondary income (on net basis), reflecting mainly the remittances from overseas Indians, at

Table 2: Disaggregated Items of Current Account

(US$ Billion)

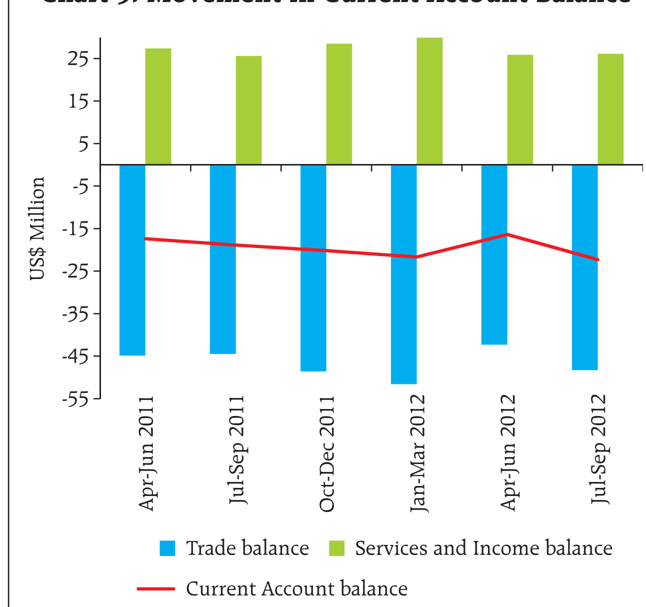
	Jul-Sep		Apr-Sep	
	2012 (P)	2011(PR)	2012 (P)	2011 (PR)
1. Goods	**-48.3**	**-44.5**	**-90.7**	**-89.4**
2. Services	**15.6**	**14.0**	**29.6**	**30.3**
2.a Transportations	0.3	0.9	0.9	1.2
2.b Travel	1.0	0.7	1.4	0.9
2.c Construction	-0.01	-0.2	-0.1	-0.1
2.d Insurance and pension services	0.3	0.2	0.5	0.5
2.e Financial Services	0.2	-0.6	0.1	-1.0
2.f Charges for the use of intellectuals property	-1.0	-0.6	-1.8	-1.2
2.g Telecommunications, computer and information services	15.8	13.7	31.1	28.2
2.h Personal, cultural and recreational services	0.1	0.04	0.1	0.05
2.i Government goods & services	-0.02	-0.03	-0.03	-0.1
2.j Other Business services	0.4	-0.2	-0.2	-0.5
2.k Others n.i.e	-1.3	0.1	-2.3	2.4
3. Primary Income	**-5.6**	**-4.0**	**-10.5**	**-7.6**
3.a Compensation of Employees	0.3	0.2	0.5	0.4
3.b Investment Income	-6.0	-4.4	-11.1	-8.3
4. Secondary Income	**16.1**	**15.6**	**32.9**	**30.4**
4.a Personal Transfers	15.5	15.1	31.6	29.4
4.b. Other Transfers	0.6	0.5	1.3	1.0
5. Current Account (1+2+3+4)	**-22.3**	**-18.9**	**-38.7**	**-36.3**

US$ 16.1 billion recorded a moderate growth of 2.9 per cent during Q2 of 2012-13, much lower than that of 20.4 per cent in Q2 of 2011-12.

Current Account

Notwithstanding a reasonable increase in net services receipts, net invisibles earnings could finance only a lower proportion of trade deficit as net 'primary and secondary' income flows were relatively smaller. Consequently, the CAD worsened to US$ 22.3 billion in Q2 of 2012-13 as compared to US$ 16.4 billion in the preceding quarter and US$ 18.9 billion in Q2 of 2011-12 (Chart 3). As a percentage of GDP, CAD widened to 5.4 per cent of GDP in Q2 of 2012-13 from 3.9 per cent in Q1 of 2012-13 (4.2 per cent in Q2 of 2011-12). It is not only unsustainable but also historically high.

Chart 3: Movement in Current Account Balance



Capital & Financial Account

Capital Account

The capital account, which includes, *inter alia*, 'net acquisition of non-produced non-financial assets' and 'other capital receipts including migrant transfers' showed a small outflow of US$ 0.3 billion on a net basis in Q2 of 2012-13.

Financial Account

The net inflow under the financial account excluding change in reserves was significantly higher during Q2 of 2012-13 mainly on account of a turnaround in FII inflows (Table 3). The surge in equity flows during the quarter may be attributed to improved global liquidity due to quantitative easing announced by the US Fed, improved sentiment on the back of decline in risk aversion, besides improved perception about the domestic economy driven by reforms announced by the Government. These reforms *inter alia* include relaxing FDI norms for retail, insurance and pension sectors and providing roadmap for fiscal consolidation. Inflows under ECBs and external assistance, however, recorded a decline during the quarter leading to a distinct shift towards equity flows which financed around two-thirds of CAD during Q2 of 2012-13 (28.3 per cent in Q2 of 2011-12).

- The gross financial inflows, excluding reserve changes, amounted to US$ 109.8 billion during Q2 of 2012-13 (US$ 117.4 billion Q2 of previous year) and similarly gross financial outflows during the period were lower at US$ 85.7 billion (US$ 98.1 billion Q2 of previous year).

- Net inflows under financial account excluding changes in reserves rose to US$ 24.0 billion during Q2 of 2012-13 (US$ 19.3 billion during Q2 of previous year). This was mainly on account of net portfolio inflows of US$ 7.6 billion as against an outflow of US$ 1.4 billion in Q2 of 2011-12 (Table 3).

- Net FDI inflows to India (inward FDI minus outward FDI) during Q2 of 2012-13 at US$ 8.9 billion stood higher as compared to US$ 6.5 billion in Q2 of 2011-12 mainly on account of lower FDI by India during the quarter.

- Net external loans availed by banks stood at US$ 2.0 billion in Q2 of 2012-13 as compared to an inflow of US$ 3.9 billion in Q2 of 2011-12 mainly due to repayments of overseas borrowings by the banks.

Table 3: Disaggregated Items of Financial Account

(US$ Billion)

	Jul-Sep 2012 (P)	Jul-Sep 2011(PR)	Apr-Sep 2012(P)	Apr-Sep 2011 (PR)
1. Direct Investment (net)	**8.9**	**6.5**	**12.8**	**15.7**
1.a Direct Investment to India	10.3	9.5	16.2	21.9
1.b Direct Investment by India	-1.4	-3.0	-3.4	-6.1
2. Portfolio Investment	**7.6**	**-1.4**	**5.6**	**0.9**
2.a Portfolio Investment in India	7.9	-1.6	6.2	0.9
2.b Portfolio Investment by India	-0.3	0.2	-0.6	-0.02
3. Other investment	**7.9**	**14.2**	**22.7**	**26.8**
3.a Other equity (ADRs/GDRs)	0.1	0.2	0.2	0.5
3.b Currency and deposits	3.5	3.1	9.9	4.3
Deposit-taking corporations, except the central bank (NRI Deposits)	2.8	2.8	9.4	3.9
3.c Loans*	3.3	9.5	6.7	24.5
3.c.i Loans to India	3.6	8.9	7.0	23.9
Deposit-taking corporations, except the central bank	2.0	3.9	5.0	15.4
General government (External Assistance)	0.1	0.3	0.1	0.7
Other sectors (External Commercial Borrowings)	1.4	4.7	1.8	7.7
3.c.ii Loans by India	-0.3	0.6	-0.2	0.6
General government (External Assistance)	-0.1	-0.04	-0.1	-0.1
Other sectors (External Commercial Borrowings)	-0.2	0.6	-0.1	0.7
3.d Trade credit and advances	4.1	2.9	9.5	5.9
3.e Other accounts receivable/payable-other	-3.0	-1.5	-3.6	-8.4
4. Financial Derivatives	-0.3	-	-0.8	-
5. Reserve assets	0.2	-0.3	-0.4	-5.7
Financial Account (1+2+3+4+5)	**24.2**	**19.0**	**39.9**	**37.7**

*: includes External Assistance, ECBs and Banking Capital.

- 'Net external loans availed by non-Government and non-banking sectors', *i.e.*, net ECBs stood lower at US$ 1.4 billion as compared to US$ 4.7 billion in Q2 of 2011-12 mainly due to lower disbursal.
- Net inflows under 'trade credit & advances' at US$ 4.1 billion during Q2 of 2012-13 stood higher than the previous year's level of US$ 2.9 billion reflecting larger proportion of imports financed by trade credit. The increase in the trade credit may probably be due to some substitution between ECBs and trade credit for import financing.
- Inflows under currency and deposits of commercial banks, *i.e.*, NRI deposits, remained at the previous year's level of US$ 2.8 billion.
- Despite significant improvement in the capital and financial account, net capital inflows were barely adequate to finance the CAD recorded in Q2 of 2012-13, thereby leading to a marginal drawdown of foreign exchange reserves to the extent of US$ 0.2 billion as against a reserve build-up of US$ 0.3 billion in Q2 of 2011-12. However, the foreign exchange reserves (including valuation changes) increased by US$ 5.1 billion during the quarter, reflecting depreciation of the US dollar against major international currencies.

2. Balance of Payments during April-September 2012-13

Highlights

- In H1 (April-September) of 2012-13, CAD as a proportion of GDP, rose sharply to 4.6 per cent from 4.0 per cent in H1 of the previous year on account of deterioration in trade deficit and continued sluggishness in invisibles, in particular, absolute decline in net services exports.

- Rise in CAD to GDP ratio was also partly due to slower growth in GDP and rupee depreciation.
- Net inflows under the financial account were lower during April-September 2012-13 over the corresponding period of the previous year mainly due to decline in FDI, ECBs and banking capital.
- Moderation in capital inflows coupled with continued elevated level of CAD led to only a marginal accretion of US$ 0.4 billion in the foreign exchange reserves during April-September 2012.

Taking into account the partially revised data for Q1, along with preliminary data for Q2, the BoP data for April-September 2012 (H1) have been compiled. During 2012-13, the impact of global and domestic developments continued to weigh on India's BoP position, particularly through the trade channel. The slowdown in domestic activities led to decline in imports during H1 of 2012-13. However, decline in exports due to continued economic slowdown in advanced countries and its spillover effects in EMDEs was sharper than that of imports during the period. Growth in crude oil imports moderated during April-September 2012 over the corresponding period of the previous year but remained at an elevated level despite a moderation in international crude oil prices. As a result, trade deficit was higher in absolute terms during H1 of 2012-13 over the same period a year ago. This coupled with moderation in net services and incomes (primary and secondary) caused a rise in CAD. Global and domestic economic concerns also led to moderation of inflows under capital and financial account (excluding change in reserves) which were just sufficient to finance the elevated CAD level leading to a small accretion to the foreign exchange reserves to the tune of US$ 0.4 billion during H1 of 2012-13.

- During H1 of 2012-13, India's merchandise exports at US$ 146.5 billion on a BoP basis, declined by 7.4 per cent as against an increase of 41.5 per cent during the corresponding period of the previous year. Slowdown in exports was more pronounced in the Q2 of 2012-13 of the H1 as external demand from major EMDEs also began to be impacted.
- Import payments during the same period at US$ 237.2 billion, on a BoP basis, registered a decline of 4.3 per cent as against an increase of 39.3 per cent in the previous year. Moderation in imports during H1 of 2012-13 may partly be attributed to weakening of domestic demand coupled with sluggish external demand impacting the demand for export related imports.
- At a disaggregated level, external demand remained subdued across all the commodity groups, as evident from either negative or lower export growth. Exports of gems & jewellery, petroleum products, textiles & textile products, engineering goods and ores & minerals recorded a decline in their growth rates during April-September 2012 over the same period of the preceding year.
- Among imports, sectors, *viz.*, 'capital goods (including electronic goods, transport equipments and machinery)', 'export related items (including pearls & stones', 'gold & silver', 'coal coke & briquettes' and chemical material showed a steep deceleration during the year.
- During the same period, POL products and gold & silver together accounted for more than 43 per cent of India's merchandise imports (44.0 per cent in H1 of 2011-12). Notwithstanding a decline in international crude oil prices, POL product imports remained at elevated level although decelerating to 6.0 per cent from 51.8 per cent in the same period of the preceding year. Import of gold and silver stood at US$ 21.3 billion in H1 of 2012-13 posting a contraction of 32.5 per cent as against an increase of 74.2 per cent in H1 of the previous year.

Trade Balance

- Merchandise trade deficit (on BoP basis) during H1 of 2012-13 widened to US$ 90.7 billion from

US$ 89.4 billion recorded in the preceding year. As a proportion of GDP, it increased from 9.9 per cent in 2011-12 to 10.8 per cent in H1 of 2012-13.

Services

Growth of services exports moderated to 5.4 per cent during H1 of 2012-13 as compared with a growth of 21.5 per cent during the previous year, while imports of services increased to 11.9 per cent as against a decline of 2.0 per cent during the same period. This led to a marginal decline of 2.3 per cent in services exports in net terms during H1 of 2012-13 (69.4 per cent in 2011-12).

- Moderation in the growth of the services receipts was mainly on account of decline in growth rate of 'travel', 'transport', 'insurance & pension services', 'financial services' besides moderation in the growth rate of 'telecommunications, computer & information services'.
- Increase in services payments during H1 of 2012-13 as against a marginal decline in H1 of 2011-12 was noticed in 'royalty payments', 'telecommunications, computer & information services', 'research & development services', 'professional & management consulting services', 'technical, trade related & other business services' and 'personal, cultural and recreational services'. On the other hand, services payments on account of 'travel', 'constructions', 'insurance & pension services' and 'financial services' recorded deceleration in growth.

Income

Primary income

Primary income balance, comprising compensation of employees and investment income, worsened during H1 of 2012-13 as compared with the corresponding period of preceding year.

- Investment income receipts during the year declined by 19.4 per cent over the previous year reflecting lower interest/discount earnings on foreign exchange reserves. Compensation of employees, in net terms, however, showed a small inflow of US$ 0.5 billion in H1 of 2012-13 as compared to an inflow of US$ 0.4 billion during a year ago.
- Investment income payments at US$ 14.2 billion stood higher by 17.0 per cent during the period under review. Surge in investment income payments was primarily on account of interest on debt flows like NRI deposits, ECBs and short-term trade credits besides higher level of reinvested earnings. Higher interest payment during the year may partly be attributed to deregulation of interest rate on NRI rupee deposits, increase in cap on FCNR deposits and higher level of ECB debts.
- Decline in primary income receipts coupled with the increase in primary income payments led to widening of primary income deficit to US$ 10.5 billion during H1 of 2012-13 from US$ 7.6 billion a year ago.

Secondary Income

- Net secondary income receipts that primarily comprise private transfers recorded a modest growth of 8.2 per cent to US$ 32.9 billion during the year (US$ 30.4 billion a year ago).
- NRI deposits, when withdrawn domestically, form part of private transfers as they become unilateral transfers and do not have any *quid pro quo*. During H1 of 2012-13, the share of local withdrawals in total outflows from NRI deposits was 63.6 per cent as compared to 66.5 per cent in the previous year (Table 4).
- Under private transfers, the inward remittances for family maintenance accounted for 49.6 per cent of the total private transfer receipts, while local withdrawals accounted for 46.4 per cent during 2011-12 (Table 5).

Table 4: Inflows and Outflows from NRI Deposits and Local Withdrawals

(US$ Billion)

Year	Inflows	Outflows	Local Withdrawals
1	2	3	4
2010-11 (PR)	49.3	46.0	26.2
2011-12 (PR)	64.3	52.4	32.5
Apr-Sep 2011 (PR)	27.6	23.6	15.7
Apr-Sep 2012 (P)	34.4	25.0	15.9

P: Preliminary. PR: Partially Revised. R: Revised.

Current Account **Balance**

- Worsening trade deficit, deteriorating income account (primary and secondary taken together) coupled with decline in net services during the first half of financial year 2012-13 resulted in widening of CAD. The CAD during H1 of 2012-13 stood at US$ 38.7 billion as compared with US$ 36.3 billion during the same period of 2011-12 (as a proportion to GDP 4.6 per cent H1 of 2012-13 from 4.0 per cent during the same period of the previous year).

Capital and Financial Account

- Net inflows under capital and financial account (excluding changes in reserve assets) at US$ 39.7 billion stood lower than that recorded in the previous year (US$ 43.4 billion) primarily on account of decline in FDI flows to India, borrowings by banks and commercial borrowings. However, there was improvement in inflows under trade credits, NRI deposits and portfolio investment.

Table 5: Details of Personal Transfers to India

(US$ Billion)

Year	Total Private Transfers	*Of which:*			
		Inward remittances for family maintenance		Local withdrawals/ redemptions from NRI Deposits	
		Amount	Percent-age Share in Total	Amount	Percent-age Share in Total
1	2	3	4	5	6
2010-11 (PR)	55.6	27.4	49.3	26.2	47.1
2011-12 (PR)	66.1	31.3	47.4	32.5	49.2
Apr-Sep 2011 (PR)	31.7	15.1	47.6	15.4	48.6
Apr-Sep 2012 (P)	34.3	17.0	49.6	15.9	46.4

P: Preliminary. PR: Partially Revised. R: Revised.

Capital Account

- The capital account recorded a deficit of US$ 0.5 billion during H1 of 2012-13 as compared with a marginal deficit a year ago.

Financial Account

- Net flows under the financial account (excluding changes in reserve assets) during H1 of 2012-13 were lower compared with that in 2011-12 (Table 3). Decline in inflows under financial account has been significant in case of inward FDI, ECBs and borrowings by the banks.
- Net FDI to India (Inward FDI minus outward FDI) at US$ 12.8 billion stood lower than the previous year level mainly led by steep decline in the inward FDI. Sector-wise, the decline in FDI inflows during the period was mainly on account of decline in flows under sectors, *viz.*, manufacturing, financial services, business services and communication services (Table 6). Country-wise, investment routed through Mauritius remained, as in the past, the largest component, followed by Singapore and the Netherlands (Table 7).
- FDI by India (*i.e.*, outward FDI) in net terms moderated by around 43.9 per cent to US$ 3.4 billion during H1 of 2012-13 (US$ 6.1 billion a year ago) due to lower outflows under both equity investment and other capital (inter-company borrowings) besides higher repatriation of FDI by India. Sector-wise, moderation in outward FDI was observed in 'agriculture, hunting, forestry & fishing', 'financial insurance, real estate & business services', and 'transport, storage and communication services'. Furthermore, sectors, *viz.*, 'financial, insurance, real estate & business services' and manufacturing continued to account for more than 50 per cent of total outward FDI during H1 of 2012-13 (Table 6).

Table 6: Sector-wise FDI: Inflows and Outflows

(US$ Billion)

Gross FDI inflows to India#				Gross FDI outflows from India*			
Industry	2011-12	2011	2012	Industry	2011-12	2011	2012
		Apr-Sep				Apr-Sep	
1	2	3	4	5	6	7	8
Manufacture	9.3	6.9	3.2	Manufacturing	3.2	1.56	1.60
Financial Services	2.6	1.9	1.1	Financial, Insurance, Real Estate and Business Services	3.3	1.72	1.14
Electricity and others	1.4	0.8	0.8	Transport, Storage and Communication Services	2	1.13	0.78
Construction	2.6	1.1	0.6	Wholesale, Retail Trade, Restaurants and Hotels	1.2	0.48	0.37
Business Services	1.6	1.1	0.3	Construction	0.5	0.28	0.37
Restaurants and Hotels	0.9	0.4	3.0	Agriculture , Hunting, Forestry and Fishing	0.5	0.32	0.12
Computer Services	0.7	0.4	0.2	Community, Social and Personal Services	0.4	0.11	0.12
Communication Services	1.5	1.5	0	Electricity, Gas and Water	0.1	0.02	0.05
Others	2.9	1.6	1.3	Miscellaneous	0.1	0.06	0.02
Total	**23.5**	**15.7**	**10.5**	**Total**	**11.3**	**5.7**	**4.6**

#: Includes equity FDI through SIA/FIPB and RBI routes only and hence are not comparable with data in other tables.
*: Includes equity (except that of individuals and banks), loans and guarantee invoked, and hence are not comparable with data in other tables.

- Direction-wise (*i.e.,* in terms of recipient countries), investment routed through Mauritius constituted the largest component of gross outward FDI during the period, followed by Singapore (Table 7).
- During April-September 2012-13, the outward FDI in joint ventures (JVs) and wholly owned subsidiaries (WOSs) stood at US$ 4.6 billion, around 21 per cent lower than that during preceding year. During H1 of 2012-13, investment financed through equity recorded a decline of 11.1 per cent compared to the loan component which declined by 31.2 per cent over a year ago. Accordingly, the share of equity in total outward FDI increased to 51.3 per cent as compared with 45.9 per cent in the preceding year (Table 8).
- FII investment flows remained volatile throughout the year. On net basis, FII inflows increased sharply to US$ 6.2 billion during H1 of 2012-13 as compared with a marginal inflow of US$ 0.9 billion recorded in the preceding year.
- Inflows under currency and deposits by banking sector (NRI deposits) doubled and stood at US$ 9.4 billion as compared with an inflow of US$ 3.9 billion a year ago. Rise in NRI deposits may be attributed to weakening of rupee and deregulation of interest rate on NRI deposits.
- Net loans availed by non-Government and non-banking sectors (net ECBs) were lower at US$ 1.7 billion as compared with US$ 8.4 billion in H1 of 2011-12 on account of lower fresh disbursal as well as large repayment of ECBs during Q1 and Q2 of 2012-13. Net inflows under short-term trade credit increased to US$ 9.5 billion during

Table 7: Country-wise FDI: Inflows and Outflows

(US$ Billion)

Gross FDI inflows to India#				Gross FDI outflows from India*			
Country	2011-12	Apr-Sep		Country	2011-12	Apr-Sep	
		2011	2012			2011	2012
1	2	3	4	5	6	7	8
Mauritius	8.1	5.5	5.2	Mauritius	2.6	1.6	0.9
Singapore	3.3	2.3	0.9	Singapore	2.2	1.4	0.9
Netherlands	1.3	0.8	0.9	USA	1	0.7	0.6
Japan	2.1	1.6	0.8	Netherlands	1.3	0.6	0.4
UK	2.8	2.6	0.6	UK	0.5	0.1	0.2
Cyprus	1.6	0.6	0.3	UAE	0.4	0.2	0.4
U.S.A	1	0.5	0.2	British Virgin Islands	0.6	0.2	0.1
UAE	0.3	0.2	0.1	Australia	0.3	0	0.1
South Korea	0.2	0.1	0.2				
Others	2.8	1.5	1.3	Others	2.4	0.9	1.0
Total	**23.5**	**15.7**	**10.5**	**Total**	**11.3**	**5.7**	**4.6**

#: Includes equity FDI through SIA/FIPB and RBI routes only and hence are not comparable with data in other tables.
*: Includes equity (except that of individuals and banks), loans and guarantee invoked, and hence are not comparable with data in other tables.

Table 8: India's Outward FDI

(US$ Billion)

Period	Equity*	Loan	Guarantees Invoked	Total
Apr-Sep 2012-13	2.4 (51.3)	2.2 (48.1)	0.03 (0.6)	**4.6**
Apr-Sep 2011-12	2.7 (45.9)	3.2 (54.1)	– –	**5.8**
2011-12	5.3 (47.8)	5.8 (52.2)	0.0	**11.1**
2010-11	9.3 (55.1)	7.5 (44.9)	0.01 (0.1)	**16.8**

*: The equity data do not include equity of individuals and banks.
Note: Figures in brackets relate to percentage share in total outward FDI for the period.

the same period from US$ 5.9 billion recorded a year ago.

- Net loans availed by banks witnessed a steep decline from US$ 15.4 billion during last year to US$ 5.0 billion during H1of 2012-13. 'Other receivables/ payables' that include 'leads and lags in exports', 'SDR allocation', 'net funds held abroad', 'advances received pending issue of shares under FDI', 'rupee debt service' and 'other capital not included elsewhere' recorded a higher net outflow of US$ 3.6 billion in H1 of 2012-13 as compared with a net outflow of US$ 3.2 billion in the corresponding period of preceding year (Table 9). 'Leads & lags' in exports' also include trade credit extended by Indian exporters to non-residents.

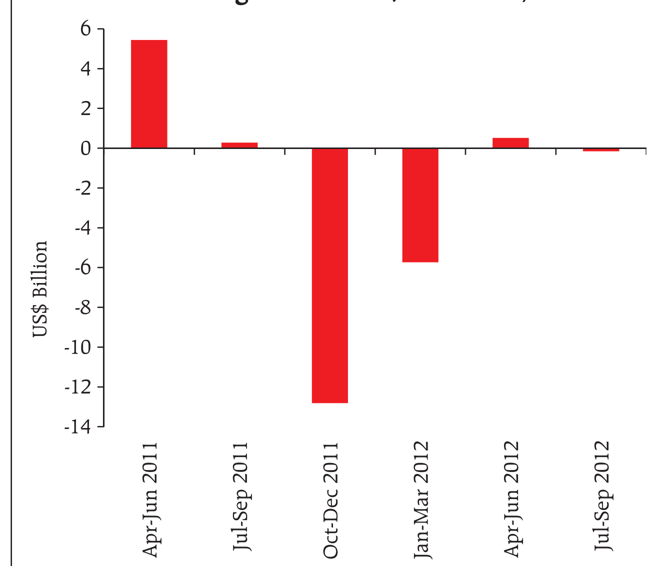
Table 9: Details of 'Other Receivables/Payables' (Net)

(US$ Billion)

Item	Apr-Mar		Apr-Sep	
	2010-11 (PR)	2011-12 (PR)	2011-12 (PR)	2012-13 (P)
1	2	3	4	5
Lead and Lags in Exports	-8.8	-10.4	-8.8	-6.6
Net Funds Held Abroad	-5.4	-2.8	-0.2	-2.5
Advances Received Pending Issue of Shares under FDI	6.9	2.7	2.9	3.1
Other capital not included elsewhere#	-3.8	3.6	-3.2	-3.6
Total (1 to 5)	**-11.1**	**-6.9**	**-9.3**	**-9.6**

#: Inclusive of derivatives and hedging, migrant transfers and other capital transfers.
P: Preliminary. PR: Partially Revised.

Chart 4: Variation in India's Foreign Exchange Reserves (BOP Basis)



Reserve Variation

- There was small accretion to foreign exchange reserves to the extent of US$ 0.36 billion during April-September 2012 (Chart 4). In nominal terms (*i.e.*, including valuation changes), foreign exchange reserves increased by US$ 0.42 billion during the period reflecting depreciation of US dollar against the major international currencies. At the end of September 2012, the level of foreign exchange reserves stood at US$ 294.8 billion.

Difference between DGCI&S and Balance of Payments Imports

- The data on imports based on DGCI&S (customs statistics) and the BoP (banking channel data) are given in Table 10. The difference between two sets of data are likely to get reduced when both the data sets would be later revised (Table 10).

Table 10: DGCI&S and the BoP Import Data

(US$ Billion)

	Apr-Mar		Apr-Sep 2011-12	Apr-Sep 2012-13
	2010-11	2011-12		
1. BoP Imports	381.1	499.5	247.7	237.2
2. DGCI&S Imports	369.8	488.7	242.8	232.9
3. Difference (1-2)	11.3	10.8	4.9	4.3

Position of Order Books, Inventories and Capacity Utilisation for the Quarters during October 2011 to September 2012*

Introduction:

The Reserve Bank of India while formulating its monetary policy stance considers several macro variables to assess the aggregate demand-supply position in the economy. Movements in order books, level of capacity utilisation and inventory level of corporates are among them. Higher growth in new orders, increase in the level of capacity utilisation and lower level of inventories are indicative of expansionary phase of the economy and *vice-versa*. Further, level of capacity utilisation above a threshold may be a sign of incipient inflationary pressure.

The Reserve Bank has been conducting the Order Books, Inventories and Capacity Utilisation Survey (OBICUS) of Indian manufacturing companies on a quarterly basis to gather this information. Among other central banks, Federal Reserve Board, USA tracks capacity utilisation in manufacturing, mining and electric and gas utilities, based largely on the Quarterly Survey of Plant Capacity Utilisation (Box-1)[1]. In the absence of a

Box 1: Quarterly Survey of Plant Capacity Utilisation - USA

The Quarterly Survey of Plant Capacity utilisation is conducted by the US Census Bureau which is co-funded by the Federal Reserve Board and the Department of Defence. The purpose of the Survey is to provide statistics on the rates of capacity utilisation for the US manufacturing and publishing sectors on a quarterly basis. The Survey collects the plant's actual production, the estimated value of production at full production capability, and the estimated value of production at emergency production capability. Rates of capacity utilisation in US manufacturing and publishing plants are calculated. An industry's full utilisation rate is the ratio of actual value of production to the level of production at full production capability. A similar ratio is created for emergency production capability. It also collects data on work patterns by shift including number of days and hours worked, and number of production workers.

Survey Methodology

- The sample of manufacturing companies is selected from the list of manufacturing companies which is based on the Economic Census conducted by US Census Bureau. The latest available list contained approximately 210,000 manufacturing establishments and 13,000 publishing establishments. The list is updated every five years.
- The sample size is approximately 7500 establishments in each quarter.
- Sampling probabilities for the survey are assigned proportionate to a measure of size that approximates total annual value of shipments.
- The full production utilisation rate for an industry is estimated based on those plants in the industry reporting both the actual value of production and the full production estimate. Simple weighted estimates of the two variables are formed by applying the plant's sample weight to its respective values and adding these weighted values across the reporting plants.
- The utilisation rate for a particular industry group is formed as the ratio of the actual production weighted sum to the full production weighted sum for that given industry. Source: US Census Bureau - https://www.census.gov/manufacturing/capacity/index.html

* Prepared in the Division of Enterprise Survey of Department of Statistics and Information Management. The previous article on the subject based on the 18th survey round (April-June 2012) was published in November 2012 Bulletin. The survey results are based on the replies of the respondents and are not necessarily shared by the Reserve Bank of India.

1 For a more detailed country experience, a reference may be made to the RBI Working Paper (No.5/2012) – Estimation of Capacity Utilisation in Indian Industries: Issues and Challenges.

comprehensive Business Register in Indian context, the sample for OBICUS is purposive and the companies are selected so as to get a good size-mix of industries. The survey schedule is canvassed among a fixed panel of 2,500 manufacturing companies sector which is common in many business tendency surveys. The information collected in the survey includes quantitative data on new orders received during the reference quarter, backlog orders at the beginning of the quarter, pending orders at the end of the quarter, total inventories with breakup of work-in-progress and finished goods (FG) inventories at the end of the quarter and item-wise production in terms of quantity and values during the quarter *vis-à-vis* the installed capacity from the targeted group. The level of capacity utilisation (CU) is estimated from the above data as per the selected methodology[2].

This article analyses the position of order books, inventories and capacity utilisation of the Indian corporate sector for the quarters during October 2011 to September 2012. As per the current methodology, analysis in each survey round is done based on data of a *common set of companies* for 13 quarters (including the survey quarter) to facilitate comparability. However, the survey being voluntary in nature, cannot ensure responses from the same set of companies every quarter and this leads to some variation in the data reported for the same quarter in different rounds.

In this article, analysis is based on the data obtained in the latest round (Round 19) of the survey covering the period Q2: 2012-13 (Section I). However, data for the same quarter from previous 4 survey rounds[3] are also presented to gauge the robustness of the analysis (Section II).

[2] The survey schedule and methodology used for the analysis have been provided in the article Quarterly Order Books, Inventories and Capacity Utilisation Survey: April-June 2011 (Round 14) in December 2011 Bulletin.

[3] The analysis of the data for the survey quarters, Q3:2011-12, Q4:2011-12 and Q1:2012-13 were already published in the RBI monthly Bulletin, May 2012, August 2012 and November 2012 respectively.

Section I: Findings of the Survey

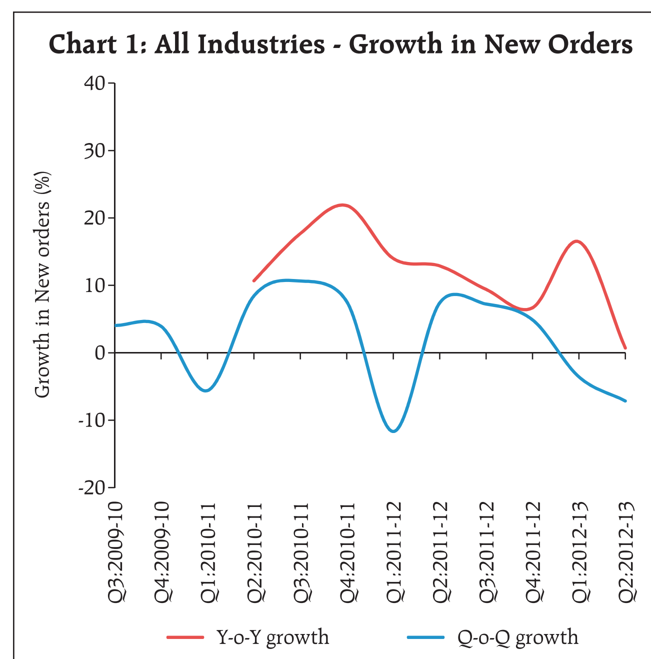
This section presents the trends in survey parameters based on responses of the companies which reported in the 19th survey round and were common for the last 13 quarters (*i.e.*, Q2:2009-10 to Q2:2012-13). The related data tables are presented in **Annex.**

I.1 Order Books Growth Moderated

Growth (y-o-y) of new orders moderated in the recent period barring an intermittent spike in Q1:2012-13. In Q3 and Q4 of 2011-12 as also in Q2: 2012-13, the growth was lower than in the corresponding quarter of the previous year. High growth reported in Q1:2012-13, however, is not supported by the sales growth of listed companies. The Quarter-on-Quarter (Q-o-Q) growth in new orders, was also lower in Q4:2011-12, and it turned negative during the first two quarters of 2012-13 (Q1 depicting a seasonal trend) (Chart 1, Table 1).

Disaggregated analysis revealed that larger companies (top 50 companies, which constitute of about 71 per cent of total order books in the sample) witnessed more contraction with 10 per cent decline in order books during Q2:2012-13.

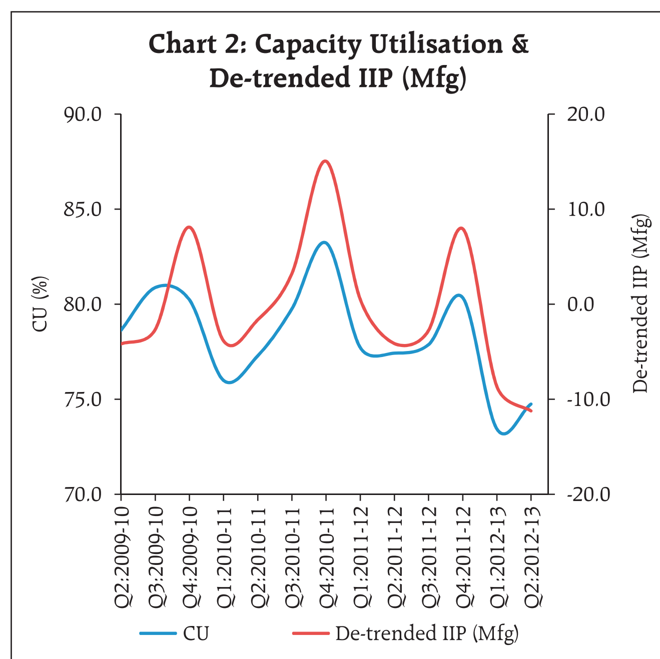
Chart 1: All Industries - Growth in New Orders

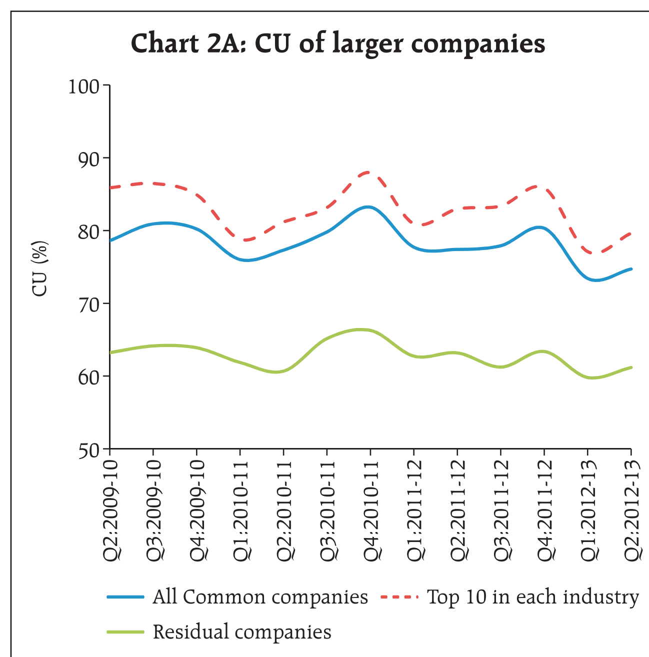


I.2 Capacity Utilisation has remained lower

Capacity Utilisation level of Indian corporates depicts a seasonal behaviour with an upturn in the third quarter coinciding with festival season and peak in the last quarter of financial year, in line with the peaks seen in other major output indicators like real Gross Domestic Product (GDP) and Index of Industrial Production (IIP). During the period Q3:2011-12 to Q2:2012-13, CU level remained lower than that in the corresponding quarters a year ago. However, sequentially CU increased marginally in the latest quarter. The movements in CU are broadly in line with the movements in the de-trended IIP for manufacturing sector (Chart 2, Table 2).

A further disaggregated size-wise analysis of data indicates that CU levels were higher for larger companies in all the quarters. Taking top 10 companies from each industry-group (based on value of production in the latest survey round), it is observed that CU level for these group was nearly 20 percentage points higher than CU level of residual companies (Chart 2A and Table 2). There was also wide variation in CU level across companies. While about 20 per cent of the respondent companies having 45 per cent





weight to total value of production (VoP) had more than 90 per cent CU in Q2:2012-13, about 40 per cent of the respondent companies had CU level below 60 per cent in Q2: 2012-13 (Table 3).

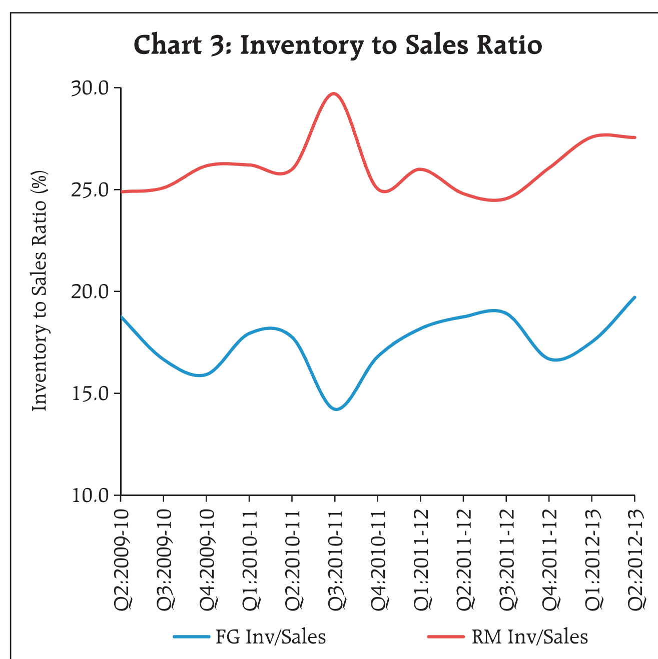
I.3 Finished Goods (FG) Inventories at Elevated Level

During the latest four quarters (Q3:2011-12 to Q2:2012-13), the average raw material (RM) inventory-to-sales ratio ranged between 25 per cent in Q3:2011-12 and 28 per cent in Q2:2012-13. The RM-inventory levels in the last two quarters were higher than those in the corresponding quarter of the previous year. As regards the FG-inventory-to-sales ratio, it remained higher in two out of four quarters under reference, confirming lower offtake (Chart 3, Table 4).

Section II: Validation of results of different rounds of Surveys (Round 16 to Round 19)

As already mentioned, estimated survey parameters undergo some change from one round to another due to change in constituent sample of companies. However, the above changes may not pose any problem as long as the trend observed earlier is retained.

The new orders growth (y-o-y) reported in rounds 16 to 19 of the survey varied the most in Q3:2011-12



(Table 5). However, the observation that new order growth in Q3 and Q4: 2011-12 remained lower than the corresponding quarters of the previous year remained valid based on the results of all the rounds.

Similarly, capacity utilisation at the aggregate level in round 16 to 19 for the quarters Q3:2011-12 to Q2:2012-13 confirm that the CU level declined in the latest period from that in the corresponding quarter of the previous year (Table 6).

The FG inventory to sales ratio for the last four rounds of survey is provided in Table 7. It was observed that there were small variations due to change in the constituent set of companies and the broad conclusion remains valid.

Section III: *Concluding Observation*

The weakening growth of new orders, lower level of CU and/or high level of FG inventory to sales ratio indicate weak demand conditions in the manufacturing sector in the latest period.

The lifetime of OBICUS since 2007-08 so far has been characterised by unusually large macroeconomic fluctuations in the wake of the global economic crisis with attendant impact on the domestic economy. While the survey is intended to capture movements in critical business cycle indicators, it cannot be said with confidence at this stage that the Indian economy has witnessed a complete business cycle (peak-to-peak or trough-to-trough) during the survey's existence, and the future path of the Indian manufacturing sector is still evolving. Typically, in periods of relatively low growth and higher uncertainty, order books dwindle and capacity utilisation is low. This leads to postponement of investment for increasing capacity. In recovery phase, order books would increase and as economy gets closer to fuller capacity output with supply constraints leading to investment demand. The order-books and capacity are yet to revert to their pre-crisis peak levels.

Annex -Data Tables

Table 1: Order Books (Q2: 2009-10 to Q2: 2012-13) – Based on Round 19

Quarter ended	Amount in ₹ Billion			Q-o-Q growth (per cent)			Y-o-Y growth (per cent)		
	Avg Backlog order (466)	Avg New Order book (466)	Avg Pending order (466)	Avg Backlog order	Avg New Order book	Avg Pending order	Avg Backlog order	Avg New Order book	Avg Pending order
Q2:2009-10	1.49	1.04	1.53	-	-	-	-		-
Q3:2009-10	1.53	1.08	1.56	2.8	4.1	2.1	-		-
Q4:2009-10	1.57	1.12	1.57	2.6	3.9	0.3	-		-
Q1:2010-11	1.53	1.06	1.54	-2.5	-5.6	-1.7	-		-
Q2:2010-11	1.54	1.15	1.59	0.5	8.4	3.2	3.4	10.7	4.0
Q3:2010-11	1.59	1.27	1.67	3.4	10.6	4.8	4.0	17.7	6.7
Q4:2010-11	1.67	1.36	1.69	5.0	7.6	1.4	6.5	21.8	7.9
Q1:2011-12	1.67	1.20	1.66	0.0	-11.7	-1.9	9.2	14.0	7.7
Q2:2011-12	1.66	1.29	1.63	-0.8	7.4	-1.7	7.8	12.9	2.5
Q3:2011-12	1.63	1.39	1.70	-1.9	7.2	3.9	2.2	9.4	1.6
Q4:2011-12	1.70	1.46	1.67	4.2	4.9	-1.5	1.5	6.7	-1.2
Q1:2012-13	1.67	1.40	1.71	-1.8	-3.6	2.1	-0.4	16.5	2.8
Q2:2012-13	1.71	1.30	1.65	2.4	-7.1	-3.1	2.8	0.7	1.3

*Figures in brackets are number of companies reporting order books.

Table 2: Capacity Utilisation & Index of Industrial Production (Manufacturing) (Base: 2004-05=100) – Based on Round 19

Quarter	Q2: 2009-10	Q3: 2009-10	Q4: 2009-10	Q1: 2010-11	Q2: 2010-11	Q3: 2010-11	Q4: 2010-11	Q1: 2011-12	Q2: 2011-12	Q3: 2011-12	Q4: 2011-12	Q1: 2012-13	Q2: 2012-13
CU(per cent)	78.6	80.9	80.2	76.0	77.3	79.8	83.2	77.7	77.4	77.9	80.3	73.4	74.7
IIP MFG (Qtly avg : Base 2004-05)	158.1	162.0	175.1	165.4	169.8	176.8	190.7	178.2	175.5	178.8	191.4	176.7	176.0
De-trended Qtly-IIPMFG	-4.2	-2.7	8.1	-3.9	-1.7	3.2	15.0	0.5	-4.1	-2.8	7.9	-8.7	-11.2
CU of Large Companies	85.9	86.5	84.9	78.8	81.2	83.2	88.0	80.9	83.0	83.4	85.8	77.1	79.6
CU of others Companies	63.2	64.1	63.9	61.9	60.7	65.2	66.3	62.7	63.2	61.2	63.4	59.8	61.2

Table 3: Variation in CU across companies – Round 16 to 19

CU Range per cent	Weight per cent	Per cent of Total Respondent Companies (Round 19)	Per cent of Total Respondent Companies (Round 18)	Per cent of Total Respondent Companies (Round 17)	Per cent of Total Respondent Companies (Round 16)
		Q2:2012-13	Q1:2012-13	Q4:2011-12	Q3:2011-12
Above 90	45	21	20	28	25
80 to 90	14	13	14	14	15
70 to 80	16	14	16	13	13
60 to 70	9	13	12	11	13
Below 60	16	39	38	34	35

*Weight per cent is based on Value of Production of Companies in Q2:2012-13.

Table 4: Average Sales and Inventories and their ratios (Q2: 2009-10 to Q2: 2012-13)- Based on Round 19

Quarter ended	Amount in ₹ Billion					Ratio (per cent)		
	Avg Sales (891)	Avg Total Inv (891)	Avg FG Inv (891)	Avg WiP Inv (891)	Avg RM Inv	Total Inv/Sales	FG Inv/Sales	RM Inv/Sales
Q2:2009-10	2.88	1.48	0.54	0.22	0.72	51.4	18.8	24.9
Q3:2009-10	3.08	1.52	0.51	0.24	0.77	49.4	16.7	25.1
Q4:2009-10	3.30	1.62	0.53	0.23	0.86	49.0	15.9	26.2
Q1:2010-11	3.23	1.68	0.58	0.25	0.85	52.0	17.9	26.2
Q2:2010-11	3.38	1.75	0.60	0.27	0.88	51.7	17.8	26.0
Q3:2010-11	3.63	1.86	0.52	0.27	1.08	51.3	14.2	29.7
Q4:2010-11	4.07	2.02	0.68	0.31	1.02	49.6	16.8	25.0
Q1:2011-12	4.07	2.10	0.74	0.30	1.06	51.6	18.2	26.0
Q2:2011-12	4.10	2.12	0.77	0.33	1.02	51.7	18.8	24.8
Q3:2011-12	4.36	2.23	0.83	0.34	1.07	51.2	18.9	24.6
Q4:2011-12	4.80	2.41	0.80	0.36	1.25	50.2	16.7	26.1
Q1:2012-13	4.59	2.45	0.80	0.39	1.27	53.5	17.5	27.6
Q2:2012-13	4.77	2.64	0.94	0.39	1.31	55.4	19.7	27.6

FG: Finished Goods. WiP: Work in Progress RM: Raw Material
*Figures in brackets are number of companies reporting inventory.

Table 5: Order Books Y-o-Y growth Q3:2011-12 to Q2:2012-13 – Round 16 to 19

Quarter	Round-16 (548)	Round-17 (468)	Round-18 (467)	Round-19 (466)
Q3:2010-11	22.1	15.6	18.7	17.7
Q4:2010-11	21.2	22.2	22.8	21.8
Q1:2011-12	15.6	17.8	15.6	14.0
Q2:2011-12	17.7	16.0	12.9	12.9
Q3:2011-12	19.0	15.0	8.6	9.4
Q4:2011-12		9.0	3.5	6.7
Q1:2012-13			19.4	16.5
Q2:2012-13				0.7

*Figures in brackets are number of companies reporting order books.

Table 6: CU level for Q3:2011-12 to Q2:2012-13 – Round 16 to 19

Quarter	Round-16 (1207)	Round-17 (1167)	Round-18 (1154)	Round-19 (1135)
Q3:2010-11	75.9	75.7	78.0	79.8
Q4:2010-11	79.9	79.8	81.9	83.2
Q1:2011-12	74.9	75.0	76.3	77.7
Q2:2011-12	73.9	74.7	75.8	77.4
Q3:2011-12	75.9	75.6	76.2	77.9
Q4:2011-12		79.6	79.0	80.3
Q1:2012-13			72.9	73.4
Q2:2012-13				74.7

*Figures in brackets are number of companies reporting CU.

Table 7: Finished Goods inventory to Sales for Q3:2011-12 to Q2:2012-13 – Round 16 to 19

Quarter	Round-16 (933)	Round-17 (894)	Round-18 (906)	Round-19 (891)
Q3:2010-11	17.2	15.5	14.2	14.2
Q4:2010-11	15.9	17.4	16.6	16.8
Q1:2011-12	17.7	18.7	18.0	18.2
Q2:2011-12	17.9	19.6	18.8	18.8
Q3:2011-12	16.8	18.7	18.8	18.9
Q4:2011-12		16.5	16.4	16.7
Q1:2012-13			19.0	17.5
Q2:2012-13				19.7

*Figures in brackets are number of companies reporting inventory.

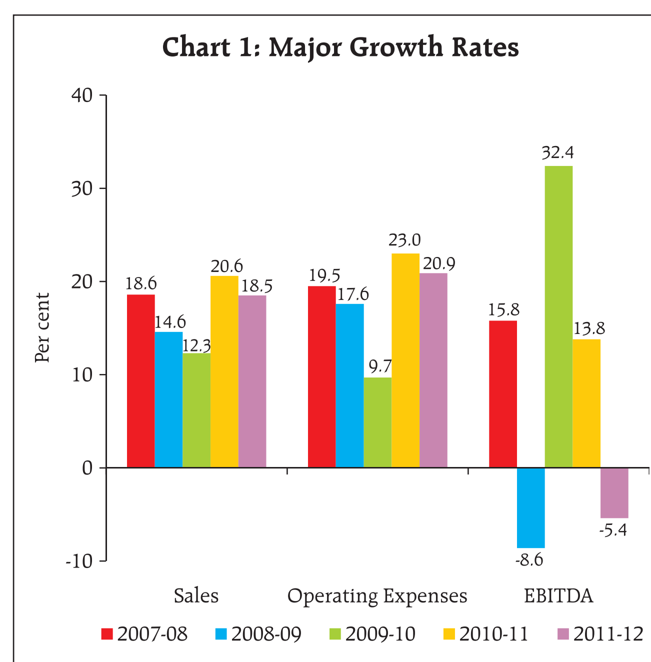
Finances of Non-Government Non-Financial Large Public Limited Companies, 2011-12*

The aggregate results of the select non-government non-financial large public limited companies in 2011-12 revealed moderation in growth rates of major parameters as compared with those in 2010-11. Continued relatively higher growth in operating expenses than in sales together with lower addition to stock in 2011-12 resulted in decline in profits like earnings before interest, tax, depreciation and amortisation (EBITDA) and net profits (PAT) and moderation in profit margins as compared to 2010-11. Fall in profits led to decline in gross saving also. Borrowings grew at same pace in 2011-12 as in the previous year. Growth in net worth has been the lowest in last five years and debt to equity ratio increased in 2011-12 reversing a declining trend since 2007-08. Significant fall in capital work-in-progress was observed with corresponding increase in acquisition of plant and machineries during the year 2011-12. However, increase in investments in fixed assets formation was minimal in 2011-12.

This article presents the financial performance of select 1,843 non-government non-financial (NGNF) large[1] public limited companies for the financial year 2011-12 based on their audited annual accounts closed during April 2011 to March 2012[2] and draws a comparative picture over the five year period from 2007-08 to 2011-12, based on the previous studies on public limited companies published earlier. The detailed data for 2011-12 along with explanatory notes have been made available in the website of the Reserve Bank. The select 1,843 companies covered in the latest data release accounted for 23.3 per cent of population paid-up capital (PUC) (provisional estimate supplied by Ministry of Corporate Affairs, Government of India) of all NGNF public limited companies as on March 31, 2012. The coverage of companies for earlier years were slightly different.

1. Growth in sales moderated and profits declined

1.1 Demand conditions weakened during 2011-12 as reflected in lower sales growth (18. 5 per cent) as compared with 2010-11 (Statement1 and Chart 1). Also, addition to stock was of lower order. However, operating expenses continued to grow at a relatively higher rate, resulting in decline in operating profits *i.e.*, EBITDA. With interest expenses also maintaining high growth, net profits (PAT) declined more sharply in 2011-12. After the sharp rebound in growth of EBITDA in 2009-10, mainly boosted by the lowest growth in employee remuneration, the growth in EBITDA fell by 18.6 percentage points in 2010-11 and turned negative in 2011-12 (-5.4 per cent).



* Prepared in the Company Finances Division of the Department of Statistics and Information Management. Reference may be made to the February 2012 issue of the Reserve Bank of India Bulletin for the previous study, which covered 2,072 non-government non-financial large public limited companies during 2010-11. In the present study, 552 new companies have been covered in addition to the 1,291 companies common with the previous study. Data of some of the companies in the sample were procured from Centre for Monitoring Indian Economy (CMIE).

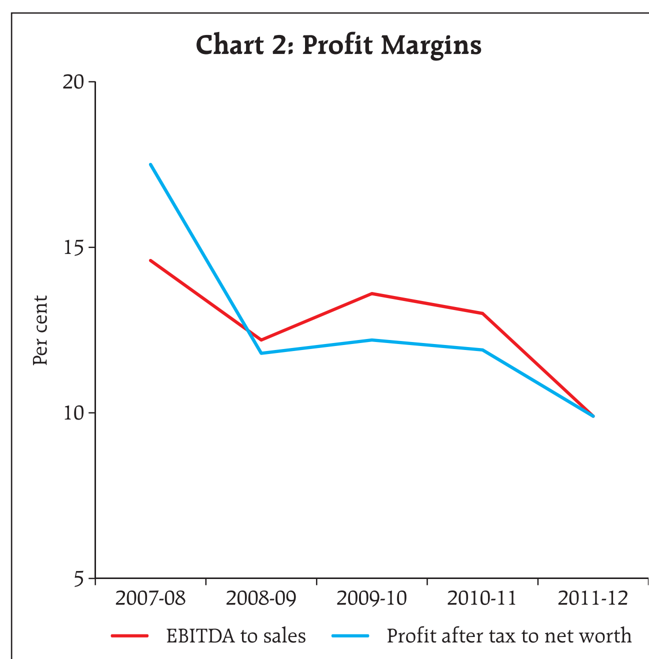
1 Companies with paid-up capital of ₹10 million and above.

2 In the case of companies, which either extended or shortened their accounting year, their income, expenditure and appropriation account figures have been annualised. The balance sheet data, however, have been retained as presented in the annual accounts of the companies. The analysis of financial performance of the select companies is subject to these limitations.

1.2 Disaggregated as per size of sales, companies in all size groups recorded lower sales growth in 2011-12, while those in the smallest size class *i.e.*, with sales 'less than ₹1 billion' each, recorded a decline in sales. Decline in EBITDA was also sharper in the smaller size classes.

1.3 At the sectoral level, moderation in sales growth was sharper in the services sector but it recorded much smaller decline in EBITDA in 2011-12, as their operating expenses were contained. Performance of 'transportation' and 'real estate' industries was most adversely affected, both in terms of sales and EBITDA.

1.4 In the manufacturing sector, 'cement and cement products' and 'iron and steel' industries reversed the recent trend and registered robust sales growth in 2011-12. On the other hand, sales growth in 'textiles' and 'motor vehicles and other transport equipments' industries moderated considerably. In terms of EBITDA, 'food products and beverages', 'cement and cement products' and 'electrical machinery and apparatus' industries recorded higher growth on a lower base of the previous year.

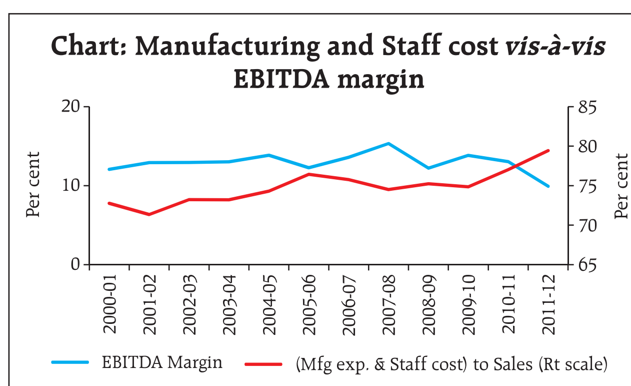


2. Profit Margin remained under pressure

2.1 Profit margin of Indian corporates peaked in 2007-08. In the next 3 years upto 2010-11, the margin was lower but they moved in a narrow range (Chart 2). During 2011-12 the margin compressed sharply as the corporates could not hold on to their pricing power in the face of weakening demand (Box 1).

Box 1: Reduced Pricing Power of Corporates

Manufacturing expenses and staff cost (remuneration to employees and welfare expenses) are the major items of expenditure for companies. As percentage to sales, the share of these two items of expenditure has ranged between 71.3 per cent (2001-02) and 79.4 per cent (2011-12) in the last twelve years. The EBITDA margin (EBITDA as percentage to sales) has been the highest at 16.0 per cent in 2007-08 and the lowest at 10.1 per cent in 2000-01. During the period 2001-02 to 2004-05 the EBITDA margin has improved in spite of increase in the share of manufacturing expenses and staff cost. This could be indicative that during the high sales growth phase, the corporates had the ability to pass on the increase in cost to the customers. However, since 2005-06 these ratios have moved exactly in opposite directions. The EBITDA margin has increased (decreased) in case of a fall (rise) in share of manufacturing and staff cost. The steep increase in the share of these expenditures in 2010-11 and 2011-12 and the fall in EBITDA margin suggests reduced pricing power with the corporates as they could not pass on the increase in expenditure and protect the profit margin.



2.2 The larger companies, with sales 'above ₹1 billion' each recorded positive growth in sales but their EBITDA margins were the lowest in last five years. The fall was sharper for the companies in sales size classes '₹1 billion - ₹5 billion' and '₹10 billion and above'.

2.3 At sectoral level, the EBITDA margin in the services sector was found to be higher than that in the manufacturing sector. EBITDA margin, in general, declined across all industries with the exception of 'pharmaceuticals and medicines' and 'cement and cement products' industries in the manufacturing sector. In the services sector, margin of 'transportation' industry recorded significant decline.

3. Slower growth in business

3.1 Growth in total net assets of Indian corporates moderated since the crisis period of 2008-09, barring some recovery seen in 2010-11. Companies in 'less than ₹1 billion' sales size displayed lowest growth in total net assets over last five years. Growth in total net assets also moderated in all size classes in 2011-12 except for the sales size group '₹1 billion - ₹5 billion'.

3.2 While growth in total net assets of companies in the services sector exceeded that of the manufacturing sector till 2008-09, the situation reversed since 2009-10. However, all industries in manufacturing sector recorded lower growth in total net assets in 2011-12 as compared to the previous year except 'chemical and chemical products' and 'iron and steel' industries. In the services sector, 'transportation' and 'computer and related activities' industries recorded higher growth in total net assets in 2011-12.

3.3 Adverse sentiments in the capital market also led to continuous decline in the growth rate in net worth of companies between 2007-08 and 2011-12 *(Statement 2)*. Lower accrual in profit in 2011-12 further moderated the net worth growth.

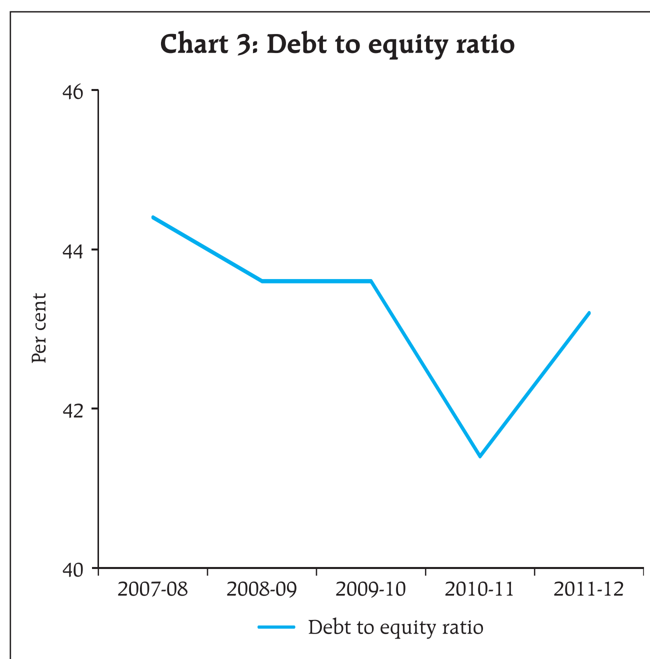
4. Debt to equity ratio increased

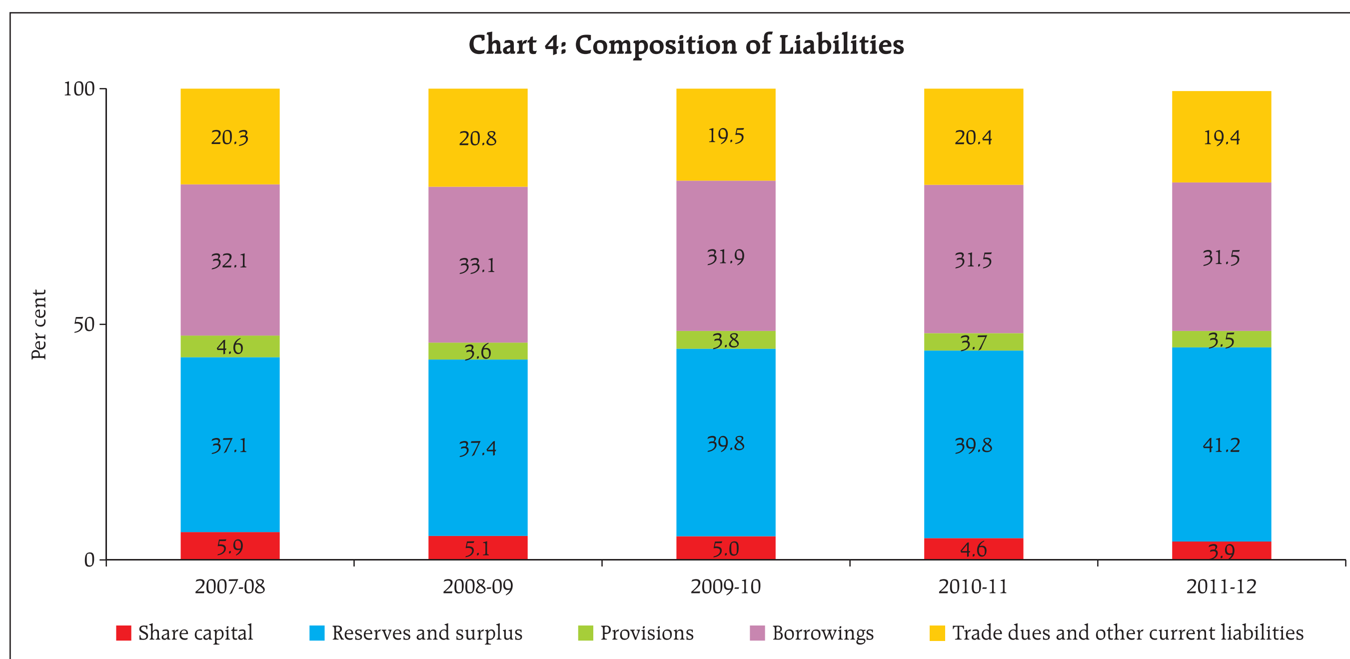
4.1 The growth in total borrowings recorded a sharp decline in 2009-10 and then recovered to some extent in 2010-11 and 2011-12. However, growth rate of total borrowings of smaller companies (*i.e.* those having sales below ₹1 billion and between ₹5 billion and ₹10 billion each) moderated in 2011-12. Total borrowings also moderated in 'textile', 'iron and steel' and 'pharmaceuticals and medicines' industries in 2011-12. On the other hand, companies in 'food products and beverages' industry continued to borrow heavily recording high growth in 2011-12 on top of similar growth in 2010-11. Besides, high growth in borrowings in 2011-12 was also observed in 'machineries and equipments (non-electrical)', 'construction', 'chemical and chemical products' industries.

4.2 Debt to equity ratio (debt as percentage of net worth) increased in 2011-12 reversing a declining trend observed since 2007-08 mainly due to the higher growth in borrowing than in net worth (Chart 3). It had fallen gradually from 44.4 per cent in 2007-08 to 41.4 per cent in 2010-11 but rose to 43.2 per cent in 2011-12. Sales size- wise, debt to equity ratio was the lowest for the smallest sales size companies *i.e.,* 'Less than ₹1 billion', while companies in '₹5 billion to ₹10 billion' sales range recorded the highest debt to equity ratio in 2011-12 (Statement 2).

4.3 While debt to equity ratio has remained at modest levels in most of the industries, it continued to be high in 'transportation', 'textiles', 'iron and steel' and 'food products and beverages' industries. High debt to equity ratio together with relatively lower

Chart 3: Debt to equity ratio

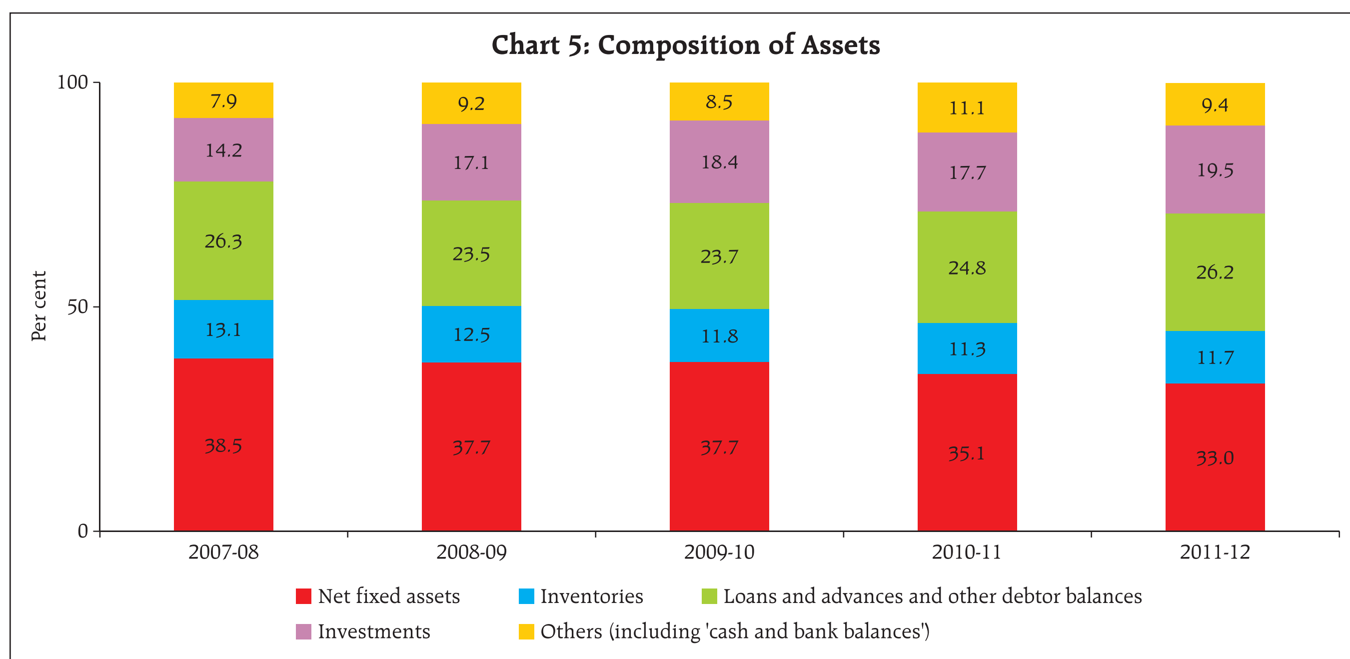


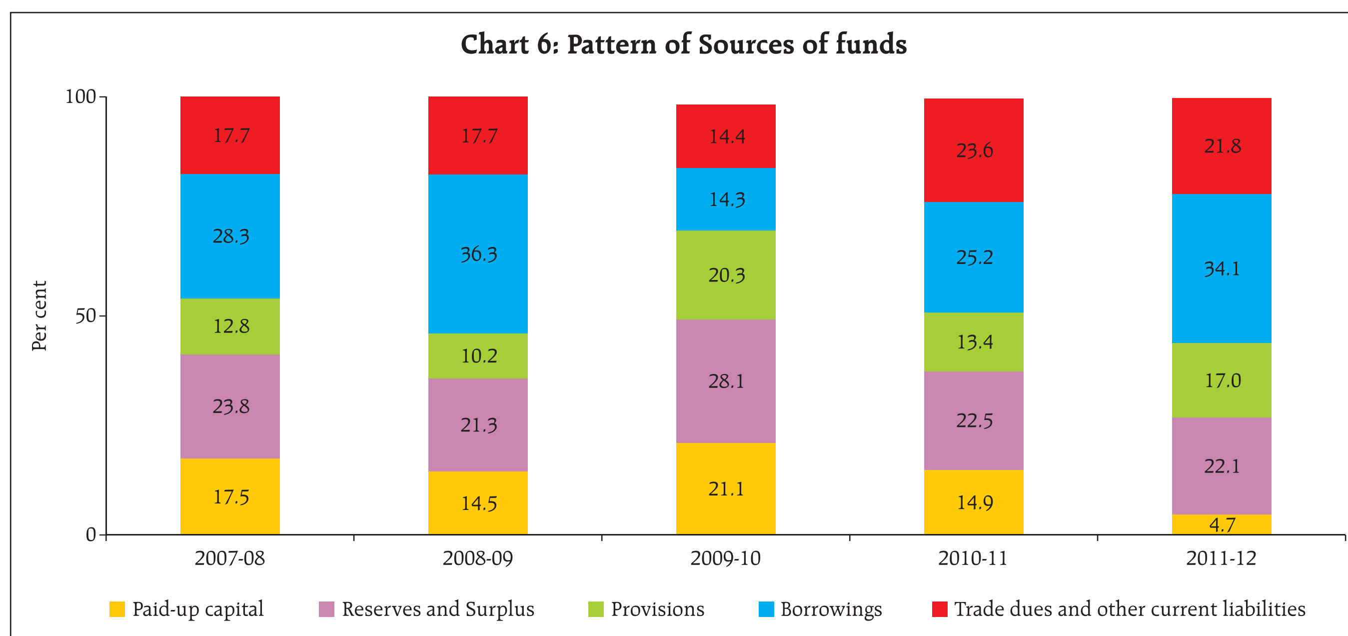


EBITDA margin in 'transportation' and 'food products and beverages' industries may be a matter of some concern.

5. Share of net fixed assets in total assets declined and that of investment has risen

5.1 The overall composition of total liabilities in terms of paid-up capital, reserves and surplus, borrowings, trade dues and other current liabilities and provisions remained quite similar in the last five years *(Statement 3A and Chart 4)*. However, on the assets side, share of 'net fixed assets' in total assets has gradually declined in the last five year period and correspondingly, share of investments rose and reached 19.5 per cent in 2011-12 which was the highest during the five year period *(Statement 3B and Chart 5)*. Share of 'loans and advances', which declined during 2008-09 has gradually recovered.

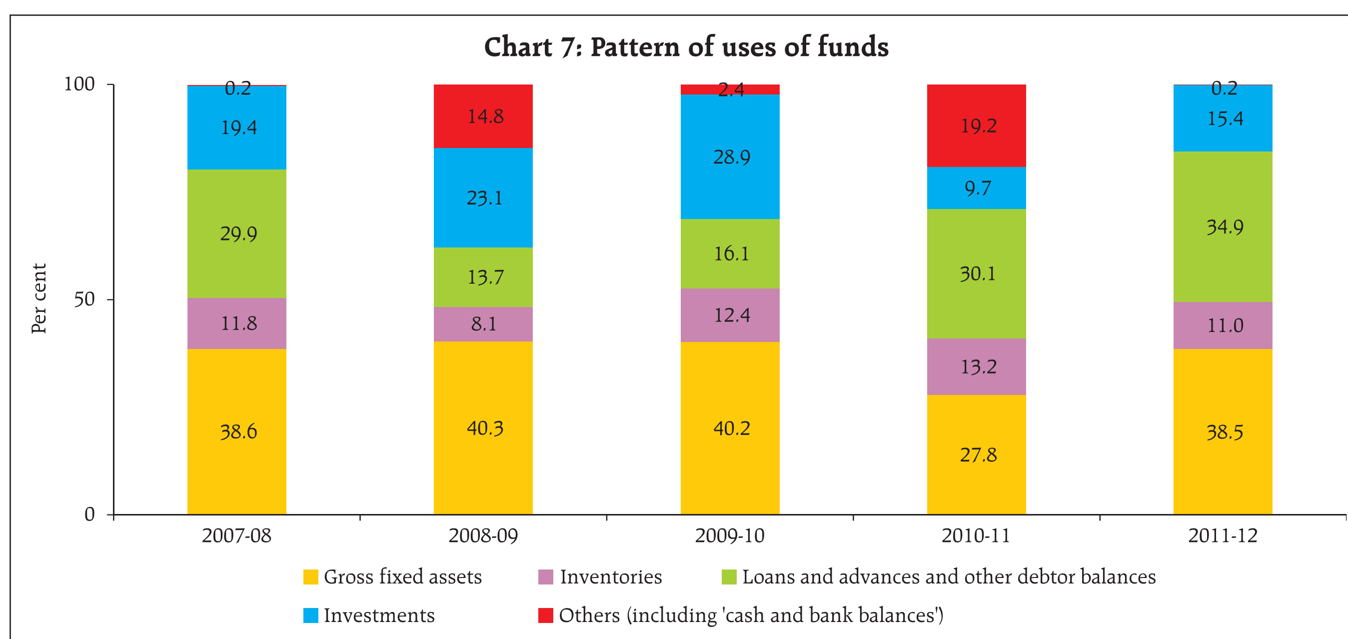




6. Fixed assets formation remains the most prominent use of funds

6.1 Funds raised by the corporates during 2011-12 continued to be dominated by external (*i.e.*, 'other than companies' own) sources of funds, though, its share declined from 63.6 per cent in 2010-11 to 60.8 per cent in 2011-12 (*Statement 4A and Chart 6*). This was due to sharp drop in the share of paid-up capital raised from the market. Funds raised through borrowings were significantly higher at 34.1 per cent in 2011-12 as compared with 25.2 per cent in 2010-11.

6.2 Gross fixed assets formation retained its prominence in the uses of funds during 2011-12 (*Statement 4B and Chart 7*). The share of 'loans and advances and other debtor balances' in uses of funds rose further in 2011-12. Share of investments which declined sharply in 2010-11 reversed the trend in 2011-12.



Statement 1: Income and expenditure – Growth rates and ratios of select parameters of public limited companies

	Growth in Sales					Growth in Operating Expenses				
	2007-08	2008-09	2009-10	2010-11	2011-12	2007-08	2008-09	2009-10	2010-11	2011-12
No of sample co	*3114*	*3192*	*3352*	*3485*	*1843*	*3114*	*3192*	*3352*	*3485*	*1843*
Aggregate (All Co)	**18.6**	**14.6**	**12.3**	**20.6**	**18.5**	**19.5**	**17.6**	**9.7**	**23.0**	**20.9**
Sales-wise										
Less than ₹ 1billion	7.5	-4.9	0.7	6.9	-9.5	12.0	-0.7	2.4	9.8	-7.0
₹ 1 – ₹ 5 billion	17.2	12.9	7.8	16.6	9.5	18.9	14.0	6.3	19.9	12.6
₹ 5 – ₹ 10 billion	17.8	11.4	12.1	20.0	13.0	17.7	15.4	9.8	23.2	14.5
₹ 10 billion and above	19.9	16.4	13.7	21.6	20.1	20.6	19.6	10.7	23.8	22.4
Industry-wise										
Mining and quarrying	**20.2**	**22.7**	**3.2**	**29.8**	**21.3**	**2.5**	**31.4**	**7.9**	**26.9**	**39.6**
Manufacturing	**16.7**	**13.1**	**13.2**	**21.9**	**20.1**	**17.8**	**15.7**	**10.1**	**25.6**	**22.3**
Food products and beverages	19.7	19.1	14.6	31.6	22.2	26.9	16.3	12.2	36.8	21.4
Textile	18.1	12.5	19.2	29.6	12.2	18.2	11.6	14.0	32.7	16.5
Chemicals and chemical products	12.2	20.0	3.1	12.5	15.2	13.2	25.5	-3.0	21.0	16.9
Pharmaceuticals and medicines	14.9	14.9	11.6	15.6	16.8	17.4	20.3	4.7	16.9	24.0
Plastic products	26.7	15.7	13.2	26.6	14.0	25.1	15.8	11.4	23.9	20.3
Cement and cement products	21.9	16.0	12.0	0.6	23.8	19.7	23.0	9.4	15.4	22.3
Iron and steel	20.8	15.9	6.9	6.5	20.6	22.5	18.6	3.6	26.0	21.4
Machinery and equipments *n.e.c*	22.5	8.6	9.5	20.5	17.3	22.7	8.6	7.9	23.6	21.7
Electrical machinery and apparatus	29.4	12.1	0.9	12.9	11.7	27.8	14.0	-1.5	18.2	9.5
Motor vehicles and other transport equipments	10.0	7.1	26.2	27.9	17.6	12.7	7.9	22.1	29.7	19.3
Construction	**47.7**	**29.2**	**17.0**	**12.3**	**21.2**	**46.1**	**33.4**	**11.6**	**14.9**	**22.5**
Services	**21.1**	**15.1**	**9.0**	**18.1**	**11.3**	**21.4**	**19.1**	**8.1**	**16.3**	**13.2**
Transportation	28.1	19.0	5.4	17.2	9.1	30.0	24.5	15.8	13.8	20.9
Telecommunications	23.8	19.5	8.0	15.2	11.7	21.0	31.1	13.0	20.3	10.2
Real Estate	41.7	-40.9	34.1	6.9	-15.7	49.1	-42.1	24.1	15.0	-17.9
Computer and related activities	23.9	23.8	3.0	15.5	22.4	26.3	27.2	-3.8	17.2	25.2

Statement 1: Income and expenditure – Growth rates and ratios of select parameters of public limited companies *(Concld.)*

	Growth in EBITDA					EBITDA to Sales				
	2007-08	**2008-09**	**2009-10**	**2010-11**	**2011-12**	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**2011-12**
No of sample co	*3114*	*3192*	*3352*	*3485*	*1843*	*3114*	*3192*	*3352*	*3485*	*1843*
Aggregate (All Co)	**15.8**	**-8.6**	**32.4**	**13.8**	**-5.4**	**14.6**	**12.2**	**13.6**	**13.0**	**9.9**
Sales-wise										
Less than ₹ 1billion	-16.3	-69.6	#	-7.9	-28.3	5.6	2.3	-6.8	6.6	6.1
₹ 1 – ₹ 5 billion	11.2	-11.8	23.2	4.1	-46.7	11.5	7.3	10.5	9.1	3.0
₹ 5 – ₹ 10 billion	24.9	-24.5	32.2	7.4	-16.4	13.1	9.2	13.0	10.8	7.5
₹ 10 billion and above	16.4	-5.1	33.3	15.7	-2.9	16.3	13.9	14.9	14.0	10.6
Industry-wise										
Mining and quarrying	**54.2**	**2.6**	**-6.5**	**60.4**	**-25.4**	**32.0**	**28.5**	**11.9**	**15.0**	**17.6**
Manufacturing	**12.7**	**-8.9**	**41.8**	**14.1**	**-5.7**	**14.5**	**11.3**	**13.2**	**12.3**	**9.3**
Food products and beverages	-7.1	26.2	59.2	-6.3	12.9	7.1	6.6	8.4	6.4	6.0
Textile	16.9	-11.7	91.6	39.0	-25.8	10.0	8.2	13.1	11.4	10.0
Chemicals and chemical products	2.5	-16.7	70.0	13.3	-16.7	12.6	8.7	13.1	12.0	5.8
Pharmaceuticals and medicines	0.9	-11.2	58.6	11.8	-21.1	17.3	12.9	18.1	17.2	12.2
Plastic products	46.6	-1.3	45.2	50.6	-28.6	13.3	11.3	13.7	16.2	11.6
Cement and cement products	30.5	-3.5	18.6	-29.3	24.2	30.4	25.3	26.6	19.2	17.6
Iron and steel	20.6	-7.5	28.8	6.7	-0.5	19.3	15.6	18.0	17.4	14.9
Machinery and equipments *n.e.c*	26.7	-1.8	17.9	-1.9	-51.7	12.8	11.1	11.2	8.3	2.8
Electrical machinery and apparatus	41.2	-58.0	98.7	-8.5	27.3	14.0	2.4	5.2	9.1	5.0
Motor vehicles and other transport equipments	10.6	-22.6	94.0	18.8	4.6	10.5	7.4	11.3	10.6	8.3
Construction	**41.1**	**-19.2**	**-353.8**	**5.6**	**-9.7**	**10.5**	**6.2**	**1.1**	**13.9**	**6.7**
Services	**23.0**	**-8.1**	**10.6**	**12.1**	**-0.6**	**15.3**	**17.3**	**16.7**	**15.4**	**15.2**
Transportation	19.2	-12.7	-57.0	58.2	-90.2	16.2	10.9	5.8	10.3	1.0
Telecommunications	41.3	-7.7	-6.8	-3.4	19.3	17.4	22.4	21.7	18.0	18.3
Real Estate	39.6	-41.8	-1.9	26.7	-20.5	23.0	45.2	28.0	24.7	39.7
Computer and related activities	16.3	12.7	33.0	11.9	13.8	23.2	21.8	24.7	24.6	23.5

#: If denominator or numerator is negative, negligible or nil.

Statement 2: Liabilities and Assets – Growth rates and ratios of select parameters of public limited companies

	Net worth					Total borrowings				
	2007-08	2008-09	2009-10	2010-11	2011-12	2007-08	2008-09	2009-10	2010-11	2011-12
No of sample co	*3114*	*3192*	*3352*	*3485*	*1843*	*3114*	*3192*	*3352*	*3485*	*1843*
Aggregate (All Co)	**31.9**	**20.5**	**19.8**	**17.1**	**8.4**	**28.2**	**29.0**	**7.0**	**15.8**	**16.4**
Sales-wise										
Less than ₹ 1billion	32.3	11.0	13.0	11.1	5.6	13.0	7.1	10.2	10.9	6.3
₹ 1 – ₹ 5 billion	31.0	9.6	16.1	11.9	8.3	29.2	18.6	11.0	8.9	14.4
₹ 5 – ₹ 10 billion	31.6	14.7	19.5	18.1	7.4	26.0	28.3	9.7	23.1	10.5
₹ 10 billion and above	32.1	24.1	21.0	17.9	8.7	30.2	33.5	5.5	16.1	17.6
Industry-wise										
Mining and quarrying	**38.7**	**27.2**	**26.4**	**45.1**	**5.4**	**24.1**	**57.9**	**16.2**	**23.2**	**7.1**
Manufacturing	**31.9**	**16.5**	**19.1**	**17.3**	**10.1**	**24.3**	**25.8**	**6.0**	**14.4**	**16.3**
Food products and beverages	23.4	18.1	27.7	17.5	8.4	45.7	21.7	12.5	26.9	26.4
Textile	15.5	3.2	19.9	17.5	5.4	30.5	17.8	13.4	15.4	7.3
Chemicals and chemical products	22.2	12.3	18.2	15.7	14.6	11.3	23.2	-2.3	10.5	20.2
Pharmaceuticals and medicines	22.2	15.0	21.6	17.7	5.6	16.9	29.9	-6.1	21.9	6.2
Plastic products	47.2	10.0	18.4	21.6	8.9	32.3	17.1	15.0	8.0	16.4
Cement and cement products	41.0	25.1	14.4	18.2	12.5	23.8	29.2	12.5	6.9	7.3
Iron and steel	61.5	9.4	24.9	0.2	10.2	36.2	30.9	12.1	17.3	16.8
Machinery and equipments *n.e.c*	24.6	16.2	17.5	15.6	8.1	30.2	14.2	1.3	19.0	35.0
Electrical machinery and apparatus	48.0	10.9	17.5	15.3	8.6	40.9	39.9	-1.5	2.9	13.6
Motor vehicles and other transport equipments	20.9	20.7	19.5	21.8	12.1	28.7	55.3	7.2	1.9	12.8
Construction	**63.3**	**11.6**	**26.8**	**10.8**	**8.2**	**46.2**	**47.6**	**19.1**	**18.8**	**30.4**
Services	**27.5**	**31.4**	**18.3**	**14.2**	**5.1**	**49.3**	**33.6**	**5.9**	**15.4**	**12.3**
Transportation	68.6	15.7	27.7	1.5	-26.1	39.2	29.8	6.1	-7.0	16.6
Telecommunications	7.4	64.8	8.3	3.7	-1.9	59.7	51.3	3.9	36.5	6.5
Real Estate	107.4	13.0	28.7	14.8	3.7	22.5	9.0	-1.9	18.4	-1.5
Computer and related activities	23.6	16.3	26.0	16.1	15.6	143.7	31.8	13.0	7.5	15.6

Statement 2: Liabilities and Assets – Growth rates and ratios of select parameters of public limited companies *(Concld.)*

	Total net assets					Debt to equity				
	2007-08	2008-09	2009-10	2010-11	2011-12	2007-08	2008-09	2009-10	2010-11	2011-12
No of sample co	*3114*	*3192*	*3352*	*3485*	*1843*	*3114*	*3192*	*3352*	*3485*	*1843*
Aggregate (All Co)	**29.9**	**22.3**	**13.8**	**17.8**	**12.4**	**44.4**	**43.6**	**43.6**	**41.4**	**43.2**
Sales-wise										
Less than ₹ 1billion	17.9	8.1	10.0	10.0	0.5	49.1	43.3	39.8	39.6	13.2
₹ 1 – ₹ 5 billion	28.4	13.7	13.1	11.7	12.1	51.2	56.0	46.3	43.6	44.4
₹ 5 – ₹ 10 billion	29.1	18.8	15.0	21.4	10.6	59.0	56.5	51.3	59.8	46.1
₹ 10 billion and above	31.6	25.5	14.0	18.5	12.9	40.2	39.9	42.4	39.0	44.7
Industry-wise										
Mining and quarrying	**36.6**	**33.9**	**27.0**	**27.3**	**8.0**	**85.5**	**54.3**	**77.0**	**61.1**	**19.1**
Manufacturing	**27.8**	**20.2**	**13.3**	**17.4**	**12.9**	**41.2**	**42.4**	**42.0**	**37.2**	**42.2**
Food products and beverages	35.0	15.5	21.0	23.3	19.4	63.7	60.4	58.4	56.0	50.2
Textile	24.7	11.8	15.0	20.9	8.0	156.6	164.0	145.3	107.6	106.4
Chemicals and chemical products	16.7	18.2	7.8	13.3	16.3	35.9	41.1	33.8	34.1	36.7
Pharmaceuticals and medicines	19.0	22.1	9.8	16.8	12.1	30.3	30.5	25.5	26.4	24.6
Plastic products	35.9	13.9	14.8	16.3	11.0	61.6	87.4	65.4	53.0	44.6
Cement and cement products	35.6	24.6	11.3	16.7	11.2	68.5	61.6	63.1	33.4	39.3
Iron and steel	42.2	21.6	15.1	8.6	15.1	82.1	85.0	77.9	73.0	87.4
Machinery and equipments *n.e.c*	25.4	12.9	15.8	18.9	16.5	15.2	14.2	17.8	14.9	21.2
Electrical machinery and apparatus	42.6	20.2	10.4	12.3	8.1	26.6	27.3	24.1	23.4	17.6
Motor vehicles and other transport equipments	26.0	26.3	19.2	14.4	11.7	32.2	41.0	45.5	37.2	35.2
Construction	**53.7**	**30.9**	**20.2**	**19.2**	**17.8**	**45.6**	**44.5**	**40.2**	**71.6**	**36.1**
Services	**33.5**	**27.0**	**12.8**	**15.4**	**9.0**	**50.7**	**42.7**	**43.7**	**41.1**	**39.7**
Transportation	50.9	19.9	15.2	-1.8	10.4	105.8	121.1	102.5	187.5	293.5
Telecommunications	34.6	43.6	7.2	17.8	1.6	172.2	39.5	44.0	52.3	42.0
Real Estate	52.2	8.7	14.6	19.3	4.7	31.0	63.8	52.0	49.9	47.4
Computer and related activities	36.2	21.3	20.9	12.1	16.6	13.7	12.6	11.5	10.6	9.2

Statement 3: Composition of liabilities and assets of public limited companies

(Per cent)

A: Composition of Liabilities

Capital and Liabilities	2007-08	2008-09	2009-10	2010-11	2011-12
No of sample co	*3114*	*3192*	*3352*	*3485*	*1843*
1 **Share capital**	5.9	5.1	5.0	4.6	3.9
2 **Reserves and surplus**	37.1	37.4	39.8	39.8	41.2
of which: Capital reserve	14.9	14.6	15.6	15.6	15.4
3 **Borrowings**	32.1	33.1	31.9	31.5	31.5
of which: From banks	20.1	21.0	19.9	19.3	17.0
4 **Trade dues and other current liabilities**	20.3	20.8	19.5	20.4	19.4
of which: Sundry creditors	12.1	11.0	11.6	12.3	11.2
5 **Provisions**	4.6	3.6	3.8	3.7	3.5
6 **Miscellaneous non-current liabilities**	–	–	–	–	0.4
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

B: Composition of Assets

Assets	2007-08	2008-09	2009-10	2010-11	2011-12
No of sample co	*3114*	*3192*	*3352*	*3485*	*1843*
1 Gross fixed assets	56.7	53.4	53.9	51.1	48.6
2 Depreciation	18.1	15.7	16.3	16.0	15.5
3 Net fixed assets	38.5	37.7	37.7	35.1	33.0
4 Inventories	13.1	12.5	11.8	11.3	11.7
5 Loans and advances and other debtor balances	26.3	23.5	23.7	24.8	26.2
6 Investments	14.2	17.1	18.4	17.7	19.5
7 Advance of income-tax	–	–	–	–	–
8 Other assets	1.5	2.5	2.1	4.4	3.0
9 Cash and bank balances	6.4	6.7	6.4	6.7	6.4
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

– : Nil or negligible

Statement 4: Composition of sources and uses of funds of public limited companies

(Per cent)

A: Composition of Sources of funds during the year

Sources of funds	2007-08	2008-09	2009-10	2010-11	2011-12
No of sample co	*3114*	*3192*	*3352*	*3485*	*1843*
Internal sources (Own sources)	**36.9**	**31.6**	**49.2**	**36.4**	**39.2**
1. Paid-up capital	**0.4**	**0.1**	**0.7**	**0.5**	**0.1**
2. Reserves and Surplus	**23.8**	**21.3**	**28.1**	**22.5**	**22.1**
3. Provisions	**12.8**	**10.2**	**20.3**	**13.4**	**17.0**
of which: Depreciation provision	8.0	10.2	16.5	11.8	15.5
External sources (Other than own sources)	**63.1**	**68.4**	**50.8**	**63.6**	**60.8**
4. Paid-up capital*	**17.1**	**14.4**	**20.4**	**14.8**	**4.6**
of which: Premium on shares	14.4	12.8	18.8	12.3	2.8
5. Borrowings	**28.3**	**36.3**	**14.3**	**25.2**	**34.1**
of which: i) Debentures	0.5	5.1	4.5	2.7	1.6
i) Loans and advances	26.0	30.3	9.2	22.5	30.7
of which: From banks	20.5	23.4	5.7	17.9	17.4
6. Trade dues and other current liabilities	**17.7**	**17.7**	**14.4**	**23.6**	**21.8**
7. Miscellaneous non-current liabilities	**-**	**-**	**-**	**-**	**0.3**
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

B: Composition of Uses of funds during the year

Uses of funds	2007-08	2008-09	2009-10	2010-11	2011-12
No of sample co	*3114*	*3192*	*3352*	*3485*	*1843*
1. Gross fixed assets	**38.6**	**40.3**	**40.2**	**27.8**	**38.5**
of which:					
i) Buildings	3.2	3.7	5.2	3.8	5.0
ii) Plant and Machinery	19.3	26.4	41.1	11.4	31.1
2. Inventories	**11.8**	**8.1**	**12.4**	**13.2**	**11.0**
of which:					
i) Raw materials, *etc.*	4.3	0.7	5.3	4.8	2.7
ii) Finished goods	2.8	1.0	2.1	4.5	5.1
3. Loans and advances and other debtor balances	**29.9**	**13.7**	**16.1**	**30.1**	**34.9**
4. Investments	**19.4**	**23.1**	**28.9**	**9.7**	**15.4**
5. Other assets	**0.7**	**4.7**	**0.0**	**12.4**	**-3.2**
6. Cash and bank balances	**-0.5**	**10.1**	**2.4**	**6.8**	**3.4**
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

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

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

No. 1: Select Economic Indicators

Item	2011-12	2011-12		2012-13	
		Q2	Q3	Q2	Q3
	1	2	3	4	5
1 Real Sector (% Change)					
1.1 GDP	6.2	6.5	6.0	5.3	4.5
1.1.1 Agriculture	3.7	3.2	4.1	1.2	1.1
1.1.2 Industry	2.7	2.7	0.9	1.1	2.3
1.1.3 Services	7.9	8.2	8.1	7.1	6.0
1.1a Final Consumption Expenditure	8.1	16.1	9.0	2.9	4.2
1.1b Gross Fixed Capital Formation	4.4	11.1	-1.7	-1.0	6.0

Item	2011-12	2011	2012		2013
		Dec	Jan	Dec	Jan
	1	2	3	4	5
1.2 Index of Industrial Production	2.9	2.7	1.0	-0.6	..
2 Money and Banking (% Change)					
2.1 Scheduled Commercial Banks					
2.1.1 Deposits	13.5	17.0	15.7	11.1	13.1
2.1.2 Credit	17.0	16.0	16.5	15.2	16.0
2.1.2.1 Non-food Credit	16.8	17.1	14.7	14.9	15.8
2.1.3 Investment in Govt. Securities	15.9	17.2	14.2	14.5	16.3
2.2 Money Stock Measures					
2.2.1 Reserve Money (M0)	3.7	12.2	14.6	4.6	4.2
2.2.2 Broad Money (M3)	13.2	16.0	14.8	11.2	12.7
3 Ratios (%)					
3.1 Cash Reserve Ratio	4.75	6.00	6.00	4.25	4.25
3.2 Statutory Liquidity Ratio	24.0	24.0	24.0	23.0	23.0
3.3 Cash-Deposit Ratio	6.1	6.7	7.0	5.3	5.5
3.4 Credit-Deposit Ratio	76.5	74.9	75.4	77.6	77.4
3.5 Incremental Credit-Deposit Ratio	78.1	68.4	73.2	73.1	71.1
3.6 Investment-Deposit Ratio	29.4	29.1	29.3	29.9	30.1
3.7 Incremental Investment-Deposit Ratio	29.4	30.9	33.7	35.5	37.0
4 Interest Rates (%)					
4.1 Policy Repo Rate	8.50	8.50	8.50	8.00	7.75
4.2 Reverse Repo Rate	7.50	7.50	7.50	7.00	6.75
4.3 Marginal Standing Facility (MSF) Rate	9.50	9.50	9.50	9.00	8.75
4.4 Bank Rate	9.50	6.00	6.00	9.00	8.75
4.5 Base Rate	10.00/10.75	10.00/10.75	10.00/10.75	9.75/10.50	9.75/10.50
4.6 Term Deposit Rate >1 Year	8.50/9.25	8.25/9.25	8.25/9.25	8.50/9.00	8.50/9.00
4.7 Savings Deposit Rate	4.00	4.00	4.00	4.00	4.00
4.8 Call Money Rate (Weighted Average)	9.02	8.83	9.04	8.31	7.82
4.9 91-Day Treasury Bill (Primary) Yield	9.02	8.48	8.73	8.19	7.94
4.10 182-Day Treasury Bill (Primary) Yield	8.66	8.27	8.55	8.14	7.94
4.11 364-Day Treasury Bill (Primary) Yield	8.40	8.35	8.47	8.01	7.84
4.12 10-Year Government Securities Yield	8.62	8.56	8.27	8.11	7.91
5 RBI Reference Rate and Forward Premia					
5.1 INR-US$ Spot Rate (₹ Per Foreign Currency)	51.16	53.27	49.68	54.78	53.29
5.2 INR-Euro Spot Rate (₹ Per Foreign Currency)	68.34	68.90	65.52	72.26	72.23
5.3 Forward Premia of US$ 1-month (%)	8.68	8.11	8.82	7.78	6.76
3-month (%)	7.66	6.76	8.45	6.79	7.58
6-month (%)	6.80	6.23	7.31	6.43	7.09
6 Inflation (%)					
6.1 Wholesale Price Index	9.0	7.7	7.2	7.2	6.6
6.1.1 Primary Articles	9.8	3.6	2.8	10.6	10.3
6.1.2 Fuel and Power	14.0	15.0	17.0	9.4	7.1
6.1.3 Manufactured Products	7.2	7.6	6.7	5.0	4.8
6.2 All India Consumer Price Index	..	..	7.6	10.6	10.8
6.3 Consumer Price Index for Industrial Workers	8.3	6.5	5.3	11.2	11.6
7 Foreign Trade (% Change)					
7.1 Imports	32.3	27.1	28.8	8.1	6.3
7.2 Exports	21.8	8.6	11.8	-0.5	-2.1

Reserve Bank of India

No. 2: RBI - Liabilities and Assets

(₹ Billion)

Item	As on the Last Friday/ Friday						
	2011-12	2012	2013				
		Feb.	Jan. 25	Feb. 1	Feb. 8	Feb. 15	Feb. 22
	1	2	3	4	5	6	7
1 Issue Department							
1.1 Liabilities							
1.1.1 Notes in Circulation	10,558.28	10,433.70	11,436.53	11,395.58	11,549.01	11,622.97	11,634.06
1.1.2 Notes held in Banking Department	0.12	0.14	0.14	0.12	0.17	0.16	0.14
1.1/1.2 Total Liabilities (Total Notes Issued) or Assets	**10,558.40**	**10,433.83**	**11,436.67**	**11,395.71**	**11,549.18**	**11,623.13**	**11,634.20**
1.2 Assets							
1.2.1 Gold Coin and Bullion	724.43	695.78	781.30	753.23	753.23	753.23	753.23
1.2.2 Foreign Securities	9,822.63	9,725.04	10,643.50	10,630.98	10,782.84	10,857.20	10,868.49
1.2.3 Rupee Coin	0.88	2.54	1.40	1.03	2.64	2.24	2.01
1.2.4 Government of India Rupee Securities	10.46	10.46	10.46	10.46	10.46	10.46	10.46
2 Banking Department							
2.1 Liabilities							
2.1.1 Deposits	4,255.36	3,417.84	3,817.56	3,729.48	3,523.50	3,639.62	4,005.76
2.1.1.1 Central Government	489.51	1.01	405.39	224.28	391.04	476.50	754.38
2.1.1.2 Market Stabilisation Scheme	–	–	–	–	–	–	–
2.1.1.3 State Governments	0.42	0.42	1.07	0.42	0.43	0.42	0.42
2.1.1.4 Scheduled Commercial Banks	3,465.45	3,117.22	3,118.06	3,203.60	2,840.52	2,873.00	2,963.46
2.1.1.5 Scheduled State Co-operative Banks	34.46	36.65	30.76	31.78	29.64	29.58	27.96
2.1.1.6 Non-Scheduled State Co-operative Banks	0.87	0.66	2.13	2.26	2.19	2.17	2.33
2.1.1.7 Other Banks	147.56	157.23	141.34	147.64	139.52	138.78	137.72
2.1.1.8 Others	117.08	104.65	118.80	119.49	120.17	119.14	119.48
2.1.2 Other Liabilities	5,990.18	5,345.22	6,963.40	6,758.22	6,784.27	6,860.72	6,916.00
2.1/2.2 Total Liabilities or Assets	**10,245.54**	**8,763.06**	**10,780.96**	**10,487.70**	**10,307.77**	**10,500.34**	**10,921.76**
2.2 Assets							
2.2.1 Notes and Coins	0.12	0.14	0.14	0.12	0.17	0.16	0.14
2.2.2 Balances held Abroad	3,514.56	3,103.59	3,489.98	3,343.44	3,226.91	3,208.43	3,226.67
2.2.3 Loans and Advances							
2.2.3.1 Central Government	–	–	–	–	–	–	–
2.2.3.2 State Governments	2.28	1.14	2.03	–	2.02	6.00	6.79
2.2.3.3 Scheduled Commercial Banks	63.25	55.24	246.80	225.79	177.08	246.30	253.74
2.2.3.4 Scheduled State Co-op.Banks	–	–	–	–	–	–	–
2.2.3.5 Industrial Dev. Bank of India	–	–	–	–	–	–	–
2.2.3.6 NABARD	–	–	–	–	–	–	–
2.2.3.7 EXIM Bank	–	–	–	–	–	–	–
2.2.3.8 Others	26.93	21.27	18.76	4.74	7.50	7.54	7.54
2.2.4 Bills Purchased and Discounted							
2.2.4.1 Internal	–	–	–	–	–	–	–
2.2.4.2 Government Treasury Bills	–	–	–	–	–	–	–
2.2.5 Investments	5,904.72	4,886.46	6,259.46	6,171.94	6,151.36	6,287.59	6,682.00
2.2.6 Other Assets	733.68	695.23	763.79	741.67	742.73	744.33	744.89
2.2.6.1 Gold	658.07	632.04	709.73	684.23	684.23	684.23	684.23

No. 3: Liquidity Operations by RBI

(₹ Billion)

Date	Liquidity Adjustment Facility		MSF	Standing Liquidity Facilities	OMO (Outright)		Net Injection (+)/ Absorption (-) (1+3+4+6-2-5)
	Repo	Reverse Repo			Sale	Purchase	
	1	2	3	4	5	6	7
Jan. 1, 2013	1,502.30	24.30	–	–17.20	–	–	1,460.80
Jan. 2, 2013	986.30	12.70	–	–29.60	–	–	944.00
Jan. 3, 2013	972.65	24.05	17.70	–0.40	–	–	965.90
Jan. 4, 2013	608.60	9.05	–	–3.41	–	–	596.14
Jan. 7, 2013	719.85	–	–	–10.30	–	78.45	788.00
Jan. 8, 2013	808.65	0.05	–	15.00	–	–	823.60
Jan. 9, 2013	825.25	0.50	–	4.00	–	–	828.75
Jan. 10, 2013	1,011.25	1.75	5.00	5.30	–	–	1,019.80
Jan. 11, 2013	916.70	1.60	–	–30.20	–	–	884.90
Jan. 14, 2013	968.30	0.10	–	44.00	–	–	1,012.20
Jan. 15, 2013	841.20	0.65	–	6.30	–	–	846.85
Jan. 16, 2013	842.20	0.05	–	–18.20	–	–	823.95
Jan. 17, 2013	936.90	0.05	–	–6.30	–	–	930.55
Jan. 18, 2013	800.95	0.05	–	–5.49	–	–	795.41
Jan. 21, 2013	887.25	0.05	–	3.80	–	–	891.00
Jan. 22, 2013	851.00	0.10	–	–8.30	–	–	842.60
Jan. 23, 2013	955.25	0.05	–	0.80	–	–	956.00
Jan. 24, 2013	1,174.25	1.80	1.75	2.40	–	–	1,176.60
Jan. 28, 2013	1,101.80	0.15	–	–2.00	–	–	1,099.65
Jan. 29, 2013	913.10	0.05	–	–25.88	–	–	887.17
Jan. 30, 2013	1,043.40	–	–	–5.98	–	–	1,037.42
Jan. 31, 2013	1,041.15	0.05	–	–9.00	–	–	1,032.10

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

Item	2011-12	2012		2013
		Jan.	Dec.	Jan.
	1	2	3	4
1 Net Purchase/ Sale of Foreign Currency (US$ Million) (1.1–1.2)	–20,138.00	–7,303.00	–50.00	–18.00
1.1 Purchase (+)	1,665.00	–	1,685.00	2,039.00
1.2 Sale (–)	21,803.00	7,303.00	1,735.00	2,057.00
2 ₹ equivalent at contract rate (₹ Billion)	–1,044.98	–376.75	–3.73	–3.96
3 Cumulative (over end-March 2012) (US $ Million)	–20,138.00	–19,818.00	–3,123.00	–3,141.00
(₹ Billion)	–1,044.98	–1,026.93	–169.61	–173.57
4 Outstanding Net Forward Sales (–)/ Purchase (+) at the end of month (US$ Million)	–3,233.00	–1,323.00	–13,487.00	–12,809.00

No. 5: RBI's Standing Facilities

(₹ Billion)

Item	As on the Last Reporting Friday							
	2011-12	2012						2013
		Jan. 27	Aug. 24	Sep. 21	Oct. 19	Nov. 30	Dec. 28	Jan. 25
	1	2	3	4	5	6	7	8
1 MSF	92.0	–	–	–	–	–	–	1.8
2 Export Credit Refinance for Scheduled Banks								
2.1 Limit	131.5	129.1	391.8	381.1	376.9	377.3	383.5	397.4
2.2 Outstanding	87.9	92.9	69.1	166.0	166.1	229.7	245.4	248.0
3 Liquidity Facility for PDs								
3.1 Limit	26.7	26.7	28.0	28.0	28.0	28.0	28.0	28.0
3.2 Outstanding	13.1	6.0	5.9	3.2	3.2	8.7	7.7	6.5
4 Others								
4.1 Limit	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0
4.2 Outstanding	13.3	13.3	25.4	19.7	5.3	32.7	16.4	10.9
5 Total Outstanding (1+2.2+3.2+4.2)	206.3	112.2	100.4	188.9	174.6	271.1	269.5	267.1

Money and Banking

No. 6: Money Stock Measures

(₹ Billion)

Item	Outstanding as on March 31/last reporting Fridays of the month/reporting Fridays				
	2011-12	2012		2013	
		Jan. 27	Dec. 28	Jan. 11	Jan. 25
	1	2	3	4	5
1 Currency with the Public (1.1 + 1.2 + 1.3 – 1.4)	10,256.7	9,954.2	10,920.5	11,097.7	11,087.9
1.1 Notes in Circulation	10,537.9	10,245.7	11,272.6	11,406.2	11,436.5
1.2 Circulation of Rupee Coin	127.1	124.2	139.8	139.8	139.8
1.3 Circulation of Small Coins	7.4	7.4	7.4	7.4	7.4
1.4 Cash on Hand with Banks	415.6	423.1	499.3	455.7	495.9
2 Deposit Money of the Public	7,077.4	6,766.2	7,223.6	6,900.6	6,937.5
2.1 Demand Deposits with Banks	7,049.1	6,739.6	7,208.2	6,886.1	6,922.8
2.2 ‘Other’ Deposits with Reserve Bank	28.2	26.6	15.4	14.5	14.7
3 M_1 (1 + 2)	17,334.0	16,720.4	18,144.1	17,998.3	18,025.4
4 Post Office Saving Bank Deposits	50.4	50.4	50.4	50.4	50.4
5 M_2 (3 + 4)	17,384.4	16,770.8	18,194.5	18,048.7	18,075.8
6 Time Deposits with Banks	56,243.5	55,127.9	62,175.1	63,117.4	62,978.6
7 M_3 (3 + 6)	73,577.5	71,848.3	80,319.2	81,115.7	81,004.0
8 Total Post Office Deposits	259.7	259.7	259.7	259.7	259.7
9 M_4 (7 + 8)	73,837.2	72,108.0	80,578.9	81,375.4	81,263.7

No. 7: Sources of Money Stock (M_3)

(₹ Billion)

Sources	Outstanding as on March 31/last reporting Fridays of the month/reporting Fridays				
	2011-12	2012		2013	
		Jan. 27	Dec. 28	Jan. 11	Jan. 25
	1	2	3	4	5
1 Net Bank Credit to Government	**23,716.1**	**23,067.9**	**25,957.7**	**26,529.4**	**26,577.2**
1.1 RBI's net credit to Government (1.1.1–1.1.2)	5,357.4	5,184.0	5,504.7	5,678.2	5,851.2
1.1.1 Claims on Government	5,542.0	5,185.4	6,330.7	5,984.8	6,257.7
1.1.1.1 Central Government	5,528.3	5,184.5	6,323.6	5,984.2	6,255.7
1.1.1.2 State Governments	13.7	0.9	7.1	0.6	2.0
1.1.2 Government deposits with RBI	184.6	1.4	826.0	306.6	406.5
1.1.2.1 Central Government	184.2	1.0	825.6	306.2	405.4
1.1.2.2 State Governments	0.4	0.4	0.4	0.4	1.1
1.2 Other Banks' Credit to Government	18,358.8	17,883.9	20,453.1	20,851.2	20,726.0
2 Bank Credit to Commercial Sector	**49,605.3**	**46,960.2**	**54,105.1**	**54,282.0**	**54,355.2**
2.1 RBI's credit to commercial sector	39.6	32.6	37.3	41.4	30.6
2.2 Other banks' credit to commercial sector	49,565.7	46,927.6	54,067.8	54,240.6	54,324.6
2.2.1 Bank credit by commercial banks	46,118.5	43,527.3	50,272.2	50,427.9	50,512.2
2.2.2 Bank credit by co-operative banks	3,382.2	3,330.8	3,746.5	3,760.6	3,765.7
2.2.3 Investments by commercial and co-operative banks in other securities	65.0	69.5	49.1	52.1	46.6
3 Net Foreign Exchange Assets of Banking Sector (3.1 + 3.2)	**15,437.8**	**14,866.4**	**16,385.1**	**16,293.4**	**16,082.0**
3.1 RBI's net foreign exchange assets (3.1.1–3.1.2)	14,722.0	14,351.7	15,929.8	15,838.1	15,626.8
3.1.1 Gross foreign assets	14,722.0	14,351.9	15,930.1	15,838.4	15,627.0
3.1.2 Foreign liabilities	0.1	0.2	0.3	0.3	0.2
3.2 Other banks' net foreign exchange assets	715.8	514.7	455.3	455.3	455.3
4 Government's Currency Liabilities to the Public	**134.4**	**131.6**	**147.2**	**147.2**	**147.2**
5 Banking Sector's Net Non-monetary Liabilities	**15,316.2**	**13,177.8**	**16,276.0**	**16,136.3**	**16,157.6**
5.1 Net non-monetary liabilities of RBI	6,038.4	5,496.3	7,285.1	7,202.6	7,013.0
5.2 Net non-monetary liabilities of other banks (residual)	9,277.8	7,681.5	8,990.9	8,933.7	9,144.6
M_3 (1+2+3+4–5)	**73,577.5**	**71,848.3**	**80,319.2**	**81,115.7**	**81,004.0**

No. 8: Monetary Survey

(₹ Billion)

Item	Outstanding as on March 31/last reporting Fridays of the month/reporting Fridays				
	2011-12	2012		2013	
		Jan. 27	Dec. 28	Jan. 11	Jan. 25
	1	2	3	4	5
Monetary Aggregates					
M_1 (1.1 + 1.2.1+1.3)	17,238.0	16,633.0	18,046.1	17,901.8	17,929.3
NM_2 (M_1 + 1.2.2.1)	41,688.4	40,593.2	45,032.4	45,309.6	45,276.2
NM_3 (NM_2 + 1.2.2.2 + 1.4 = 2.1 + 2.2 + 2.3 – 2.4 – 2.5)	73,636.7	71,711.8	80,057.4	80,961.3	80,766.5
1 Components					
1.1 Currency with the Public	10,266.0	9,963.5	10,931.5	11,108.8	11,098.1
1.2 Aggregate Deposits of Residents	61,277.9	59,887.7	67,068.8	67,684.9	67,587.3
1.2.1 Demand Deposits	6,943.7	6,642.9	7,099.1	6,778.5	6,816.4
1.2.2 Time Deposits of Residents	54,334.2	53,244.8	59,969.6	60,906.4	60,770.8
1.2.2.1 Short-term Time Deposits	24,450.4	23,960.2	26,986.3	27,407.9	27,346.9
1.2.2.1.1 Certificates of Deposit (CDs)	4,539.0	4,047.9	3,343.9	3,047.1	3,265.3
1.2.2.2 Long-term Time Deposits	29,883.8	29,284.7	32,983.3	33,498.5	33,424.0
1.3 ‘Other’ Deposits with RBI	28.2	26.6	15.4	14.5	14.7
1.4 Call/Term Funding from Financial Institutions	2,064.5	1,833.9	2,041.7	2,153.2	2,066.4
2 Sources					
2.1 Domestic Credit	74,800.1	71,775.8	81,936.4	82,659.9	82,908.9
2.1.1 Net Bank Credit to the Government	23,339.3	22,698.3	25,495.9	26,070.4	26,117.9
2.1.1.1 Net RBI credit to the Government	5,357.4	5,184.0	5,504.7	5,678.2	5,851.2
2.1.1.2 Credit to the Government by the Banking System	17,981.9	17,514.4	19,991.2	20,392.3	20,266.6
2.1.2 Bank Credit to the Commercial Sector	51,460.8	49,077.5	56,440.5	56,589.4	56,791.0
2.1.2.1 RBI Credit to the Commercial Sector	39.6	32.6	37.3	41.4	30.6
2.1.2.2 Credit to the Commercial Sector by the Banking System	51,421.2	49,044.9	56,403.2	56,548.0	56,760.4
2.1.2.2.1 Other Investments (Non-SLR Securities)	2,719.7	2,939.1	3,310.8	3,295.5	3,433.4
2.2 Government’s Currency Liabilities to the Public	134.4	131.6	147.2	147.2	147.2
2.3 Net Foreign Exchange Assets of the Banking Sector	13,950.1	13,549.0	14,646.3	14,634.0	14,379.5
2.3.1 Net Foreign Exchange Assets of the RBI	14,722.0	14,351.7	15,929.8	15,838.1	15,626.8
2.3.2 Net Foreign Currency Assets of the Banking System	–771.8	–802.7	–1,283.5	–1,204.2	–1,247.3
2.4 Capital Account	11,094.1	10,662.8	13,179.0	13,096.9	12,892.8
2.5 Other items (net)	4,154.0	3,081.9	3,493.5	3,382.9	3,776.3

No. 9: Liquidity Aggregates

(₹ Billion)

Aggregates	2011-12	2012			2013
		Jan.	Nov.	Dec.	Jan.
	1	2	3	4	5
1 NM_3	73,636.7	71,711.8	79,661.7	80,057.4	80,766.5
2 Postal Deposits	1,241.5	1,215.2	1,349.9	1,364.8	1,364.8
3 L_1 (1 + 2)	74,878.2	72,927.0	81,011.6	81,422.2	82,131.2
4 Liabilities of Financial Institutions	29.3	29.3	29.3	29.3	29.3
4.1 Term Money Borrowings	26.6	26.6	26.6	26.6	26.6
4.2 Certificates of Deposit	0.3	0.3	0.3	0.3	0.3
4.3 Term Deposits	2.5	2.5	2.5	2.5	2.5
5 L_2 (3 + 4)	74,907.5	72,956.3	81,040.9	81,451.5	82,160.6
6 Public Deposits with Non-Banking Financial Companies	101.1			99.4	
7 L_3 (5 + 6)	75,008.6			81,550.9	

No. 10: Reserve Bank of India Survey

(₹ Billion)

Item	Outstanding as on March 31/last reporting Fridays of the month/reporting Fridays				
	2011-12	2012		2013	
		Jan. 27	Dec. 28	Jan. 11	Jan. 25
	1	2	3	4	5
1 Components					
1.1 Currency in Circulation	10,672.3	10,377.3	11,419.8	11,553.4	11,583.8
1.2 Bankers' Deposits with the RBI	3,562.9	3,892.5	3,144.0	3,152.5	3,292.3
1.2.1 Scheduled Commercial Banks	3,373.6	3,683.6	2,972.6	2,980.5	3,118.1
1.3 'Other' Deposits with the RBI	28.2	26.6	15.4	14.5	14.7
Reserve Money (1.1 + 1.2 + 1.3 = 2.1 + 2.2 + 2.3 – 2.4 – 2.5)	14,263.4	14,296.4	14,579.3	14,720.4	14,890.8
2 Sources					
2.1 RBI's Domestic Credit	5,445.5	5,309.5	5,787.3	5,937.7	6,129.8
2.1.1 Net RBI credit to the Government	5,357.4	5,184.0	5,504.7	5,678.2	5,851.2
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)	5,344.1	5,183.5	5,498.0	5,678.0	5,850.3
2.1.1.1.1 Loans and Advances to the Central Government	–	–	–	–	–
2.1.1.1.2 Investments in Treasury Bills	–	–	–	–	–
2.1.1.1.3 Investments in dated Government Securities	5,527.5	5,182.8	6,322.7	5,982.1	6,254.3
2.1.1.1.3.1 Central Government Securities	5,517.0	5,172.3	6,312.3	5,971.6	6,243.8
2.1.1.1.4 Rupee Coins	0.8	1.7	0.9	2.1	1.4
2.1.1.1.5 Deposits of the Central Government	184.2	1.0	825.6	306.2	405.4
2.1.1.2 Net RBI credit to State Governments	13.2	0.4	6.7	0.1	1.0
2.1.2 RBI's Claims on Banks	48.5	92.9	245.4	218.1	248.0
2.1.2.1 Loans and Advances to Scheduled Commercial Banks	48.5	92.6	244.3	217.0	246.8
2.1.3 RBI's Credit to Commercial Sector	39.6	32.6	37.3	41.4	30.6
2.1.3.1 Loans and Advances to Primary Dealers	13.6	6.0	8.6	6.4	6.5
2.1.3.2 Loans and Advances to NABARD	–	–	–	–	–
2.2 Government's Currency Liabilities to the Public	134.4	131.6	147.2	147.2	147.2
2.3 Net Foreign Exchange Assets of the RBI	14,722.0	14,351.7	15,929.8	15,838.1	15,626.8
2.3.1 Gold	1,382.5	1,418.1	1,516.0	1,491.0	1,491.0
2.3.2 Foreign Currency Assets	13,339.6	12,933.8	14,414.0	14,347.3	14,135.9
2.4 Capital Account	5,490.0	5,118.3	6,818.1	6,761.1	6,522.1
2.5 Other Items (net)	548.4	378.0	467.0	441.5	490.9

No. 11: Reserve Money - Components and Sources

(₹ Billion)

Item	Outstanding as on March 31/ last Fridays of the month/ Fridays						
	2011-12	2012		2013			
		Jan. 27	Dec. 28	Jan. 4	Jan. 11	Jan. 18	Jan. 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)	14,263.4	14,296.4	14,579.3	14,456.6	14,720.4	14,795.4	14,890.8
1 Components							
1.1 Currency in Circulation	10,672.3	10,377.3	11,419.8	11,421.2	11,553.4	11,614.4	11,583.8
1.2 Bankers' Deposits with RBI	3,562.9	3,892.5	3,144.0	3,020.5	3,152.5	3,166.1	3,292.3
1.3 'Other' Deposits with RBI	28.2	26.6	15.4	15.0	14.5	14.8	14.7
2 Sources							
2.1 Net Reserve Bank Credit to Government	5,357.4	5,184.0	5,504.7	5,376.3	5,678.2	5,742.7	5,851.2
2.2 Reserve Bank Credit to Banks	48.5	92.9	245.4	234.2	218.1	245.1	248.0
2.3 Reserve Bank Credit to Commercial Sector	39.6	32.6	37.3	41.4	41.4	34.8	30.6
2.4 Net Foreign Exchange Assets of RBI	14,722.0	14,351.7	15,929.8	15,852.3	15,838.1	15,647.4	15,626.8
2.5 Government's Currency Liabilities to the Public	134.4	131.6	147.2	147.2	147.2	147.2	147.2
2.6 Net Non- Monetary Liabilities of RBI	6,038.4	5,496.3	7,285.1	7,194.9	7,202.6	7,021.8	7,013.0

No. 12: Commercial Bank Survey

(₹ Billion)

Item	Outstanding as on last reporting Fridays of the month/ reporting Fridays of the month				
	2011-12	2012		2013	
		Jan. 27	Dec. 28	Jan. 11	Jan. 25
	1	2	3	4	5
1 Components					
1.1 Aggregate Deposits of Residents	58,309.6	56,942.4	63,956.2	64,571.6	64,467.2
1.1.1 Demand Deposits	6,253.3	5,955.6	6,380.9	6,059.6	6,099.0
1.1.2 Time Deposits of Residents	52,056.3	50,986.9	57,575.4	58,512.0	58,368.2
1.1.2.1 Short-term Time Deposits	23,425.3	22,944.1	25,908.9	26,330.4	26,265.7
1.1.2.1.1 Certificates of Deposits (CDs)	4,247.0	4,047.9	3,343.9	3,047.1	3,265.3
1.1.2.2 Long-term Time Deposit	28,631.0	28,042.8	31,666.4	32,181.6	32,102.5
1.2 Call/Term Funding from Financial Institutions	2,064.5	1,833.9	2,041.7	2,153.2	2,066.4
2 Sources					
2.1 Domestic Credit	66,236.7	63,338.3	72,947.0	73,482.6	73,568.1
2.1.1 Credit to the Government	17,350.2	16,883.1	19,365.4	19,764.7	19,637.3
2.1.2 Credit to the Commercial Sector	48,886.5	46,455.2	53,581.6	53,717.9	53,930.8
2.1.2.1 Bank Credit	46,118.5	43,527.3	50,272.2	50,427.9	50,512.2
2.1.2.1.1 Non-food Credit	45,305.5	42,696.4	49,196.5	49,363.7	49,455.3
2.1.2.2 Net Credit to Primary Dealers	30.0	47.2	57.9	51.0	48.5
2.1.2.3 Investments in Other Approved Securities	27.7	31.3	30.4	33.1	26.3
2.1.2.4 Other Investments (in non-SLR Securities)	2,710.2	2,849.4	3,221.2	3,205.9	3,343.7
2.2 Net Foreign Currency Assets of Commercial Banks (2.2.1–2.2.2–2.2.3)	–801.9	–802.7	–1,283.5	–1,204.2	–1,247.3
2.2.1 Foreign Currency Assets	732.7	662.5	421.1	427.8	441.4
2.2.2 Non-resident Foreign Currency Repatriable Fixed Deposits	781.2	777.0	816.2	814.3	803.8
2.2.3 Overseas Foreign Currency Borrowings	753.4	688.1	888.4	817.7	884.9
2.3 Net Bank Reserves (2.3.1+2.3.2–2.3.3)	3,506.5	3,961.8	3,173.6	3,165.1	3,313.8
2.3.1 Balances with the RBI	3,232.7	3,683.6	2,972.6	2,980.5	3,118.1
2.3.2 Cash in Hand	361.3	370.8	445.3	401.6	442.6
2.3.3 Loans and Advances from the RBI	87.5	92.6	244.3	217.0	246.8
2.4 Capital Account	5,291.5	5,302.7	6,119.2	6,094.1	6,129.0
2.5 Other items (net) (2.1+2.2+2.3–2.4–1.1–1.2)	3,275.5	2,418.4	2,719.9	2,624.7	2,972.1
2.5.1 Other Demand and Time Liabilities (net of 2.2.3)	2,980.5	2,809.9	3,049.5	3,051.2	3,038.1
2.5.2 Net Inter-Bank Liabilities (other than to PDs)	–525.9	–529.7	–648.9	–592.4	–504.8

No. 13: Scheduled Commercial Banks' Investments

(₹ Billion)

Item	As on March 23, 2012	2012		2013	
		Jan. 27	Dec. 28	Jan. 11	Jan. 25
	1	2	3	4	5
1 SLR Securities	17,377.9	16,914.4	19,370.3	19,797.8	19,663.6
2 Commercial Paper	196.0	264.8	383.6	320.6	315.7
3 Shares issued by					
3.1 PSUs	72.0	72.7	79.1	78.0	77.6
3.2 Private Corporate Sector	301.1	299.4	320.9	332.7	331.6
3.3 Others	5.2	5.1	8.8	8.7	8.7
4 Bonds/Debentures issued by					
4.1 PSUs	412.1	323.3	378.6	341.9	341.4
4.2 Private Corporate Sector	740.5	754.3	970.0	959.1	949.2
4.3 Others	349.3	358.2	407.0	428.4	413.2
5 Instruments issued by					
5.1 Mutual funds	251.4	379.6	278.7	509.7	512.3
5.2 Financial institutions	382.5	392.2	422.3	384.0	394.0

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

(₹ Billion)

Item	As on the Last Reporting Friday (in case of March)/ Last Friday							
	All Scheduled Banks				All Scheduled Commercial Banks			
	2011-12	2012	2012	2013	2011-12	2012	2012	2013
		Jan.	Dec.	Jan.		Jan.	Dec.	Jan.
	1	2	3	4	5	6	7	8
Number of Reporting Banks	237	234	225	225	169	166	158	158
1 Liabilities to the Banking System	1,256.1	1,207.3	1,251.1	1,232.2	1,223.2	1,176.2	1,216.1	1,190.8
1.1 Demand and Time Deposits from Banks	874.5	769.4	826.1	815.6	842.5	739.7	796.2	785.1
1.2 Borrowings from Banks	320.1	336.0	351.9	333.0	319.2	334.6	347.4	322.2
1.3 Other Demand and Time Liabilities	61.5	102.0	73.1	83.6	61.4	101.9	72.4	83.5
2 Liabilities to Others	66,655.8	64,765.4	72,633.8	73,209.0	64,889.2	63,051.3	70,703.9	71,260.5
2.1 Aggregate Deposits	60,777.9	59,359.8	66,571.9	67,152.4	59,090.8	57,719.5	64,711.0	65,271.2
2.1.1 Demand	6,401.7	6,098.2	6,526.5	6,255.5	6,253.3	5,955.6	6,365.6	6,099.0
2.1.2 Time	54,376.3	53,261.6	60,045.4	60,896.8	52,837.5	51,763.9	58,345.5	59,172.0
2.2 Borrowings	2,083.3	1,850.4	2,053.7	2,078.9	2,064.5	1,833.9	2,041.7	2,066.4
2.3 Other Demand and Time Liabilities	3,794.6	3,555.2	4,008.2	3,977.7	3,733.9	3,498.0	3,951.2	3,923.0
3 Borrowings from Reserve Bank	87.9	92.9	245.4	248.0	87.5	92.6	244.3	246.8
3.1 Against Usance Bills /Promissory Notes	–	–	–	–	–	–	–	–
3.2 Others	87.9	92.9	245.4	248.0	87.5	92.6	244.3	246.8
4 Cash in Hand and Balances with Reserve Bank	3,687.0	4,162.5	3,510.7	3,651.7	3,594.0	4,054.5	3,419.0	3,560.7
4.1 Cash in Hand	369.7	380.0	457.0	451.8	361.3	370.8	446.4	442.6
4.2 Balances with Reserve Bank	3,317.3	3,782.5	3,053.8	3,199.9	3,232.7	3,683.6	2,972.6	3,118.1
5 Assets with the Banking System	2,040.1	1,998.7	2,225.7	1,999.6	1,779.1	1,753.1	1,933.2	1,744.1
5.1 Balances with Other Banks	792.1	716.3	935.4	871.9	706.5	643.2	840.3	781.4
5.1.1 In Current Account	117.8	100.7	131.1	113.4	103.2	86.0	114.7	98.7
5.1.2 In Other Accounts	674.3	615.6	804.3	758.5	603.3	557.2	725.6	682.7
5.2 Money at Call and Short Notice	356.9	356.0	401.7	327.1	232.8	230.8	284.4	218.0
5.3 Advances to Banks	139.6	76.5	134.6	83.2	135.8	72.9	110.1	76.3
5.4 Other Assets	751.6	849.9	754.0	717.5	703.9	806.2	698.4	668.5
6 Investment	17,912.9	17,393.6	19,965.2	20,263.4	17,377.9	16,914.4	19,370.3	19,663.6
6.1 Government Securities	17,882.7	17,359.6	19,940.6	20,233.4	17,350.2	16,883.1	19,347.8	19,637.3
6.2 Other Approved Securities	30.2	34.0	24.6	30.1	27.7	31.3	22.4	26.3
7 Bank Credit	47,537.8	44,892.9	51,844.9	52,138.1	46,118.5	43,527.3	50,237.7	50,512.2
7a Food Credit	876.3	894.1	1,156.9	1,138.4	813.0	830.9	1,075.6	1,057.1
7.1 Loans, Cash-credits and Overdrafts	45,760.4	43,309.2	49,950.7	50,231.7	44,359.8	41,963.0	48,366.8	48,628.8
7.2 Inland Bills-Purchased	168.3	160.3	234.2	234.2	163.4	155.7	228.8	229.0
7.3 Inland Bills-Discounted	989.6	835.5	1,003.0	1,019.2	979.8	824.6	988.9	1,004.9
7.4 Foreign Bills-Purchased	212.7	192.0	207.8	207.1	211.7	191.1	206.9	206.2
7.5 Foreign Bills-Discounted	406.7	395.8	449.3	445.9	403.8	393.0	446.4	443.4

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

(₹ Billion)

Item	Outstanding as on				Growth (%)	
	Mar. 23, 2012	2011	2012		Financial year so far	Y-o-Y
		Dec. 30	Nov. 30	Dec. 28	2012-13	2012
	1	2	3	4	5	6
1 Gross Bank Credit	**43,714**	**41,305**	**46,610**	**47,288**	**8.2**	**14.5**
1.1 Food Credit	**816**	**847**	**1,058**	**1,057**	**29.5**	**24.8**
1.2 Non-food Credit	**42,897**	**40,458**	**45,552**	**46,231**	**7.8**	**14.3**
1.2.1 Agriculture & Allied Activities	**5,225**	**4,606**	**5,495**	**5,590**	**7.0**	**21.4**
1.2.2 Industry	**19,675**	**18,582**	**20,853**	**21,140**	**7.5**	**13.8**
1.2.2.1 Micro & Small	2,592	2,468	2,685	2,717	4.8	10.1
1.2.2.2 Medium	2,056	1,986	2,031	2,019	–1.8	1.7
1.2.2.3 Large	15,026	14,129	16,137	16,405	9.2	16.1
1.2.3 Services	**10,168**	**9,670**	**10,625**	**10,858**	**6.8**	**12.3**
1.2.3.1 Transport Operators	713	671	790	730	2.4	8.9
1.2.3.2 Computer Software	154	151	164	161	4.7	7.1
1.2.3.3 Tourism, Hotels & Restaurants	313	315	342	351	12.2	11.5
1.2.3.4 Shipping	89	100	81	80	–9.8	–19.6
1.2.3.5 Professional Services	639	555	511	527	–17.4	–4.9
1.2.3.6 Trade	2,209	2,125	2,538	2,558	15.8	20.4
1.2.3.6.1 Wholesale Trade	1,280	1,203	1,389	1,400	9.4	16.4
1.2.3.6.2 Retail Trade	929	922	1,148	1,158	24.6	25.6
1.2.3.7 Commercial Real Estate	1,205	1,162	1,201	1,308	8.5	12.6
1.2.3.8 Non-Banking Financial Companies (NBFCs)	2,218	2,114	2,439	2,523	13.8	19.3
1.2.3.9 Other Services	2,628	2,477	2,558	2,619	–0.3	5.7
1.2.4 Personal Loans	**7,830**	**7,600**	**8,580**	**8,643**	**10.4**	**13.7**
1.2.4.1 Consumer Durables	88	120	75	77	–12.5	–36.1
1.2.4.2 Housing	4,027	3,917	4,372	4,408	9.5	12.5
1.2.4.3 Advances against Fixed Deposits	685	537	615	610	–10.9	13.7
1.2.4.4 Advances to Individuals against share & bonds	38	51	31	33	–14.9	–35.6
1.2.4.5 Credit Card Outstanding	204	195	247	248	21.2	27.1
1.2.4.6 Education	502	492	543	542	7.9	10.1
1.2.4.7 Vehicle Loans	949	906	1,093	1,107	16.6	22.2
1.2.4.8 Other Personal Loans	1,336	1,382	1,604	1,619	21.1	17.1
1.2A Priority Sector	**14,122**	**13,007**	**14,617**	**14,886**	**5.4**	**14.4**
1.2A.1 Agriculture & Allied Activities	5,225	4,606	5,495	5,590	7.0	21.4
1.2A.2 Micro & Small Enterprises	5,191	4,825	5,262	5,397	4.0	11.9
1.2A.2.1 Manufacturing	2,592	2,468	2,685	2,717	4.8	10.1
1.2A.2.2 Services	2,599	2,358	2,576	2,681	3.2	13.7
1.2A.3 Housing	2,654	2,516	2,667	2,678	0.9	6.4
1.2A.4 Micro-Credit	231	210	219	241	4.3	14.8
1.2A.5 Education Loans	483	483	523	521	8.0	8.0
1.2A.6 State-Sponsored Orgs. for SC/ST	26	27	20	28	7.7	3.7
1.2A.7 Weaker Sections	2,563	2,326	2,725	2,795	9.1	20.2
1.2A.8 Export Credit	377	404	401	429	13.8	6.2

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

(₹ Billion)

Industry	Outstanding as on				Growth (%)	
	Mar. 23, 2012	2011	2012		Financial year so far	Y-o-Y
		Dec. 30	Nov. 30	Dec. 28	2012-13	2012
	1	2	3	4	5	6
1 Industry	**19,675**	**18,582**	**20,853**	**21,140**	**7.5**	**13.8**
1.1 Mining & Quarrying (incl. Coal)	**325**	**295**	**396**	**406**	**25.0**	**37.6**
1.2 Food Processing	**1,024**	**923**	**1,071**	**1,099**	**7.3**	**19.1**
1.2.1 Sugar	312	259	266	267	–14.3	2.9
1.2.2 Edible Oils & Vanaspati	144	142	154	161	11.9	13.2
1.2.3 Tea	23	24	30	26	12.9	8.6
1.2.4 Others	546	497	621	645	18.1	29.7
1.3 Beverage & Tobacco	**135**	**138**	**163**	**165**	**22.1**	**19.4**
1.4 Textiles	**1,599**	**1,536**	**1,622**	**1,654**	**3.5**	**7.7**
1.4.1 Cotton Textiles	810	772	818	830	2.4	7.4
1.4.2 Jute Textiles	14	14	18	18	31.5	27.0
1.4.3 Man-Made Textiles	114	119	114	118	3.6	–1.4
1.4.4 Other Textiles	661	630	673	689	4.3	9.3
1.5 Leather & Leather Products	**74**	**78**	**83**	**86**	**14.8**	**9.9**
1.6 Wood & Wood Products	**63**	**62**	**75**	**77**	**21.0**	**24.3**
1.7 Paper & Paper Products	**251**	**247**	**288**	**284**	**13.0**	**14.6**
1.8 Petroleum, Coal Products & Nuclear Fuels	**701**	**665**	**673**	**698**	**–0.3**	**5.0**
1.9 Chemicals & Chemical Products	**1,125**	**1,046**	**1,214**	**1,246**	**10.8**	**19.2**
1.9.1 Fertiliser	152	117	179	192	26.2	63.3
1.9.2 Drugs & Pharmaceuticals	472	462	484	488	3.3	5.7
1.9.3 Petro Chemicals	184	150	151	161	–12.8	7.0
1.9.4 Others	317	316	400	406	28.3	28.4
1.10 Rubber, Plastic & their Products	**258**	**247**	**302**	**303**	**17.6**	**22.7**
1.11 Glass & Glassware	**60**	**60**	**65**	**65**	**9.4**	**9.0**
1.12 Cement & Cement Products	**372**	**366**	**425**	**432**	**16.2**	**18.2**
1.13 Basic Metal & Metal Product	**2,556**	**2,477**	**2,971**	**2,964**	**16.0**	**19.7**
1.13.1 Iron & Steel	1,927	1,878	2,221	2,230	15.7	18.7
1.13.2 Other Metal & Metal Product	629	600	749	735	16.9	22.6
1.14 All Engineering	**1,136**	**1,086**	**1,241**	**1,246**	**9.7**	**14.8**
1.14.1 Electronics	320	312	326	330	3.1	5.7
1.14.2 Others	816	773	914	916	12.3	18.5
1.15 Vehicles, Vehicle Parts & Transport Equipment	**516**	**529**	**586**	**589**	**14.0**	**11.3**
1.16 Gems & Jewellery	**504**	**483**	**551**	**573**	**13.7**	**18.6**
1.17 Construction	**567**	**544**	**561**	**572**	**0.8**	**5.1**
1.18 Infrastructure	**6,191**	**5,968**	**6,887**	**6,925**	**11.9**	**16.0**
1.18.1 Power	3,289	3,154	3,786	3,874	17.8	22.8
1.18.2 Telecommunications	936	910	929	930	–0.6	2.3
1.18.3 Roads	1,144	1,091	1,270	1,265	10.6	16.0
1.18.4 Other Infrastructure	822	813	903	855	4.0	5.2
1.19 Other Industries	**2,219**	**1,834**	**1,679**	**1,758**	**–20.8**	**–4.2**

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

(₹ Billion)

Item	Last Reporting Friday (in case of March)/Last Friday/ Reporting Friday					
	2011-12	2011	2012			
		Oct. 28	Sep. 28	Oct. 5	Oct. 19	Oct. 26
	1	2	3	4	5	6
Number of Reporting Banks	31	31	31	31	31	31
1 Aggregate Deposits (2.1.1.2+2.2.1.2)	315.3	292.4	328.6	331.8	331.0	331.3
2 Demand and Time Liabilities						
2.1 Demand Liabilities	126.1	108.6	115.9	119.9	114.2	113.6
2.1.1 Deposits						
2.1.1.1 Inter-Bank	19.6	13.1	19.2	18.7	17.4	16.9
2.1.1.2 Others	66.4	61.7	69.0	71.6	69.6	69.7
2.1.2 Borrowings from Banks	12.3	9.5	8.7	10.4	8.9	8.9
2.1.3 Other Demand Liabilities	27.8	24.4	19.1	19.2	18.3	18.2
2.2 Time Liabilities	715.1	666.6	748.6	751.3	744.0	745.3
2.2.1 Deposits						
2.2.1.1 Inter-Bank	455.4	430.1	481.2	482.1	475.8	476.2
2.2.1.2 Others	248.9	230.6	259.6	260.2	261.4	261.7
2.2.2 Borrowings from Banks	3.6	–	0.2	2.1	–	–
2.2.3 Other Time Liabilities	7.2	5.9	7.5	6.9	6.8	7.4
3 Borrowing from Reserve Bank	–	–	0.4	–	–	–
4 Borrowings from a notified bank / State Government	275.9	196.8	316.0	292.5	292.2	294.1
4.1 Demand	106.9	100.0	140.4	122.3	120.6	121.3
4.2 Time	169.0	96.8	175.6	170.2	171.7	172.8
5 Cash in Hand and Balances with Reserve Bank	37.1	39.6	36.9	32.9	35.2	36.4
5.1 Cash in Hand	1.9	1.9	1.8	1.9	1.9	2.0
5.2 Balance with Reserve Bank	35.2	37.7	35.0	31.0	33.3	34.4
6 Balances with Other Banks in Current Account	6.5	6.2	5.9	5.5	6.1	5.9
7 Investments in Government Securities	251.8	249.8	257.2	257.2	257.1	257.5
8 Money at Call and Short Notice	159.1	148.5	139.0	137.2	134.8	138.5
9 Bank Credit (10.1+11)	310.3	236.6	335.3	335.3	332.4	328.8
10 Advances						
10.1 Loans, Cash-Credits and Overdrafts	310.1	236.5	335.2	335.1	332.3	328.7
10.2 Due from Banks	461.6	472.3	528.9	538.8	542.6	551.2
11 Bills Purchased and Discounted	0.1	0.1	0.1	0.1	0.1	0.1

Prices and Production

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

Group/Sub group	2011-12			Rural			Urban			Combined		
	Rural	Urban	Combined	Jan. 12	Dec. 12	Jan. 13	Jan. 12	Dec. 12	Jan. 13	Jan. 12	Dec. 12	Jan. 13
	1	2	3	4	5	6	7	8	9	10	11	12
1 Food, beverages and tobacco	**111.9**	**110.9**	**111.6**	**113.1**	**127.4**	**127.8**	**111.9**	**126.1**	**127.2**	**112.7**	**127.0**	**127.6**
1.1 Cereals and products	107.3	102.1	106.0	108.3	121.6	122.8	102.3	119.8	122.2	106.7	121.1	122.6
1.2 Pulses and products	100.9	98.9	100.3	103.3	115.2	115.4	101.2	118.7	116.6	102.7	116.3	115.8
1.3 Oils and fats	118.5	125.4	120.7	122.9	142.0	142.6	131.0	147.1	147.8	125.5	143.6	144.3
1.4 Egg, fish and meat	115.6	113.3	114.8	117.8	130.7	132.6	116.3	130.1	135.1	117.3	130.5	133.4
1.5 Milk and products	119.1	117.6	118.5	124.0	134.4	135.2	122.4	129.9	130.3	123.4	132.7	133.4
1.6 Condiments and spices	120.9	121.7	121.1	122.5	128.1	128.7	123.5	123.2	124.0	122.8	126.7	127.3
1.7 Vegetables	107.2	101.8	105.5	99.8	128.4	125.1	90.6	114.8	115.8	96.9	124.1	122.2
1.8 Fruits	127.6	126.8	127.2	125.2	136.7	137.9	122.3	133.3	133.3	124.0	135.2	135.9
1.9 Sugar etc	97.1	96.4	96.9	99.8	113.9	112.9	99.2	114.5	111.5	99.6	114.1	112.5
1.10 Non-alcoholic beverages	114.0	112.4	113.3	117.8	127.2	128.2	116.1	127.5	128.7	117.1	127.3	128.4
1.11 Prepared meals etc	114.7	113.0	113.9	117.4	126.5	127.4	116.4	128.5	129.8	116.9	127.5	128.6
1.12 Pan, tobacco and intoxicants	120.0	118.5	119.6	122.4	134.6	135.2	122.5	135.8	136.8	122.4	134.9	135.6
2 Fuel and light	**118.1**	**113.8**	**116.5**	**121.1**	**129.5**	**130.7**	**117.6**	**127.8**	**128.8**	**119.8**	**128.9**	**130.0**
3 Housing	--	**108.7**	**108.7**	--	--	--	**112.9**	**123.8**	**124.5**	**112.9**	**123.8**	**124.5**
4 Clothing, bedding and footwear	**118.7**	**119.4**	**118.9**	**122.2**	**134.9**	**136.1**	**123.7**	**135.5**	**136.5**	**122.7**	**135.1**	**136.2**
4.1 Clothing and bedding	119.0	120.4	119.5	122.6	135.6	136.7	124.8	136.9	138.0	123.4	136.1	137.2
4.2 Footwear	116.6	113.8	115.6	120.1	131.1	132.2	117.7	127.3	128.1	119.2	129.7	130.7
5 Miscellaneous	**112.6**	**108.7**	**110.8**	**115.3**	**122.4**	**123.1**	**111.1**	**118.5**	**119.1**	**113.4**	**120.6**	**121.3**
5.1 Medical care	110.0	107.3	109.1	112.2	118.1	118.8	109.7	117.0	117.8	111.4	117.7	118.5
5.2 Education, stationery etc	110.6	107.7	109.0	112.5	118.8	119.3	109.5	118.1	118.8	110.9	118.4	119.0
5.3 Recreation and amusement	108.5	103.2	105.3	110.3	115.4	116.0	103.5	108.1	108.5	106.2	111.0	111.5
5.4 Transport and communication	113.7	110.2	111.7	116.6	123.7	124.4	112.8	118.6	119.2	114.5	120.8	121.5
5.5 Personal care and effects	110.0	106.7	108.6	112.1	119.7	120.4	109.1	116.7	117.3	110.9	118.5	119.1
5.6 Household requisites	117.4	109.8	114.4	121.2	130.1	130.6	112.7	122.3	122.8	117.8	127.0	127.5
5.7 Others	119.2	117.0	118.3	122.5	133.3	135.0	122.1	136.1	137.8	122.3	134.4	136.1
General Index (All Groups)	**113.1**	**110.4**	**111.9**	**114.9**	**126.8**	**127.4**	**112.8**	**124.0**	**124.9**	**114.0**	**125.6**	**126.3**

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

No. 19: Other Consumer Price Indices

Item	Base Year	Linking Factor	2011-12	Jan. 12	Dec. 12	Jan. 13
	1	2	3	4	5	6
1 Consumer Price Index for Industrial Workers	2001	4.63	195	198	219	221
2 Consumer Price Index for Agricultural Labourers	1986-87	5.89	611	618	688	694
3 Consumer Price Index for Rural Labourers	1986-87	5.89	611	619	689	695

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

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

Item	2011-12	2012		2013
		Jan.	Dec.	Jan.
	1	2	3	4
1 Standard Gold (₹ per 10 grams)	25,722	27,598	30,833	30,520
2 Silver (₹ per kilogram)	57,311	53,496	60,634	58,732

Source: Bombay Bullion Association Ltd.

No. 21: Wholesale Price Index

(Base: 2004-05 = 100)

Commodities	Weight	2011-12	2012			2013
			Jan.	Nov.	Dec. (P)	Jan. (P)
	1	2	3	4	5	6
1 ALL COMMODITIES	**100.000**	**156.1**	**158.7**	**168.8**	**168.6**	**169.2**
1.1 PRIMARY ARTICLES	**20.118**	**200.3**	**200.7**	**221.1**	**220.0**	**221.4**
1.1.1 Food articles	**14.337**	**192.7**	**191.1**	**213.8**	**212.2**	**213.8**
1.1.1.1 Food Grains	4.090	180.7	183.3	215.3	216.2	215.9
1.1.1.1.1 Cereals	3.373	176.2	177.4	206.7	209.0	209.5
1.1.1.1.2 Pulses	0.717	201.8	210.8	255.6	250.3	246.4
1.1.1.2 Fruits & Vegetables	3.843	183.2	160.8	195.4	188.2	187.6
1.1.1.2.1 Vegetables	1.736	179.3	146.9	206.2	194.0	188.7
1.1.1.2.2 Fruits	2.107	186.4	172.2	186.5	183.5	186.7
1.1.1.3 Milk	3.238	194.0	201.4	209.5	210.0	210.4
1.1.1.4 Eggs, Meat & Fish	2.414	214.3	228.5	245.5	244.5	253.2
1.1.1.5 Condiments & Spices	0.569	237.5	226.1	207.9	209.2	217.3
1.1.1.6 Other Food Articles	0.183	216.5	219.5	242.1	248.8	245.4
1.1.2 Non-Food Articles	**4.258**	**182.7**	**183.1**	**201.4**	**202.9**	**202.3**
1.1.2.1 Fibres	0.877	218.4	198.9	205.8	205.7	204.8
1.1.2.2 Oil Seeds	1.781	158.8	163.4	201.9	202.3	204.9
1.1.2.3 Other Non-Food Articles	1.386	195.3	198.1	203.8	206.0	205.2
1.1.2.4 Flowers	0.213	153.9	183.8	164.6	175.8	151.3
1.1.3 Minerals	**1.524**	**320.7**	**339.9**	**344.7**	**340.8**	**347.0**
1.1.3.1 Metallic Minerals	0.489	411.5	447.3	430.7	426.0	435.8
1.1.3.2 Other Minerals	0.135	165.9	171.2	213.8	210.7	215.4
1.1.3.3 Crude Petroleum	0.900	294.5	306.8	317.6	314.1	318.5
1.2 FUEL & POWER	**14.910**	**169.0**	**177.0**	**188.7**	**188.9**	**189.5**
1.2.1 Coal	2.094	191.0	210.0	210.3	210.3	210.3
1.2.2 Mineral Oils	9.364	184.0	191.7	204.6	205.0	205.8
1.2.3 Electricity	3.452	115.0	117.0	132.4	132.4	132.4
1.3 MANUFACTURED PRODUCTS	**64.972**	**139.5**	**141.5**	**148.0**	**148.0**	**148.3**
1.3.1 Food Products	**9.974**	**151.2**	**153.3**	**166.6**	**167.1**	**165.9**
1.3.1.1 Dairy Products	0.568	171.6	178.1	175.7	175.7	175.8
1.3.1.2 Canning, Preserving & Processing of Food	0.358	139.6	144.8	144.1	144.3	144.8
1.3.1.3 Grain Mill Products	1.340	146.2	145.4	159.6	160.6	162.1
1.3.1.4 Bakery Products	0.444	127.2	128.4	132.2	134.0	134.8
1.3.1.5 Sugar, Khandsari & Gur	2.089	167.7	171.1	195.3	194.0	188.4
1.3.1.6 Edible Oils	3.043	135.7	139.2	148.5	150.0	149.3
1.3.1.7 Oil Cakes	0.494	175.3	175.4	217.5	218.1	214.1
1.3.1.8 Tea & Coffee Proccessing	0.711	156.6	152.1	164.2	164.8	165.1
1.3.1.9 Manufacture of Salt	0.048	176.2	181.3	181.8	181.8	181.8
1.3.1.10 Other Food Products	0.879	157.4	159.1	164.9	165.7	166.1
1.3.2 Beverages, Tobacco & Tobacco Products	**1.762**	**163.3**	**167.1**	**176.9**	**176.6**	**177.0**
1.3.2.1 Wine Industries	0.385	122.6	123.7	124.9	124.9	124.9
1.3.2.2 Malt Liquor	0.153	170.0	170.1	171.6	171.6	171.8
1.3.2.3 Soft Drinks & Carbonated Water	0.241	148.5	151.4	151.6	151.6	155.0
1.3.2.4 Manufacture of Bidi, Cigarettes, Tobacco & Zarda	0.983	181.8	187.4	204.4	203.7	203.7
1.3.3 Textiles	**7.326**	**128.5**	**126.9**	**132.2**	**132.2**	**133.4**
1.3.3.1 Cotton Textiles	2.605	143.8	139.2	146.9	147.0	146.9
1.3.3.1.1 Cotton Yarn	1.377	154.7	146.9	157.8	157.9	158.0
1.3.3.1.2 Cotton Fabric	1.228	131.6	130.7	134.7	134.6	134.6
1.3.3.2 Man-Made Textiles	2.206	120.0	119.8	124.5	124.3	127.2
1.3.3.2.1 Man-Made Fibre	1.672	120.1	119.4	124.5	124.1	127.0
1.3.3.2.2 Man-Made Fabric	0.533	119.7	121.2	124.6	125.0	127.7
1.3.3.3 Woollen Textiles	0.294	132.6	134.7	146.8	146.4	148.7
1.3.3.4 Jute, Hemp & Mesta Textiles	0.261	176.3	170.8	179.3	179.5	179.5
1.3.3.5 Other Misc. Textiles	1.960	110.9	111.4	112.9	112.8	113.8
1.3.4 Wood & Wood Products	**0.587**	**161.0**	**163.8**	**171.9**	**172.3**	**174.4**
1.3.4.1 Timber/Wooden Planks	0.181	136.0	137.1	140.9	140.9	141.5
1.3.4.2 Processed Wood	0.128	170.8	173.9	180.8	180.6	180.9
1.3.4.3 Plywood & Fibre Board	0.241	179.3	182.6	194.1	195.6	199.6
1.3.4.4 Others	0.038	131.5	137.5	149.2	146.7	149.8

No. 21: Wholesale Price Index (Concld.)

(Base: 2004-05 = 100)

Commodities	Weight	2011-12	2012			2013
			Jan.	Nov.	Dec. (P)	Jan. (P)
	1	2	3	4	5	6
1.3.5 Paper & Paper Products	**2.034**	**131.9**	**132.0**	**137.0**	**137.2**	**137.8**
1.3.5.1 Paper & Pulp	1.019	133.0	132.3	135.8	135.8	136.9
1.3.5.2 Manufacture of boards	0.550	124.9	124.1	128.9	128.8	129.3
1.3.5.3 Printing & Publishing	0.465	137.9	140.5	149.0	150.0	149.8
1.3.6 Leather & Leather Products	**0.835**	**130.0**	**131.3**	**135.1**	**135.0**	**135.7**
1.3.6.1 Leathers	0.223	110.9	111.4	111.9	113.0	112.5
1.3.6.2 Leather Footwear	0.409	143.8	144.6	151.7	151.1	152.0
1.3.6.3 Other Leather Products	0.203	123.2	126.3	127.1	126.9	128.0
1.3.7 Rubber & Plastic Products	**2.987**	**133.6**	**134.3**	**137.8**	**138.1**	**138.3**
1.3.7.1 Tyres & Tubes	0.541	161.2	162.1	163.6	163.9	163.9
1.3.7.1.1 Tyres	0.488	160.9	161.8	163.4	163.8	163.8
1.3.7.1.2 Tubes	0.053	163.0	165.0	165.2	165.2	165.2
1.3.7.2 Plastic Products	1.861	122.5	122.7	127.1	127.5	127.7
1.3.7.3 Rubber Products	0.584	143.6	145.5	148.1	148.2	148.2
1.3.8 Chemicals & Chemical Products	**12.018**	**134.7**	**137.8**	**144.1**	**144.0**	**144.9**
1.3.8.1 Basic Inorganic Chemicals	1.187	138.2	140.9	149.6	149.6	149.4
1.3.8.2 Basic Organic Chemicals	1.952	135.0	135.9	139.2	139.3	139.4
1.3.8.3 Fertilisers & Pesticides	3.145	129.8	135.8	146.6	146.5	149.1
1.3.8.3.1 Fertilisers	2.661	132.6	139.5	151.0	150.9	153.9
1.3.8.3.2 Pesticides	0.483	114.9	115.9	122.1	122.1	122.2
1.3.8.4 Paints, Varnishes & Lacquers	0.529	128.5	134.3	144.2	144.2	144.2
1.3.8.5 Dyestuffs & Indigo	0.563	122.5	124.1	127.2	127.1	127.3
1.3.8.6 Drugs & Medicines	0.456	119.6	121.3	124.4	124.5	124.0
1.3.8.7 Perfumes, Cosmetics, Toiletries etc.	1.130	145.3	146.9	152.6	152.4	152.7
1.3.8.8 Turpentine, Plastic Chemicals	0.586	136.1	139.7	139.8	139.0	139.3
1.3.8.9 Polymers including Synthetic Rubber	0.970	130.4	131.0	133.8	134.0	134.4
1.3.8.10 Petrochemical Intermediates	0.869	156.2	159.2	164.4	164.4	165.1
1.3.8.11 Matches, Explosives & other Chemicals	0.629	135.5	137.4	142.1	142.1	143.5
1.3.9 Non-Metallic Mineral Products	**2.556**	**152.9**	**155.9**	**163.1**	**163.3**	**163.3**
1.3.9.1 Structural Clay Products	0.658	155.3	159.1	164.8	165.0	166.8
1.3.9.2 Glass, Earthenware, Chinaware & their Products	0.256	127.0	127.9	132.2	131.9	131.6
1.3.9.3 Cement & Lime	1.386	157.0	160.1	168.2	168.5	167.4
1.3.9.4 Cement, Slate & Graphite Products	0.256	150.8	152.4	161.7	161.9	164.1
1.3.10 Basic Metals, Alloys & Metal Products	**10.748**	**156.3**	**161.2**	**166.5**	**165.7**	**166.0**
1.3.10.1 Ferrous Metals	8.064	147.7	152.3	155.9	155.1	155.5
1.3.10.1.1 Iron & Semis	1.563	152.7	159.5	161.7	158.4	160.8
1.3.10.1.2 Steel: Long	1.630	158.5	163.6	168.5	168.1	167.8
1.3.10.1.3 Steel: Flat	2.611	146.0	150.6	153.6	153.5	153.4
1.3.10.1.4 Steel: Pipes & Tubes	0.314	125.2	124.1	127.9	127.8	127.7
1.3.10.1.5 Stainless Steel & alloys	0.938	145.9	151.0	156.4	156.6	157.2
1.3.10.1.6 Castings & Forgings	0.871	133.5	136.3	138.9	138.6	138.4
1.3.10.1.7 Ferro alloys	0.137	146.8	145.7	151.3	150.3	152.8
1.3.10.2 Non-Ferrous Metals	1.004	157.1	157.3	161.0	161.7	161.6
1.3.10.2.1 Aluminium	0.489	128.1	128.9	134.3	135.3	136.3
1.3.10.2.2 Other Non-Ferrous Metals	0.515	184.7	184.3	186.3	186.8	185.7
1.3.10.3 Metal Products	1.680	197.2	205.9	221.0	219.0	218.8
1.3.11 Machinery & Machine Tools	**8.931**	**125.1**	**126.0**	**128.8**	**128.9**	**129.1**
1.3.11.1 Agricultural Machinery & Implements	0.139	133.9	135.2	137.3	137.2	137.3
1.3.11.2 Industrial Machinery	1.838	142.3	142.8	146.4	146.6	147.1
1.3.11.3 Construction Machinery	0.045	131.7	131.8	136.3	136.3	136.5
1.3.11.4 Machine Tools	0.367	145.0	145.5	156.8	156.4	157.0
1.3.11.5 Air Conditioner & Refrigerators	0.429	109.8	109.9	113.1	112.9	112.4
1.3.11.6 Non-Electrical Machinery	1.026	121.6	123.6	123.1	123.2	123.1
1.3.11.7 Electrical Machinery, Equipment & Batteries	2.343	129.7	130.9	133.6	133.6	133.8
1.3.11.8 Electrical Accessories, Wires, Cables etc.	1.063	138.0	139.2	143.8	144.0	144.4
1.3.11.9 Electrical Apparatus & Appliances	0.337	116.3	116.8	118.0	117.7	118.4
1.3.11.10 Electronics Items	0.961	84.8	85.2	87.1	87.1	87.2
1.3.11.11 IT Hardware	0.267	88.5	89.1	89.2	89.2	89.2
1.3.11.12 Communication Equipments	0.118	94.2	94.2	93.7	93.7	93.7
1.3.12 Transport, Equipment & Parts	**5.213**	**124.6**	**125.5**	**130.8**	**131.0**	**131.3**
1.3.12.1 Automotives	4.231	123.8	124.8	130.1	130.1	130.5
1.3.12.2 Auto Parts	0.804	125.3	126.1	131.0	131.0	131.2
1.3.12.3 Other Transport Equipments	0.178	140.3	141.6	148.0	149.7	149.8

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

No. 22: Index of Industrial Production (Base:2004-05=100)

Industry	Weight	2010-11	2011-12	April-December		December	
				2011-12	2012-13	2011	2012
	1	2	3	4	5	6	7
General Index	**100.00**	**165.5**	**170.3**	**167.0**	**168.2**	**180.3**	**179.3**
1 Sectoral Classification							
1.1 Mining and Quarrying	14.16	131.0	128.5	124.3	122.0	136.8	131.3
1.2 Manufacturing	75.53	175.7	181.0	177.5	178.7	192.6	191.3
1.3 Electricity	10.32	138.0	149.3	148.5	155.3	149.8	157.6
2 Use-Based Classification							
2.1 Basic Goods	45.68	142.2	150.0	147.4	151.4	156.6	160.6
2.2 Capital Goods	8.83	278.9	267.8	264.6	238.0	263.5	261.2
2.3 Intermediate Goods	15.69	145.3	144.4	142.8	145.1	149.7	149.5
2.4 Consumer Goods	29.81	178.3	186.1	180.8	185.5	208.0	199.3
2.4.1 Consumer Durables	8.46	287.7	295.1	292.2	303.0	298.0	273.5
2.4.2 Consumer Non-Durables	21.35	135.0	142.9	136.7	139.0	172.3	169.9

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

Government Accounts and Treasury Bills

No. 23: Union Government Accounts at a Glance

(Amount in ₹ Billion)

Item	Financial Year	April–January			
	2012-13 (Budget Estimates)	2011-12 (Actuals)	2012-13 (Actuals)	Percentage to Budget Estimates	
				2011-12	2012-13
	1	2	3	4	5
1 Revenue Receipts	9,356.9	5,491.3	6,285.8	69.5	67.2
1.1 Tax Revenue (Net)	7,710.7	4,585.7	5,278.2	69.0	68.5
1.2 Non-Tax Revenue	1,646.4	905.7	1,007.6	72.2	61.2
2 Capital Receipts	5,552.4	4,529.0	4,827.7	96.8	86.9
2.1 Recovery of Loans	116.5	152.3	89.1	101.4	76.4
2.2 Other Receipts	300.0	27.4	81.8	6.9	27.3
2.3 Borrowings and Other Liabilities	5,135.9	4,349.3	4,656.8	105.4	90.7
3 Total Receipts (1+2)	14,909.3	10,020.3	11,113.5	79.7	74.5
4 Non-Plan Expenditure	9,699.0	7,080.7	7,953.2	86.8	82.0
4.1 On Revenue Account	8,656.0	6,349.8	7,249.3	86.6	83.7
4.1.1 Interest Payments	3,197.6	2,050.4	2,338.0	76.5	73.1
4.2 On Capital Account	1,043.0	730.9	704.0	88.5	67.5
5 Plan Expenditure	5,210.3	2,939.6	3,160.3	66.6	60.7
5.1 On Revenue Account	4,205.1	2,485.3	2,558.6	68.4	60.8
5.2 On Capital Account	1,005.1	454.3	601.7	58.3	59.9
6 Total Expenditure (4+5)	14,909.3	10,020.3	11,113.5	79.7	74.5
7 Revenue Expenditure (4.1+5.1)	12,861.1	8,835.2	9,807.9	80.5	76.3
8 Capital Expenditure (4.2+5.2)	2,048.2	1,185.2	1,305.6	73.8	63.7
9 Revenue Deficit (7-1)	3,504.2	3,343.8	3,522.1	108.8	100.5
10 Fiscal Deficit {6-(1+2.1+2.2)}	5,135.9	4,349.3	4,656.8	105.4	90.7
11 Gross Primary Deficit [10-4.1.1]	1,938.3	2,299.0	2,318.9	158.7	119.6

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

No. 24: Treasury Bills – Ownership Pattern

(₹ Billion)

Item	2011-12	2012			2013			
		Jan. 27	Dec. 21	Dec. 28	Jan. 4	Jan. 11	Jan. 18	Jan. 25
	1	2	3	4	5	6	7	8
1 14-day								
1.1 Banks	–	–	–	–	–	–	–	–
1.2 Primary Dealers	–	–	–	–	–	–	–	–
1.3 State Governments	1,183.7	817.1	978.9	872.9	893.6	805.0	900.0	1,052.2
1.4 Others	12.8	13.5	6.8	6.0	6.6	6.2	12.2	3.1
2 91-day								
2.1 Banks	488.2	234.0	430.1	404.7	412.8	422.6	408.4	371.4
2.2 Primary Dealers	354.6	279.3	189.9	188.0	186.2	161.3	183.3	191.9
2.3 State Governments	215.9	353.5	517.0	559.2	539.2	549.2	524.2	549.2
2.4 Others	187.4	122.6	99.0	106.3	100.5	115.8	102.9	136.7
3 182-day								
3.1 Banks	137.5	154.3	292.2	296.4	278.3	272.3	280.5	270.0
3.2 Primary Dealers	213.8	198.2	243.4	232.7	255.9	253.9	243.0	252.7
3.3 State Governments	–	4.0	2.4	2.4	2.4	2.4	2.4	2.4
3.4 Others	168.7	117.0	114.4	120.9	115.8	123.8	126.5	127.2
4 364-day								
4.1 Banks	210.7	227.5	227.0	221.7	235.3	239.3	244.3	240.9
4.2 Primary Dealers	443.2	440.2	596.8	608.3	637.3	634.0	622.0	587.3
4.3 State Governments	4.2	4.2	3.8	3.8	3.8	3.8	3.8	3.8
4.4 Others	245.7	191.9	407.1	410.9	368.3	377.7	384.7	432.8
5 Total	3,866.4	3,157.3	4,108.8	4,034.2	4,035.9	3,967.2	4,038.1	4,221.6

No. 25: Auctions of Treasury Bills

(Amount in ₹ Billion)

Date of Auction	Notified Amount	Bids Received			Bids Accepted			Total Issue (6+7)	Cut-off Price	Implicit Yield at Cut-off Price (per cent)
		Number	Total Face Value		Number	Total Face Value				
			Competitive	Non-Competitive		Competitive	Non-Competitive			
	1	2	3	4	5	6	7	8	9	10
91-day Treasury Bills										
2012-13										
Jan. 2	50	58	225.36	10.36	25	50.00	10.36	60.36	98.02	8.1022
Jan. 9	50	84	322.70	45.72	62	50.00	45.72	95.72	98.03	8.0604
Jan. 16	50	68	207.03	0.12	33	50.00	0.12	50.12	98.05	7.9770
Jan. 23	50	60	185.26	40.45	49	50.00	40.45	90.45	98.05	7.9770
Jan. 30	50	51	167.47	50.01	30	50.00	50.01	100.01	98.06	7.9353
182-day Treasury Bills										
2012-13										
Jan. 2	50	57	164.58	–	19	50.00	–	50.00	96.14	8.0520
Jan. 16	50	53	135.43	0.01	30	50.00	0.01	50.01	96.17	7.9869
Jan. 30	50	47	120.34	–	20	50.00	–	50.00	96.19	7.9436
364-day Treasury Bills										
2012-13										
Dec. 12	50	80	219.00	0.07	17	50.00	0.07	50.07	92.57	8.0484
Dec. 26	50	61	156.46	–	17	50.00	–	50.00	92.60	8.0133
Jan. 9	50	73	189.16	0.08	23	50.00	0.08	50.08	92.74	7.8498
Jan. 23	50	52	118.39	–	28	50.00	–	50.00	92.75	7.8382

Financial Markets

No. 26: Daily Call Money Rates

(Per cent per annum)

As on		Range of Rates	Weighted Average Rates
		Borrowings/ Lendings	Borrowings/ Lendings
		1	2
January	1, 2013	6.50-8.25	8.13
January	2, 2013	6.90-8.20	8.07
January	3, 2013	6.90-8.15	8.07
January	4, 2013	6.80-8.15	8.04
January	5, 2013	6.80-8.10	7.64
January	7, 2013	6.80-8.15	8.00
January	8, 2013	6.80-8.15	8.02
January	9, 2013	6.80-8.15	7.99
January	10, 2013	6.80-8.15	8.04
January	11, 2013	6.70-8.10	7.96
January	12, 2013	7.20-8.00	7.84
January	14, 2013	6.80-8.15	8.03
January	15, 2013	6.75-8.15	8.03
January	16, 2013	6.75-8.20	8.04
January	17, 2013	6.75-8.20	8.03
January	18, 2013	6.75-8.10	8.00
January	19, 2013	6.75-8.00	7.72
January	21, 2013	6.75-8.15	8.01
January	22, 2013	6.75-8.10	8.00
January	23, 2013	6.75-8.10	8.02
January	24, 2013	6.75-8.10	8.00
January	28, 2013	6.75-8.10	8.03
January	29, 2013	6.75-8.10	7.99
January	30, 2013	6.40-7.85	7.79
January	31, 2013	6.75-7.95	7.82
February	1, 2013	6.40-7.90	7.79
February	2, 2013	5.00-7.60	7.15
February	4, 2013	6.40-7.85	7.73
February	5, 2013	6.40-7.85	7.74
February	6, 2013	6.40-8.25	7.79
February	7, 2013	6.40-7.95	7.78
February	8, 2013	6.40-7.85	7.75
February	9, 2013	6.75-8.75	7.86
February	11, 2013	6.40-7.85	7.79
February	12, 2013	6.40-7.90	7.80
February	13, 2013	6.40-7.90	7.80
February	14, 2013	6.40-7.90	7.79
February	15, 2013	6.75-8.10	7.81

No. 27: Certificates of Deposit

Item	2012			2013	
	Jan. 27	Dec. 14	Dec. 28	Jan. 11	Jan. 25
	1	2	3	4	5
1 Amount Outstanding (₹ Billion)	3,909.4	3,030.9	3,327.7	3,382.9	3,251.0
1.1 Issued during the fortnight (₹ Billion)	195.3	408.8	540.1	241.1	174.8
2 Rate of Interest (per cent)	9.50-10.07	8.25-9.20	8.38-9.00	8.19-8.88	8.11-9.25

No. 28: Commercial Paper

Item	2012			2013	
	Jan. 31	Dec. 15	Dec. 31	Jan. 15	Jan. 31
	1	2	3	4	5
1 Amount Outstanding (₹ Billion)	1,498.8	2,152.4	1,817.7	2,117.5	1,998.4
1.1 Reported during the fortnight (₹ Billion)	159.7	548.3	278.9	472.3	275.6
2 Rate of Interest (per cent)	8.66-13.25	8.05-14.46	8.36-14.60	8.05-13.45	7.97-13.37

No. 29: Average Daily Turnover in Select Financial Markets

(₹ Billion)

Item	2011-12	2012			2013			
		Jan. 27	Dec. 21	Dec. 28	Jan. 4	Jan. 11	Jan. 18	Jan. 25
	1	2	3	4	5	6	7	8
1 Call Money	217.0	267.2	220.9	251.8	295.2	244.8	235.2	281.2
2 Notice Money	59.8	83.4	78.9	112.9	72.0	71.1	62.5	6.0
3 Term Money	4.9	6.7	6.9	6.7	11.0	12.6	10.6	7.6
4 CBLO	769.3	501.1	678.9	627.2	824.9	806.8	886.0	776.4
5 Market Repo	519.2	343.3	490.2	694.1	650.4	768.3	705.0	796.0
6 Repo in Corporate Bond	0.1	–	0.5	–	–	–	–	–
7 Forex (US $ million)	57,105	55,898	48,220	53,603	43,823	51,004	54,967	50,949
8 Govt. of India Dated Securities	264.4	487.8	416.6	477.2	964.4	1,081.7	1,116.1	700.3
9 State Govt. Securities	4.4	7.6	14.8	7.3	15.3	17.6	11.9	26.6
10 Treasury Bills								
10.1 91-Day	15.9	9.7	17.7	18.9	27.3	18.1	14.8	16.5
10.2 182-Day	4.5	1.6	8.4	4.7	12.4	3.7	8.4	1.6
10.3 364-Day	7.8	1.0	22.3	18.6	33.8	18.9	18.2	29.1
10.4 Cash Management Bills	3.5	–	–	–	–	–	–	–
11 Total Govt. Securities (8+9+10)	300.6	507.8	479.9	526.8	1,053.3	1,140.0	1,169.4	774.1
11.1 RBI	6.3	26.4	0.4	19.8	19.5	16.4	0.4	0.8

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

(Amount in ₹ Billion)

Security & Type of Issue	2011-12		2011-12 (Apr.-Dec.)		2012-13 (Apr.-Dec.)		Dec. 2011		Dec. 2012	
	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	49	81.5	39	70.7	30	115.0	–	–	5	41.2
1A Premium	47	65.6	38	55.6	27	104.2	–	–	5	39.1
1.1 Prospectus	34	57.8	29	49.8	19	44.9	–	–	4	38.6
1.1.1 Premium	33	44.3	29	36.6	17	42.1	–	–	4	36.6
1.2 Rights	15	23.7	10	20.9	11	70.1	–	–	1	2.6
1.2.1 Premium	14	21.3	9	19.0	10	62.1	–	–	1	2.5
2 Preference Shares	–	–	–	–	–	–	–	–	–	–
2.1 Prospectus	–	–	–	–	–	–	–	–	–	–
2.2 Rights	–	–	–	–	–	–	–	–	–	–
3 Debentures	–	–	–	–	–	–	–	–	–	–
3.1 Prospectus	–	–	–	–	–	–	–	–	–	–
3.2 Rights	–	–	–	–	–	–	–	–	–	–
3.2.1 Convertible	–	–	–	–	–	–	–	–	–	–
3.2.1.1 Prospectus	–	–	–	–	–	–	–	–	–	–
3.2.1.2 Rights	–	–	–	–	–	–	–	–	–	–
3.2.2 Non-Convertible	–	–	–	–	–	–	–	–	–	–
3.2.2.1 Prospectus	–	–	–	–	–	–	–	–	–	–
3.2.2.2 Rights	–	–	–	–	–	–	–	–	–	–
4 Bonds	–	–	–	–	–	–	–	–	–	–
4.1 Prospectus	–	–	–	–	–	–	–	–	–	–
4.2 Rights	–	–	–	–	–	–	–	–	–	–
5 Total (1+2+3+4)	49	81.5	39	70.7	30	115.0	–	–	5	41.2
5.1 Prospectus	34	57.8	29	49.8	19	44.9	–	–	4	38.6
5.2 Rights	15	23.7	10	20.9	11	70.1	–	–	1	2.6

Source: Based on prospectus/advertisements issued by companies, replies to Reserve Bank's questionnaire and information received from SEBI, stock exchanges, press reports, etc.

External Sector

No. 31: Foreign Trade

Item	Unit	2011-12	2012					2013
			Jan.	Sep.	Oct.	Nov.	Dec.	Jan.
		1	2	3	4	5	6	7
1 Exports	₹ Billion	14,659.6	1,302.9	1,348.3	1,262.2	1,242.3	1,378.7	1,348.9
	US $ Million	305,963.9	25,379.1	24,690.9	23,803.7	22,679.3	25,229.6	24,833.8
1.1 Oil	₹ Billion	2,679.1	231.1	284.8	325.9	290.2	296.5	259.1
	US $ Million	56,038.1	4,502.1	5,216.3	6,145.9	5,297.3	5,426.0	4,769.9
1.2 Non-oil	₹ Billion	11,980.4	1,071.8	1,063.4	936.3	952.1	1,082.2	1,089.8
	US $ Million	249,925.9	20,876.9	19,474.6	17,657.8	17,381.9	19,803.6	20,063.9
2 Imports	₹ Billion	23,454.6	2,205.1	2,279.1	2,367.5	2,260.6	2,366.7	2,479.7
	US $ Million	489,319.5	42,952.5	41,737.2	44,650.0	41,270.0	43,307.5	45,651.8
2.1 Oil	₹ Billion	7,430.7	763.5	774.8	835.8	776.1	800.9	873.1
	US $ Million	154,967.6	14,871.2	14,188.2	15,763.2	14,169.1	14,656.5	16,074.3
2.2 Non-oil	₹ Billion	16,023.9	1,441.7	1,504.3	1,531.7	1,484.5	1,565.7	1,606.6
	US $ Million	334,351.9	28,081.3	27,549.0	28,886.8	27,100.9	28,651.0	29,577.5
3 Trade Balance	₹ Billion	–8,795.0	–902.2	–930.8	–1,105.3	–1,018.3	–987.9	–1,130.8
	US $ Million	–183,355.6	–17,573.4	–17,046.3	–20,846.3	–18,590.8	–18,077.9	–20,818.1
3.1 Oil	₹ Billion	–4,751.6	–532.4	–489.9	–509.9	–486.0	–504.4	–614.0
	US $ Million	–98,929.6	–10,369.1	–8,971.9	–9,617.3	–8,871.8	–9,230.5	–11,304.4
3.2 Non-oil	₹ Billion	–4,043.4	–369.8	–440.9	–595.4	–532.4	–483.5	–516.8
	US $ Million	–84,426.1	–7,204.3	–8,074.4	–11,229.0	–9,718.9	–8,847.4	–9,513.7

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

No. 32: Foreign Exchange Reserves

Item	Unit	2012	2013					
		Feb. 17	Jan. 11	Jan. 18	Jan. 25	Feb. 1	Feb. 8	Feb. 15
		1	2	3	4	5	6	7
1 Total Reseves	**₹ Billion**	**14,453**	**16,164**	**15,973**	**15,952**	**15,738**	**15,771**	**15,828**
	US $ Million	**293,440**	**296,252**	**295,672**	**295,750**	**295,155**	**294,543**	**293,519**
1.1 Foreign Currency Assets	₹ Billion	12,772	14,304	14,114	14,093	13,935	13,970	14,025
	US $ Million	259,534	262,276	261,629	261,709	261,323	260,780	259,786
1.2 Gold	₹ Billion	1,328	1,491	1,491	1,491	1,438	1,438	1,438
	US $ Million	26,728	27,220	27,220	27,220	26,975	26,975	26,975
1.3 SDRs	SDRs Million	2,884	2,886	2,886	2,886	2,886	2,886	2,887
	₹ Billion	219	242	239	239	238	237	238
	US $ Million	4,456	4,433	4,435	4,434	4,457	4,426	4,406
1.4 Reserve Tranche Position in IMF	₹ Billion	134	127	129	129	128	127	127
	US $ Million	2,722	2,324	2,388	2,387	2,400	2,362	2,352

No. 33: NRI Deposits

(US$ Million)

Scheme	Outstanding				Flows	
	2011-12	2012		2013	2011-12	2012-13
		Jan.	Dec.	Jan.	Apr.-Jan.	Apr.-Jan.
	1	2	3	4	5	6
1 NRI Deposits	**58,608**	**57,054**	**67,593**	**68,930**	**9,057**	**12,408**
1.1 FCNR(B)	14,968	15,541	14,807	14,840	–57	–128
1.2 NR(E)RA	31,408	28,978	42,968	44,209	5,172	14,238
1.3 NRO	12,232	12,535	9,818	9,881	3,941	–1,702

No. 34: Foreign Investment Inflows

(US$ Million)

Item	2011-12	2011-12	2012-13	2012		2013
		Apr.-Jan.	Apr.-Jan.	Jan.	Dec.	Jan.
	1	2	3	4	5	6
1 Foreign Investment Inflows	**39,177**	**29,890**	**41,129**	**6,236**	**6,309**	**9,385**
1.1 Net Foreign Direct Investment (1.1.1–1.1.2)	**22,006**	**21,279**	**19,083**	**871**	**1,285**	**3,126**
1.1.1 Direct Investment to India (1.1.1.1–1. 1.1.2)	**32,955**	**30,027**	**24,625**	**1,550**	**1,771**	**2,882**
1.1.1.1 Gross Inflows/Gross Investments	**46,553**	**40,731**	**30,824**	**2,997**	**2,561**	**3,672**
1.1.1.1.1 Equity	35,854	31,826	19,382	2,099	1,191	2,248
1.1.1.1.1.1 Government (SIA/FIPB)	3,046	2,796	2,221	86	248	192
1.1.1.1.1.2 RBI	20,427	17,907	13,577	1,415	690	1,687
1.1.1.1.1.3 Acquisition of shares	11,360	10,291	2,707	503	162	279
1.1.1.1.1.4 Equity capital of unincorporated bodies	1,021	832	877	95	91	91
1.1.1.1.2 Reinvested earnings	8,205	6,681	9,153	762	936	936
1.1.1.1.3 Other capital	2,494	2,223	2,289	136	434	488
1.1.1.2 Repatriation/Disinvestment	**13,598**	**10,704**	**6,199**	**1,448**	**790**	**790**
1.1.1.2.1 Equity	13,018	10,178	5,502	1,421	786	786
1.1.1.2.2 Other capital	580	526	697	27	4	4
1.1.2 Foreign Direct Investment by India (1.1.2.1+1.1.2.2+1.1.2.3–1.1.2.4)	**10,949**	**8,748**	**5,543**	**679**	**486**	**–243**
1.1.2.1 Equity capital	6,388	5,016	5,394	417	702	283
1.1.2.2 Reinvested Earnings	1,208	1,008	990	101	99	99
1.1.2.3 Other Capital	5,808	4,724	3,846	389	475	165
1.1.2.4 Repatriation/Disinvestment	2,455	2,000	4,687	228	790	790
1.2 Net Portfolio Investment (1.2.1+1.2.2+1.2.3–1.2.4)	**17,171**	**8,611**	**22,047**	**5,365**	**5,024**	**6,259**
1.2.1 GDRs/ADRs	597	597	187	30	0	0
1.2.2 FIIs	16,813	8,137	22,161	5,392	4,882	6,117
1.2.3 Offshore funds and others	–	0	0	0	0	0
1.2.4 Portfolio investment by India	239	123	301	57	–142	–142

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

(US$ Million)

Item	2011-12	2011	2012		
		Dec.	Oct.	Nov.	Dec.
	1	2	3	4	5
1 Outward Remittances under the LRS	**1,001.6**	**62.1**	**87.7**	**77.4**	**79.5**
1.1 Deposit	26.6	1.3	0.5	1.0	0.6
1.2 Purchase of immovable property	62.2	4.2	5.0	6.3	4.6
1.3 Investment in equity/debt	239.5	11.2	17.8	11.8	11.5
1.4 Gift	244.6	14.2	20.1	16.9	20.0
1.5 Donations	3.5	0.3	0.5	1.0	0.4
1.6 Travel	34.9	3.1	4.0	5.0	3.3
1.7 Maintenance of close relatives	165.2	13.5	15.6	14.5	16.4
1.8 Medical Treatment	3.6	0.3	0.6	0.3	0.4
1.9 Studies Abroad	114.3	8.1	8.5	8.0	10.7
1.10 Others	107.2	6.0	15.2	12.6	11.7

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

Item	2010-11	2011-12	2012	2013	
			February	January	February
	1	2	3	4	5
36-Currency Export and Trade Based Weights (Base: 2004-05=100)					
1 Trade-Based Weights					
1.1 NEER	93.66	87.61	86.34	78.08	79.00
1.2 REER	102.34	99.15	98.49	92.21	93.29
2 Export-Based Weights					
2.1 NEER	94.74	89.06	87.67	79.78	80.59
2.2 REER	103.52	100.68	99.92	94.31	95.27
6-Currency Trade Based Weights					
1 Base: 2004-05 (April-March) =100					
1.1 NEER	91.83	84.86	83.24	75.41	76.38
1.2 REER	114.91	111.86	111.03	105.04	106.37
2 Base: 2010-11 (April-March) =100					
2.1 NEER	100.00	92.41	90.64	82.12	83.17
2.2 REER	100.00	97.35	96.62	91.40	92.57

No. 37: External Commercial Borrowings (ECBs)

(Amount in US$ Million)

Item	2011-12	2012		2013
		Jan.	Dec.	Jan.
	1	2	3	4
1 Automatic Route				
1.1 Number	999	72	45	57
1.2 Amount	27,849	1,721	825	638
2 Approval Route				
2.1 Number	68	6	7	12
2.2 Amount	7,861	919	321	2,876
3 Total (1+2)				
3.1 Number	1,067	78	52	69
3.2 Amount	35,710	2,640	1,146	3,514
4 Weighted Average Maturity (in years)	5.78	5.81	5.37	5.72
5 Interest Rate (per cent)				
5.1 Weighted Average Margin over 6-month LIBOR or reference rate for Floating Rate Loans	2.89	2.43	3.33	2.38
5.2 Interest rate range for Fixed Rate Loans	0.00-8.00	0.00-5.22	0.00-11.75	0.00-9.00

No. 38: India's Overall Balance of Payments

(US $ Million)

Item	Jul-Sep 2011 (PR)			Jul-Sep 2012 (P)		
	Credit	Debit	Net	Credit	Debit	Net
	1	2	3	4	5	6
Overall Balance of Payments(1+2+3)	**249,370**	**249,094**	**276**	**234,304**	**234,462**	**–158**
1 CURRENT ACCOUNT	**131,667**	**150,558**	**–18,892**	**124,467**	**146,866**	**–22,398**
1.1 MERCHANDISE	**79,560**	**124,088**	**–44,528**	**69,841**	**118,181**	**–48,339**
1.2 INVISIBLES	**52,107**	**26,471**	**25,636**	**54,626**	**28,685**	**25,941**
1.2.1 Services	32,643	18,651	13,992	34,795	19,234	15,562
1.2.1.1 Travel	4,235	3,534	701	3,954	2,993	961
1.2.1.2 Transportation	4,499	3,624	875	4,176	3,892	284
1.2.1.3 Insurance	629	423	206	555	304	251
1.2.1.4 G.n.i.e.	147	179	–32	149	174	–25
1.2.1.5 Miscellaneous	23,134	10,891	12,242	25,962	11,871	14,090
1.2.1.5.1 Software Services	13,940	307	13,633	16,078	523	15,556
1.2.1.5.2 Business Services	6,120	6,352	–232	7,132	6,755	377
1.2.1.5.3 Financial Services	1,577	2,130	–553	1,355	1,107	248
1.2.1.5.4 Communication Services	390	309	80	455	141	314
1.2.2 Transfers	16,376	775	15,601	16,994	1,011	15,983
1.2.2.1 Official	136	152	–16	110	203	–93
1.2.2.2 Private	16,240	622	15,618	16,883	808	16,076
1.2.3 Income	3,088	7,045	–3,958	2,837	8,441	–5,604
1.2.3.1 Investment Income	2,377	6,578	–4,201	2,028	7,907	–5,879
1.2.3.2 Compensation of Employees	711	467	244	809	534	276
2 CAPITAL ACCOUNT	**117,704**	**98,137**	**19,567**	**109,837**	**85,972**	**23,864**
2.1 Foreign Investment	**55,208**	**49,918**	**5,289**	**52,661**	**36,059**	**16,602**
2.1.1 Foreign Direct Investment	11,981	5,496	6,485	13,093	4,208	8,885
2.1.1.1 In India	11,615	2,137	9,478	11,657	1,342	10,315
2.1.1.1.1 Equity	9,161	2,015	7,145	8,078	1,340	6,739
2.1.1.1.2 Reinvested Earnings	2,051	–	2,051	3,125	–	3,125
2.1.1.1.3 Other Capital	403	122	282	454	2	452
2.1.1.2 Abroad	366	3,359	–2,993	1,436	2,866	–1,431
2.1.1.2.1 Equity	366	1,631	–1,265	1,436	1,606	–170
2.1.1.2.2 Reinvested Earnings	–	302	–302	–	297	–297
2.1.1.2.3 Other Capital	–	1,426	–1,426	–	963	–963
2.1.2 Portfolio Investment	43,227	44,422	–1,196	39,569	31,851	7,718
2.1.2.1 In India	42,769	44,152	–1,384	38,946	30,957	7,988
2.1.2.1.1 FIIs	42,564	44,152	–1,589	38,861	30,957	7,904
2.1.2.1.2 ADR/GDRs	205	–	205	85	–	85
2.1.2.2 Abroad	458	270	188	623	894	–271
2.2 Loans	**37,270**	**28,772**	**8,498**	**34,035**	**28,648**	**5,387**
2.2.1 External Assistance	1,081	790	291	1,028	972	57
2.2.1.1 By India	17	57	–39	14	78	–64
2.2.1.2 To India	1,063	734	330	1,014	894	120
2.2.2 Commercial Borrowings	9,785	4,449	5,336	5,616	4,418	1,198
2.2.2.1 By India	1,118	469	649	379	629	–250
2.2.2.2 To India	8,667	3,980	4,687	5,237	3,790	1,447
2.2.3 Short Term to India	26,405	23,534	2,871	27,390	23,258	4,133
2.2.3.1 Suppliers' Credit > 180 days & Buyers' Credit	25,130	23,534	1,596	27,390	22,238	5,153
2.2.3.2 Suppliers' Credit up to 180 days	1,275	–	1,275	–	1,020	–1,020
2.3 Banking Capital	**20,488**	**13,439**	**7,049**	**19,770**	**14,279**	**5,491**
2.3.1 Commercial Banks	20,144	13,439	6,705	19,128	14,279	4,849
2.3.1.1 Assets	2,223	1,006	1,217	2,705	1,214	1,491
2.3.1.2 Liabilities	17,921	12,433	5,488	16,423	13,065	3,358
2.3.1.2.1 Non-Resident Deposits	15,088	12,302	2,786	15,043	12,197	2,846
2.3.2 Others	344	–	344	641	–	641
2.4 Rupee Debt Service	–	**1**	**–1**	–	**1**	**–1**
2.5 Other Capital	**4,737**	**6,006**	**–1,269**	**3,371**	**6,986**	**–3,615**
3 Errors & Omissions	–	**399**	**–399**	–	**1,624**	**–1,624**
4 Monetary Movements	–	**276**	**–276**	**158**	–	**158**
4.1 I.M.F.	–	–	–	–	–	–
4.2 Foreign Exchange Reserves (Increase - / Decrease +)	–	276	–276	158	–	158

No. 39: India's Overall Balance of Payments

(₹ Billion)

Item	Jul-Sep 2011 (PR)			Jul-Sep 2012 (P)		
	Credit	Debit	Net	Credit	Debit	Net
	1	2	3	4	5	6
Overall Balance of Payments(1+2+3)	**11,415**	**11,403**	**13**	**12,938**	**12,947**	**–9**
1 CURRENT ACCOUNT	**6,027**	**6,892**	**–865**	**6,873**	**8,110**	**–1,237**
1.1 MERCHANDISE	**3,642**	**5,680**	**–2,038**	**3,857**	**6,526**	**–2,669**
1.2 INVISIBLES	**2,385**	**1,212**	**1,174**	**3,016**	**1,584**	**1,432**
1.2.1 Services	1,494	854	641	1,921	1,062	859
1.2.1.1 Travel	194	162	32	218	165	53
1.2.1.2 Transportation	206	166	40	231	215	16
1.2.1.3 Insurance	29	19	9	31	17	14
1.2.1.4 G.n.i.e.	7	8	–1	8	10	–2
1.2.1.5 Miscellaneous	1,059	499	560	1,434	656	778
1.2.1.5.1 Software Services	638	14	624	888	29	859
1.2.1.5.2 Business Services	280	291	–11	394	373	21
1.2.1.5.3 Financial Services	72	97	–25	75	61	14
1.2.1.5.4 Communication Services	18	14	4	25	8	17
1.2.2 Transfers	750	35	714	938	56	883
1.2.2.1 Official	6	7	–1	6	11	–5
1.2.2.2 Private	743	28	715	932	45	888
1.2.3 Income	141	323	–181	157	466	–309
1.2.3.1 Investment Income	109	301	–192	112	437	–325
1.2.3.2 Compensation of Employees	33	21	11	45	29	15
2 CAPITAL ACCOUNT	**5,388**	**4,492**	**896**	**6,065**	**4,747**	**1,318**
2.1 Foreign Investment	**2,527**	**2,285**	**242**	**2,908**	**1,991**	**917**
2.1.1 Foreign Direct Investment	548	252	297	723	232	491
2.1.1.1 In India	532	98	434	644	74	570
2.1.1.1.1 Equity	419	92	327	446	74	372
2.1.1.1.2 Reinvested Earnings	94	–	94	173	–	173
2.1.1.1.3 Other Capital	18	6	12	25	–	25
2.1.1.2 Abroad	17	154	–137	79	158	–79
2.1.1.2.1 Equity	17	75	–58	79	89	–9
2.1.1.2.2 Reinvested Earnings	–	14	–14	–	16	–16
2.1.1.2.3 Other Capital	–	65	–65	–	53	–53
2.1.2 Portfolio Investment	1,979	2,034	–55	2,185	1,759	426
2.1.2.1 In India	1,958	2,021	–63	2,151	1,709	441
2.1.2.1.1 FIIs	1,948	2,021	–73	2,146	1,709	436
2.1.2.1.2 ADR/GDRs	9	–	9	5	–	5
2.1.2.2 Abroad	21	12	9	34	49	–15
2.2 Loans	**1,706**	**1,317**	**389**	**1,879**	**1,582**	**297**
2.2.1 External Assistance	49	36	13	57	54	3
2.2.1.1 By India	1	3	–2	–	4	–4
2.2.1.2 To India	49	34	15	56	49	7
2.2.2 Commercial Borrowings	448	204	244	310	244	66
2.2.2.1 By India	51	21	30	21	35	–14
2.2.2.2 To India	397	182	215	289	209	80
2.2.3 Short Term to India	1,209	1,077	131	1,513	1,284	228
2.2.3.1 Suppliers' Credit > 180 days & Buyers' Credit	1,150	1,077	73	1,513	1,228	285
2.2.3.2 Suppliers' Credit up to 180 days	58	–	58	–	56	–56
2.3 Banking Capital	**938**	**615**	**323**	**1,092**	**788**	**303**
2.3.1 Commercial Banks	922	615	307	1,056	788	268
2.3.1.1 Assets	102	46	56	149	67	82
2.3.1.2 Liabilities	820	569	251	907	721	185
2.3.1.2.1 Non-Resident Deposits	691	563	128	831	674	157
2.3.2 Others	16	–	16	35	–	35
2.4 Rupee Debt Service	–	–	–	–	–	–
2.5 Other Capital	**217**	**275**	**–58**	**186**	**386**	**–200**
3 Errors & Omissions	–	**18**	**–18**	–	**90**	**–90**
4 Monetary Movements	–	**13**	**–13**	**9**	–	**9**
4.1 I.M.F.	–	–	–	–	–	–
4.2 Foreign Exchange Reserves (Increase - / Decrease +)	–	13	–13	9	–	9

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

(US $ Million)

Item	Jul-Sep 2011 (PR)			Jul-Sep 2012 (P)		
	Credit	Debit	Net	Credit	Debit	Net
	1	2	3	4	5	6
1 Current Account	**131,199**	**150,075**	**–18,876**	**124,368**	**146,680**	**–22,311**
1.A Goods and Services	**111,871**	**142,407**	**–30,536**	**104,636**	**137,414**	**–32,778**
1.A.a Goods	**79,577**	**124,088**	**–44,511**	**69,841**	**118,181**	**–48,339**
1.A.a.1 General merchandise on a BOP basis	79,560	111,206	–31,646	67,991	106,545	–38,553
1.A.a.2 Net exports of goods under merchanting	17	–	17	1,850	1,172	678
1.A.a.3 Non-monetary gold	–	12,882	–12,882	–	10,464	–10,464
1.A.b Services	**32,295**	**18,320**	**13,975**	**34,795**	**19,234**	**15,562**
1.A.b.1 Manufacturing services on physical inputs owned by others	–	–	–	20	14	6
1.A.b.2 Maintenance and repair services n.i.e.	–	–	–	21	121	–100
1.A.b.3 Transport	4,503	3,651	852	4,176	3,892	284
1.A.b.4 Travel	4,235	3,534	701	3,954	2,993	961
1.A.b.5 Construction	128	315	–187	240	250	–10
1.A.b.6 Insurance and pension services	629	423	206	555	304	251
1.A.b.7 Financial services	1,577	2,130	–553	1,355	1,107	248
1.A.b.8 Charges for the use of intellectual property n.i.e.	78	693	–615	67	1,116	–1,050
1.A.b.9 Telecommunications, computer, and information services	14,417	676	13,741	16,557	746	15,811
1.A.b.10 Other business services	5,772	6,020	–248	7,132	6,755	377
1.A.b.11 Personal, cultural, and recreational services	121	79	42	222	160	63
1.A.b.12 Government goods and services n.i.e.	147	179	–32	149	174	–25
1.A.b.13 Others n.i.e.	689	619	70	348	1,602	–1,254
1.B Primary Income	**3,088**	**7,045**	**–3,958**	**2,837**	**8,441**	**–5,604**
1.B.1 Compensation of employees	711	467	244	809	534	276
1.B.2 Investment income	2,084	6,497	–4,414	1,806	7,822	–6,016
1.B.2.1 Direct investment	769	6,440	–5,671	604	3,826	–3,222
1.B.2.2 Portfolio investment	–	–	–	17	1,391	–1,373
1.B.2.3 Other investment	–	54	–54	79	2,604	–2,525
1.B.2.4 Reserve assets	1,315	4	1,311	1,107	2	1,105
1.B.3 Other primary income	293	81	212	222	85	136
1.C Secondary Income	**16,240**	**622**	**15,618**	**16,895**	**825**	**16,070**
1.C.1 Financial corporations, nonfinancial corporations, households, and NPISHs	16,240	622	15,618	16,883	808	16,076
1.C.1.1 Personal transfers (Current transfers between resident and/ non-resident households)	15,648	530	15,119	16,288	743	15,545
1.C.1.2 Other current transfers	592	93	499	595	65	530
1.C.2 General Government	–	–	–	11	17	–6
2 Capital Account	**407**	**163**	**244**	**163**	**470**	**–307**
2.1 Gross acquisitions (DR.)/disposals (CR.) of non-produced nonfinancial assets	271	11	260	51	27	24
2.2 Capital transfers	136	152	–16	112	442	–331
3 Financial Account	**117,432**	**98,402**	**19,030**	**109,952**	**85,709**	**24,243**
3.1 Direct Investment	**11,981**	**5,496**	**6,485**	**13,093**	**4,208**	**8,885**
3.1.A Direct Investment in India	11,615	2,137	9,478	11,657	1,342	10,315
3.1.A.1 Equity and investment fund shares	11,212	2,015	9,197	11,203	1,340	9,864
3.1.A.1.1 Equity other than reinvestment of earnings	9,161	2,015	7,145	8,078	1,340	6,739
3.1.A.1.2 Reinvestment of earnings	2,051	–	2,051	3,125	–	3,125
3.1.A.2 Debt instruments	403	122	282	454	2	452
3.1.A.2.1 Direct investor in direct investment enterprises	403	122	282	454	2	452
3.1.B Direct Investment by India	366	3,359	–2,993	1,436	2,866	–1,431
3.1.B.1 Equity and investment fund shares	366	1,933	–1,567	1,436	1,903	–467
3.1.B.1.1 Equity other than reinvestment of earnings	366	1,631	–1,265	1,436	1,606	–170
3.1.B.1.2 Reinvestment of earnings	–	302	–302	–	297	–297
3.1.B.2 Debt instruments	–	1,426	–1,426	–	963	–963
3.1.B.2.1 Direct investor in direct investment enterprises	–	1,426	–1,426	–	963	–963
3.2 Portfolio Investment	**43,022**	**44,422**	**–1,401**	**39,484**	**31,851**	**7,633**
3.2A Portfolio Investment in India	42,564	44,152	–1,589	38,861	30,957	7,904
3.2A.1 Equity and investment fund shares	30,233	32,345	–2,112	30,426	23,264	7,162
3.2A.2 Debt securities	12,331	11,807	524	8,435	7,693	741
3.2.B Portfolio Investment by India	458	270	188	623	894	–271
3.3 Financial derivatives (other than reserves) and employee stock options	**–**	**–**	**–**	**804**	**1,093**	**–289**
3.4 Other investment	**62,429**	**48,207**	**14,222**	**56,405**	**48,466**	**7,939**
3.4.1 Other equity (ADRs/GDRs)	205	–	205	85	–	85
3.4.2 Currency and deposits	15,433	12,302	3,130	15,685	12,197	3,488
3.4.2.1 Central bank (Rupee Debt Movements; NRG)	344	–	344	641	–	641
3.4.2.2 Deposit-taking corporations, except the central bank (NRI Deposits)	15,088	12,302	2,786	15,043	12,197	2,846
3.4.2.3 General government	–	–	–	–	–	–
3.4.2.4 Other sectors	–	–	–	–	–	–
3.4.3 Loans (External Assistance, ECBs and Banking Capital)	15,922	6,376	9,546	10,730	7,472	3,257
3.4.3A Loans to India	14,786	5,850	8,936	10,336	6,765	3,571
3.4.3B Loans by India	1,136	526	610	393	707	–313
3.4.4 Insurance, pension, and standardized guarantee schemes	–	–	–	8	91	–82
3.4.5 Trade credit and advances	26,405	23,534	2,871	27,390	23,258	4,133
3.4.6 Other accounts receivable/payable - other	4,466	5,996	–1,530	2,515	5,539	–3,024
3.4.7 Special drawing rights	–	–	–	–	–	–
3.5 Reserve assets	**–**	**276**	**–276**	**158**	**–**	**158**
3.5.1 Monetary gold	–	–	–	–	–	–
3.5.2 Special drawing rights n.a.	–	–	–	–	–	–
3.5.3 Reserve position in the IMF n.a.	–	–	–	–	–	–
3.5.4 Other reserve assets (Foreign Currency Assets)	–	276	–276	158	–	158
3 Total assets/liabilities (Instrument wise)	**117,432**	**98,402**	**19,030**	**109,952**	**85,709**	**24,243**
3.0.1 Equity and investment fund shares	42,269	36,564	5,705	44,500	28,584	15,916
3.0.2 Debt instruments	70,492	55,566	14,926	62,693	51,586	11,107
3.0.3 Other financial assets and liabilities	4,671	6,272	–1,601	2,758	5,539	–2,781
4 Net errors and omissions	**–**	**399**	**–399**	**–**	**1,624**	**–1,624**

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

(₹ Billion)

Item	Jul-Sep 2011 (PR)			Jul-Sep 2012 (P)		
	Credit	Debit	Net	Credit	Debit	Net
	1	2	3	4	5	6
1 Current Account	**6,006**	**6,870**	**–864**	**6,868**	**8,100**	**–1,232**
1.A Goods and Services	**5,121**	**6,519**	**–1,398**	**5,778**	**7,588**	**–1,810**
1.A.a Goods	**3,643**	**5,680**	**–2,038**	**3,857**	**6,526**	**–2,669**
1.A.a.1 General merchandise on a BOP basis	3,642	5,091	–1,449	3,754	5,883	–2,129
1.A.a.2 Net exports of goods under merchanting	1	–	1	102	65	37
1.A.a.3 Non-monetary gold	–	590	–590	–	578	–578
1.A.b Services	**1,478**	**839**	**640**	**1,921**	**1,062**	**859**
1.A.b.1 Manufacturing services on physical inputs owned by others	–	–	–	1	1	–
1.A.b.2 Maintenance and repair services n.i.e.	–	–	–	1	7	–6
1.A.b.3 Transport	206	167	39	231	215	16
1.A.b.4 Travel	194	162	32	218	165	53
1.A.b.5 Construction	6	14	–9	13	14	–1
1.A.b.6 Insurance and pension services	29	19	9	31	17	14
1.A.b.7 Financial services	72	97	–25	75	61	14
1.A.b.8 Charges for the use of intellectual property n.i.e.	4	32	–28	4	62	–58
1.A.b.9 Telecommunications, computer, and information services	660	31	629	914	41	873
1.A.b.10 Other business services	264	276	–11	394	373	21
1.A.b.11 Personal, cultural, and recreational services	6	4	2	12	9	3
1.A.b.12 Government goods and services n.i.e.	7	8	–1	8	10	–1
1.A.b.13 Others n.i.e.	32	28	3	19	88	–69
1.B Primary Income	**141**	**323**	**–181**	**157**	**466**	**–309**
1.B.1 Compensation of employees	33	21	11	45	29	15
1.B.2 Investment income	95	297	–202	100	432	–332
1.B.2.1 Direct investment	35	295	–260	33	211	–178
1.B.2.2 Portfolio investment	–	–	–	1	77	–76
1.B.2.3 Other investment	–	2	–2	4	144	–139
1.B.2.4 Reserve assets	60	–	60	61	–	61
1.B.3 Other primary income	13	4	10	12	5	8
1.C Secondary Income	**743**	**28**	**715**	**933**	**46**	**887**
1.C.1 Financial corporations, nonfinancial corporations, households, and NPISHs	743	28	715	932	45	888
1.C.1.1 Personal transfers (Current transfers between resident and/ non-resident households)	716	24	692	899	41	858
1.C.1.2 Other current transfers	27	4	23	33	4	29
1.C.2 General Government	–	–	–	1	1	–
2 Capital Account	**19**	**7**	**11**	**9**	**26**	**–17**
2.1 Gross acquisitions (DR.)/disposals (CR.) of non-produced nonfinancial assets	12	0	12	3	2	1
2.2 Capital transfers	6	7	–1	6	24	–18
3 Financial Account	**5,376**	**4,505**	**871**	**6,072**	**4,733**	**1,339**
3.1 Direct Investment	**548**	**252**	**297**	**723**	**232**	**491**
3.1.A Direct Investment in India	532	98	434	644	74	570
3.1.A.1 Equity and investment fund shares	513	92	421	619	74	545
3.1.A.1.1 Equity other than reinvestment of earnings	419	92	327	446	74	372
3.1.A.1.2 Reinvestment of earnings	94	–	94	173	–	173
3.1.A.2 Debt instruments	18	6	12	25	–	25
3.1.A.2.1 Direct investor in direct investment enterprises	18	6	12	25	–	25
3.1.B Direct Investment by India	17	154	–137	79	158	–79
3.1.B.1 Equity and investment fund shares	17	88	–72	79	105	–26
3.1.B.1.1 Equity other than reinvestment of earnings	17	75	–58	79	89	–9
3.1.B.1.2 Reinvestment of earnings	–	14	–14	–	16	–16
3.1.B.2 Debt instruments	–	65	–65	–	53	–53
3.1.B.2.1 Direct investor in direct investment enterprises	–	65	–65	–	53	–53
3.2 Portfolio Investment	**1,969**	**2,034**	**–64**	**2,180**	**1,759**	**421**
3.2A Portfolio Investment in India	1,948	2,021	–73	2,146	1,709	436
3.2A.1 Equity and investment fund shares	1,384	1,481	–97	1,680	1,285	396
3.2A.2 Debt securities	564	540	24	466	425	41
3.2.B Portfolio Investment by India	21	12	9	34	49	–15
3.3 Financial derivatives (other than reserves) and employee stock options	–	–	–	**44**	**60**	**–16**
3.4 Other investment	**2,858**	**2,207**	**651**	**3,115**	**2,676**	**438**
3.4.1 Other equity (ADRs/GDRs)	9	–	9	5	–	5
3.4.2 Currency and deposits	706	563	143	866	674	193
3.4.2.1 Central bank (Rupee Debt Movements; NRG)	16	–	16	35	–	35
3.4.2.2 Deposit-taking corporations, except the central bank (NRI Deposits)	691	563	128	831	674	157
3.4.2.3 General government	–	–	–	–	–	–
3.4.2.4 Other sectors	–	–	–	–	–	–
3.4.3 Loans (External Assistance, ECBs and Banking Capital)	729	292	437	592	413	180
3.4.3A Loans to India	677	268	409	571	374	197
3.4.3B Loans by India	52	24	28	22	39	–17
3.4.4 Insurance, pension, and standardized guarantee schemes	–	–	–	–	5	–5
3.4.5 Trade credit and advances	1,209	1,077	131	1,513	1,284	228
3.4.6 Other accounts receivable/payable - other	204	274	–70	139	306	–167
3.4.7 Special drawing rights	–	–	–	–	–	–
3.5 Reserve assets	–	**13**	**–13**	**9**	–	**9**
3.5.1 Monetary gold	–	–	–	–	–	–
3.5.2 Special drawing rights n.a.	–	–	–	–	–	–
3.5.3 Reserve position in the IMF n.a.	–	–	–	–	–	–
3.5.4 Other reserve assets (Foreign Currency Assets)	–	13	–13	9	–	9
3 Total assets/liabilities (Instrument wise)	**5,376**	**4,505**	**871**	**6,072**	**4,733**	**1,339**
3.0.1 Equity and investment fund shares	1,935	1,674	261	2,457	1,578	879
3.0.2 Debt instruments	3,227	2,544	683	3,462	2,849	613
3.0.3 Other financial assets and liabilities	214	287	–73	152	306	–154
4 Net errors and omissions	**–**	**18**	**–18**	–	**90**	**–90**

No. 42: International Investment Position

(US$ Million)

Item	As on Financial Year /Quarter End							
	2011-12		2011		2012			
			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	112,376	222,330	107,610	216,918	114,379	205,643	115,810	229,970
1.1 Equity Capital and Reinvested Earnings	82,048	213,119	79,979	208,290	82,816	196,158	83,283	219,939
1.2 Other Capital	30,329	9,211	27,631	8,628	31,564	9,485	32,527	10,031
2 Portfolio Investment	1,472	165,797	1,488	155,756	1,447	148,211	1,447	165,325
2.1 Equity	1,455	125,330	1,463	121,180	1,430	110,506	1,430	125,674
2.2 Debt	17	40,468	25	34,576	17	37,706	17	39,651
3 Other Investment	29,524	298,061	32,116	282,398	28,156	303,701	29,662	317,908
3.1 Trade Credit	–39	67,325	10,421	66,691	4,915	72,729	5,606	76,775
3.2 Loan	6,067	159,993	4,367	153,995	3,782	160,313	3,761	163,965
3.3 Currency and Deposits	11,764	58,778	7,706	52,427	7,490	61,048	8,418	67,207
3.4 Other Assets/Liabilities	11,732	11,965	9,622	9,284	11,970	9,611	11,877	9,961
4 Reserves	294,397	–	311,482	–	289,737	–	294,812	–
5 Total Assets/ Liabilities	437,770	686,188	452,696	655,072	433,719	657,555	441,731	713,203
6 IIP (Assets - Liabilities)		–248,418		–202,376		–223,835		–271,472

Payment and Settlement Systems

No. 43: Payment System Indicators

System	Volume (Million)				Value (₹ Billion)			
	2011-12	2012		2013	2011-12	2012		2013
		Nov.	Dec.	Jan.		Nov.	Dec.	Jan.
	1	2	3	4	5	6	7	8
1 RTGS	**55.05**	**5.55**	**6.03**	**6.29**	**1,079,790.59**	**56,115.59**	**68,729.93**	**70,454.74**
1.1 Customer Transactions	51.02	5.19	5.65	5.88	395,244.50	35,717.32	44,120.23	43,713.66
1.2 Interbank Transactions	4.00	0.36	0.38	0.40	144,062.98	11,057.25	13,157.67	14,288.39
1.3 Interbank Clearing	0.012	0.001	0.001	0.001	540,483.14	9,341.03	11,452.02	12,452.69
2 CCIL Operated Systems	**1.88**	**0.16**	**0.18**	**0.26**	**406,071.18**	**35,725.63**	**39,703.59**	**49,811.24**
2.1 CBLO	0.13	0.01	0.01	0.01	111,554.28	8,466.94	9,956.70	11,391.76
2.2 Govt. Securities Clearing	0.43	0.04	0.05	0.11	72,520.79	8,184.74	8,308.66	15,746.23
2.2.1 Outright	0.41	0.04	0.04	0.10	34,882.04	3,425.52	4,638.12	10,950.05
2.2.2 Repo	0.028	0.004	0.003	0.003	37,638.75	4,759.22	3,670.54	4,796.18
2.3 Forex Clearing	1.29	0.11	0.12	0.14	221,996.11	19,073.95	21,438.23	22,673.25
3 Paper Clearing	**1,341.88**	**103.01**	**108.48**	**99.17**	**99,012.15**	**7,646.24**	**7,836.75**	**7,960.32**
3.1 Cheque Truncation System (CTS)	180.04	22.34	25.03	25.02	15,103.74	1,722.05	1,913.13	1,913.13
3.2 MICR Clearing	934.89	63.31	64.71	60.13	65,093.25	4,369.40	4,475.09	4,166.23
3.2.1 RBI Centres	605.01	38.81	40.16	35.49	44,225.00	2,760.56	2,852.80	2,577.99
3.2.2 Other Centres	329.89	24.50	24.55	24.35	20,868.24	1,608.84	1,622.29	1,629.61
3.3 Non-MICR Clearing	226.96	17.37	18.74	14.03	18,815.16	1,554.79	1,448.53	1,880.96
4 Retail Electronic Clearing	**512.45**	**57.61**	**57.54**	**59.83**	**20,575.61**	**2,539.82**	**2,887.24**	**3,032.71**
4.1 ECS DR	164.74	14.98	15.00	13.99	833.84	91.39	90.10	132.20
4.2 ECS CR (includes NECS)	121.50	8.87	6.89	7.33	1,837.84	146.61	129.06	85.00
4.3 EFT/NEFT	226.10	33.71	35.54	38.36	17,903.49	2,301.55	2,667.68	2,814.88
4.4 Interbank Mobile Payment Service (IMPS)	0.07	0.05	0.11	0.15	0.32	0.26	0.39	0.63
5 Cards	**5,731.59**	**533.47**	**553.46**	**557.38**	**15,510.78**	**1,636.40**	**1,642.90**	**1,686.70**
5.1 Credit Cards	322.15	34.20	36.32	37.21	978.73	112.12	112.56	114.80
5.1.1 Usage at ATMs	1.84	0.21	0.22	0.21	10.64	1.21	1.24	1.22
5.1.2 Usage at POS	319.96	34.00	36.10	37.00	966.14	110.91	111.32	113.59
5.2 Debit Cards	5,409.45	499.27	517.14	520.17	14,532.04	1,524.28	1,530.34	1,571.90
5.2.1 Usage at ATMs	5,081.91	452.15	473.75	476.64	13,997.73	1,452.07	1,461.25	1,491.84
5.2.2 Usage at POS	327.52	47.12	43.39	43.53	534.33	72.20	69.09	80.06
6 Prepaid Payment Instruments (PPIs)	**30.60**	**6.18**	**7.18**	**6.68**	**62.01**	**8.23**	**8.18**	**4.91**
6.1 m-Wallet	–	3.13	4.17	4.66	–	0.96	1.52	1.31
6.2 PPI Cards	–	3.01	2.96	1.98	–	5.25	4.58	1.93
6.3 Paper Vouchers	–	0.04	0.05	0.04	–	2.02	2.08	1.67
7 Mobile Banking	**25.56**	**4.72**	**5.22**	**5.55**	**18.20**	**5.39**	**5.98**	**6.25**
8 Cards Outstanding	**295.94**	**328.15**	**333.31**	**339.01**	–	–	–	–
8.1 Credit Card	17.65	18.67	18.87	19.04	–	–	–	–
8.2 Debit Card	278.28	309.48	314.44	319.97	–	–	–	–
9 Number of ATMs (in actuals)	**95686**	**103968**	**105784**	**107813**	–	–	–	–
10 Number of POS (in actuals)	**660920**	**784642**	**799702**	**812686**	–	–	–	–
11 Grand Total (1.1+1.2+2+3+4+5+6)	**7,673.40**	**705.99**	**732.87**	**729.60**	**1,080,539.17**	**94,330.89**	**109,356.56**	**120,497.93**

Occasional Series

No. 44: Small Savings

(₹ Billion)

Scheme		2011-12	2011	2012		
			Dec.	Oct.	Nov.	Dec.
		1	2	3	4	5
1 Small Savings	**Receipts**	**1,907.50**	**162.97**	**146.85**	**149.04**	**160.86**
	Outstanding	**6,065.85**	**6,107.43**	**6,023.18**	**6,020.58**	**6,019.61**
1.1 Total Deposits	**Receipts**	**1,665.51**	**145.88**	**130.93**	**130.65**	**140.79**
	Outstanding	**3,607.22**	**3,638.99**	**3,647.01**	**3,653.63**	**3,663.38**
1.1.1 Post Office Saving Bank Deposits	Receipts	859.05	78.26	66.03	66.78	70.94
	Outstanding	340.70	318.38	365.33	367.80	372.45
1.1.2 MGNREG	Receipts	9.38	1.23	4.17	3.59	2.89
	Outstanding	0.56	–0.19	–7.00	–8.25	–9.36
1.1.3 National Saving Scheme, 1987	Receipts	1.38	–0.06	–0.02	0.15	0.00
	Outstanding	40.58	39.27	39.44	39.42	39.21
1.1.4 National Saving Scheme, 1992	Receipts	0.13	–0.01	0.00	0.01	–0.01
	Outstanding	4.07	4.27	3.56	3.52	3.40
1.1.5 Monthly Income Scheme	Receipts	284.24	19.54	15.01	15.37	16.09
	Outstanding	2,052.88	2,102.79	2,025.37	2,021.90	2,019.69
1.1.6 Senior Citizen Scheme	Receipts	29.86	1.26	1.92	1.80	1.74
	Outstanding	267.63	279.49	248.52	247.10	245.68
1.1.7 Post Office Time Deposits	Receipts	136.52	15.92	13.88	13.78	18.06
	Outstanding	273.91	267.45	305.21	309.92	314.96
1.1.7.1 1 year Time Deposits	Outstanding	168.69	166.19	193.95	197.76	201.67
1.1.7.2 2 year Time Deposits	Outstanding	13.11	13.16	13.81	13.93	14.11
1.1.7.3 3 year Time Deposits	Outstanding	42.07	42.02	41.11	40.91	40.69
1.1.7.4 5 year Time Deposits	Outstanding	50.04	46.08	56.34	57.32	58.49
1.1.8 Post Office Recurring Deposits	Receipts	344.95	29.74	29.94	29.17	31.08
	Outstanding	626.61	627.25	666.30	671.89	677.09
1.1.9 Post Office Cumulative Time Deposits	Outstanding	0.06	0.06	0.06	0.11	0.04
1.1.10 Other Deposits	Outstanding	0.22	0.22	0.22	0.22	0.22
1.2 Saving Certificates	**Receipts**	**179.77**	**13.58**	**13.33**	**13.95**	**16.72**
	Outstanding	**2,098.70**	**2,137.27**	**2,007.38**	**1,994.76**	**1,981.76**
1.2.1 National Savings Certificate VIII issue	Receipts	103.26	12.12	13.18	13.77	16.36
	Outstanding	550.69	533.13	599.20	606.02	614.79
1.2.2 Indira Vikas Patras	Receipts	0.00	0.00	0.00	0.01	–0.01
	Outstanding	8.94	11.63	8.83	8.83	8.81
1.2.3 Kisan Vikas Patras	Receipts	76.51	1.46	0.15	0.17	0.37
	Outstanding	1,539.60	1,593.11	1,391.75	1,370.44	1,346.64
1.2.4 National Saving Certificate VI issue	Outstanding	–0.69	–0.63	–0.73	–0.74	–0.74
1.2.5 National Saving Certificate VII issue	Outstanding	–0.49	–0.55	–0.54	–0.59	–0.64
1.2.6 Other Certificates	Outstanding	0.65	0.58	8.87	10.80	12.90
1.3 Public Provident Fund	**Receipts**	**62.22**	**3.51**	**2.59**	**4.44**	**3.35**
	Outstanding	**359.93**	**331.17**	**368.79**	**372.19**	**374.47**

Source: Accountant General, Post and Telegraphs.

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

(Per cent)

Category	2011	2012			
	Dec.	Mar.	Jun.	Sep.	Dec.
	1	2	3	4	5
1 Commercial Banks	37.06	36.28	33.88	33.91	33.98
2 Bank-Primary Dealers	10.25	9.83	10.34	10.63	9.98
3 Non-Bank PDs	0.09	0.10	0.08	0.10	0.15
4 Insurance Companies	22.42	21.08	21.19	21.30	19.54
5 Mutual Funds	0.27	0.17	0.29	0.55	1.20
6 Co-operative Banks	3.21	2.98	3.07	3.03	2.89
7 Financial Institutions	0.34	0.37	0.34	0.37	0.64
8 Corporates	1.58	1.38	1.37	1.61	1.62
9 FIIs	0.85	0.88	0.89	1.10	1.24
10 Provident Funds	7.31	7.45	7.31	7.19	7.12
11 RBI	13.56	14.41	17.62	16.02	15.95
12 Others	3.07	5.07	3.63	4.20	5.68

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

(₹ Billion)

Item	2007-08	2008-09	2009-10	2010-11	2011-12 RE	2012-13 BE
	1	2	3	4	5	6
1 Total Disbursements	**13,152.83**	**15,996.77**	**18,521.19**	**21,451.45**	**25,188.25**	**28,358.73**
1.1 Developmental	7,102.71	9,437.08	10,628.08	12,676.97	14,977.72	16,469.15
1.1.1 Revenue	5,496.39	7,521.03	8,513.03	10,260.24	12,039.80	13,113.44
1.1.2 Capital	1,423.24	1,699.72	1,868.38	1,935.80	2,373.89	2,926.32
1.1.3 Loans	183.08	216.33	246.67	480.93	564.03	429.39
1.2 Non-Developmental	5,887.79	6,374.53	7,687.34	8,520.46	9,874.32	11,497.21
1.2.1 Revenue	5,046.83	5,873.44	7,086.94	7,765.94	9,020.58	10,281.31
1.2.1.1 Interest Payments	2,587.85	2,834.54	3,145.70	3,485.61	4,051.34	4,659.64
1.2.2 Capital	834.79	487.07	594.08	747.48	837.62	1,193.09
1.2.3 Loans	6.17	14.02	6.32	7.04	16.12	22.81
1.3 Others	162.33	185.16	205.77	254.02	336.21	392.37
2 Total Receipts	**13,558.62**	**15,648.03**	**18,458.08**	**21,535.61**	**25,363.48**	**28,368.85**
2.1 Revenue Receipts	10,609.29	11,170.98	12,105.59	15,788.20	17,508.02	20,708.54
2.1.1 Tax Receipts	8,774.96	9,263.02	9,846.11	12,500.67	14,534.45	17,183.26
2.1.1.1 Taxes on commodities and services	5,205.24	5,468.55	5,580.66	7,393.66	8,740.75	10,555.05
2.1.1.2 Taxes on Income and Property	3,556.48	3,779.59	4,249.31	5,087.19	5,770.53	6,605.11
2.1.1.3 Taxes of Union Territories (Without Legislature)	13.24	14.88	16.14	19.82	23.17	23.10
2.1.2 Non-Tax Receipts	1,834.33	1,907.96	2,259.48	3,287.53	2,973.57	3,525.28
2.1.2.1 Interest Receipts	216.21	253.68	257.48	250.78	305.35	293.81
2.2 Non-debt Capital Receipts	552.43	154.44	368.92	322.93	399.44	387.58
2.2.1 Recovery of Loans & Advances	94.93	146.11	114.99	82.06	242.48	85.35
2.2.2 Disinvestment proceeds	457.50	8.33	253.93	240.87	156.96	302.23
3 Gross Fiscal Deficit [1 - (2.1 + 2.2)]	**1,991.10**	**4,671.35**	**6,046.68**	**5,340.32**	**7,280.79**	**7,262.61**
3A Sources of Financing: Institution-wise						
3A.1 Domestic Financing	1,897.95	4,561.20	5,936.30	5,104.76	7,177.68	7,161.13
3A.1.1 Net Bank Credit to Government	718.91	3,778.15	3,918.53	3,147.10	3,877.19	..
3A.1.1.1 Net RBI Credit to Government	–1,156.32	1,747.89	1,500.06	1,849.69	1,391.83	..
3A.1.2 Non-Bank Credit to Government	1,179.04	783.05	2,017.77	1,957.66	3,300.49	..
3A.2 External Financing	93.15	110.15	110.38	235.56	103.11	101.48
3B Sources of Financing: Instrument-wise						
3B.1 Domestic Financing	1,897.95	4,561.20	5,936.30	5,104.76	7,177.68	7,161.13
3B.1.1 Market Borrowings (net)	1,845.25	3,510.16	5,070.19	4,151.75	6,410.11	6,701.56
3B.1.2 Small Savings (net)	–44.74	–1.38	374.62	545.34	–184.35	–121.22
3B.1.3 State Provident Funds (net)	147.62	208.51	355.35	362.36	325.89	328.14
3B.1.4 Reserve Funds	44.71	–130.56	–155.71	35.62	25.02	101.84
3B.1.5 Deposits and Advances	–24.47	117.37	175.68	342.92	126.86	78.71
3B.1.6 Cash Balances	–405.79	348.74	63.11	–84.16	–175.23	–10.12
3B.1.7 Others	335.38	508.36	53.06	–249.07	649.36	82.21
3B.2 External Financing	93.15	110.15	110.38	235.56	103.11	101.48
4 Total Disbursements as per cent of GDP	*26.4*	*28.4*	*28.6*	*27.5*	*28.1*	*28.3*
5 Total Receipts as per cent of GDP	*27.2*	*27.8*	*28.5*	*27.6*	*28.3*	*28.3*
6 Revenue Receipts as per cent of GDP	*21.3*	*19.8*	*18.7*	*20.3*	*19.5*	*20.7*
7 Tax Receipts as per cent of GDP	*17.6*	*16.5*	*15.2*	*16.0*	*16.2*	*17.1*
8 Gross Fiscal Deficit as per cent of GDP	*4.0*	*8.3*	*9.3*	*6.9*	*8.1*	*7.2*

Source : Budget Documents of Central and State Governments.

Explanatory Notes to the Current Statistics

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

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

Table No. 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. 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). Foreign currency assets in US dollar take into account appreciation/depreciation of non-US currencies (such as Euro, Sterling and Yen) 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 2010-11 is a moving one, which gets updated every year. Methodological details are available in December 2005 issue of the Bulletin.

Table No. 37

Based on applications for ECB/Foreign Currency Convertible Bonds (FCCBs) which have been allotted loan registration number during the period.

Table Nos. 38, 39, 40 & 41

Explanatory notes on these tables are available in December issue of RBI Bulletin, 2012.

Table No. 43

1.3: Pertain to multilateral net settlement batches.
3.1: Pertain to two centres - New Delhi and Chennai.
3.3: Pertain to clearing houses managed by 21 banks.
6: Available from December 2010.
7: Include IMPS transactions.

Table No. 44

1.1.1: Receipts include interest credited to depositors' account from time to time.
1.1.9: Relate to 5-year, 10-year and 15-year cumulative time deposits. Exclude Public Provident Fund.
1.2.4 to 1.2.6: Negative figures are due to rectification of misclassification.
1.3: Data relate to Post Office transactions.

Table 45

Includes securities issued under the Market Stabilisation Scheme and the special securities, e.g., issued to the oil marketing companies.

Table 46

1.3: Represents compensation and assignments by States to local bodies and Panchayati Raj institutions.
3A.1.1: Data as per RBI records.
3B.1.1: Includes borrowings by dated securities and 364-day Treasury Bills.
3B.1.2: Represent net investment in Central and State Governments' special securities by the National Small Savings Fund (NSSF).
3B.1.6: Include Ways and Means Advances by the Centre to the State Governments.
3B.1.7: Include Treasury Bills (excluding 364-day Treasury Bills), loans from financial institutions, insurance and pension funds, remittances, cash balance investment account.
1 & 2: Data are net of repayments of the Central Government (including repayments to the NSSF) and State Governments.
2: Data are net of variation in cash balances of the Central and State Governments.

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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2. Time Series data are available at the Database on Indian Economy (http://dbie.rbi.org.in).
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