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SPEECHES

*Finance and Opportunity in India**

Raghuram G. Rajan

The late Mr. Lalit Doshi was an IAS officer who passed away at the young age of 52 in 1994. He had a distinguished official career even though it was cruelly cut short. Lalit Doshi was one of those bureaucrats who have constituted the steel frame of this country. It was said of him: 'He always had a smile on his face irrespective of the magnitude and the tension of work'. In these days where work seems perpetual and overwhelming, he sounds like someone who it would have been a pleasure working with. He was just a little older than I am now, and I can well imagine the deep shock his family experienced. His brother, Bharat Doshi, has been tireless in his efforts to honour Lalit's memory, and I thank him for inviting me to give today's lecture.

We are approaching the 67th anniversary of our Independence. Sixty seven years is a long time in the life of man – indeed, it is about the average Indian's life expectancy today. Since life expectancy was shorter at the time of Independence, it is safe to say that most Indians born just after independence are now no more. It is useful to take stock at such a time. Did we achieve the dreams of our founding fathers for freedom's first children? Or have we fallen woefully short? What more do we need to do?

Clearly, our founding fathers wanted political freedom for the people of India – freedom to determine who we would be governed by, as well as freedom of thought, expression, belief, faith, and worship. They wanted justice and equality, of status and opportunity. And they wanted us to be free from poverty.

We have made substantial progress in achieving political freedom. Our democracy has matured, with people confidently choosing to vote out governments that lose touch with their needs. Our institutions protecting the freedom to vote have grown stronger, with the Election Commission and the forces of law and order ensuring free and largely fair elections throughout the country. Political parties, NGOs, the press, and individuals exert checks and balances on public policy. And the judiciary has taken important steps to protect individual freedom.

Our economy is also far richer than it was at the time of independence and poverty has come down substantially. Of course, some countries like South Korea that were in a similar situation then are far better off today but many others have done far worse. Indeed, one of the advantages of a vibrant democracy is that it gives people an eject button which prevents governance from getting too bad. Democracy has probably ensured more stable and equitable economic growth than an authoritarian regime might have.

Yet a dispassionate view of both our democracy and our economy would suggest some concerns. Even as our democracy and our economy have become more vibrant, an important issue in the recent election was whether we had substituted the crony socialism of the past with crony capitalism, where the rich and the influential are alleged to have received land, natural resources and spectrum in return for payoffs to venal politicians. By killing transparency and competition, crony capitalism is harmful to free enterprise, opportunity and economic growth. And by substituting special interests for the public interest, it is harmful to democratic expression. If there is some truth to these perceptions of crony capitalism, a natural question is why people tolerate it. Why do they vote for the venal politician who perpetuates it?

* Address by Dr. Raghuram Rajan, Governor, Reserve Bank of India at the Twentieth Lalit Doshi Memorial Lecture on August 11, 2014 at Mumbai.

A hypothesis on the persistence of crony capitalism

One widely held hypothesis is that our country suffers from want of a 'few good men' in politics. This view is unfair to the many upstanding people in politics. But even assuming it is true, every so often we see the emergence of a group, usually upper middle class professionals, who want to clean up politics. But when these 'good' people stand for election, they tend to lose their deposits. Does the electorate really not want squeaky clean government?

Apart from the conceit that high morals lie only with the upper middle class, the error in this hypothesis may be in believing that problems stem from individual ethics rather than the system we have. In a speech I made before the Bombay Chamber of Commerce in 2008, I argued that the tolerance for the venal politician is because he is the crutch that helps the poor and underprivileged navigate a system that gives them so little access.[1] This may be why he survives.

Let me explain. Our provision of public goods is unfortunately biased against access by the poor. In a number of states, ration shops do not supply what is due, even if one has a ration card – and too many amongst the poor do not have a ration card or a BPL card; Teachers do not show up at schools to teach; The police do not register crimes, or encroachments, especially if committed by the rich and powerful; Public hospitals are not adequately staffed and ostensibly free medicines are not available at the dispensary; …I can go on, but you know the all-too-familiar picture.

This is where the crooked but savvy politician fits in. While the poor do not have the money to 'purchase' public services that are their right, they have a vote that the politician wants. The politician does a little bit to make life a little more tolerable for his poor constituents – a government job here, an FIR registered there, a land right honoured somewhere else. For this, he gets the gratitude of his voters, and more important, their vote.

Of course, there are many politicians who are honest and genuinely want to improve the lot of their voters. But perhaps the system tolerates corruption because the street smart politician is better at making the wheels of the bureaucracy creak, however slowly, in favour of his constituents. And such a system is self-sustaining. An idealist who is unwilling to 'work' the system can promise to reform it, but the voters know there is little one person can do. Moreover, who will provide the patronage while the idealist is fighting the system? So why not stay with the fixer you know even if it means the reformist loses his deposit?

So the circle is complete. The poor and the underprivileged need the politician to help them get jobs and public services. The crooked politician needs the businessman to provide the funds that allow him to supply patronage to the poor and fight elections. The corrupt businessman needs the crooked politician to get public resources and contracts cheaply. And the politician needs the votes of the poor and the underprivileged. Every constituency is tied to the other in a cycle of dependence, which ensures that the status quo prevails.

Well-meaning political leaders and governments have tried, and are trying, to break this vicious cycle. How do we get more politicians to move from 'fixing' the system to reforming the system? The obvious answer is to either improve the quality of public services or reduce the public's dependence on them. Both approaches are necessary.

[1] This idea was inspired from those in Richard Hofstadter's seminal book *The Age of Reform* on the difficulties of reform in the United States around the early twentieth century.

But then how does one improve the quality of public services? The typical answer has been to increase the resources devoted to the service, and to change how it is managed. A number of worthwhile efforts are underway to improve the quality of public education and healthcare. But if resources leak or public servants are not motivated, which is likely in the worst governed states, these interventions are not very effective.

Some have argued that making a public service a right can change delivery. It is hard to imagine that simply legislating rights and creating a public expectation of delivery will, in fact, ensure delivery. After all, is there not an expectation that a ration card holder will get decent grain from the fair price shop, yet all too frequently grain is not available or is of poor quality.

Information decentralisation can help. Knowing how many medicines the local public dispensary received, or how much money the local school is getting for mid-day meals, can help the public monitor delivery and alert higher-ups when the benefits are not delivered. But the public delivery system is usually most apathetic where the public is poorly educated, of low social status, and disorganised, so monitoring by the poor is also unlikely to be effective.

Some argue that this is why the middle class should enjoy public benefits along with the poor, so that the former can protest against poor delivery, which will ensure high quality for all. But making benefits universal is costly, and may still lead to indifferent delivery for the poor. The middle class may live in different areas from the poor. Indeed, even when located in the same area, the poor may not even patronise facilities frequented by the middle class because they feel out of place. And even when all patronise the same facility, providers may be able to discriminate between the voluble middle class and the uncomplaining poor.

So if more resources or better management are inadequate answers, what might work? The answer may partly lie in reducing the public's dependence on government-provided jobs or public services. A good private sector job, for example, may give a household the money to get private healthcare, education, and supplies, and reduce their need for public services. Income could increase an individual's status and increase the respect they are accorded by the teacher, the policeman or the bureaucrat.

But how does a poor man get a good job if he has not benefited from good healthcare and education in the first place? In this modern world where good skills are critical to a good job, the unskilled have little recourse but to take a poorly-paying job or to look for the patronage that will get them a good job. So do we not arrive at a contradiction: the good delivery of public services is essential to escape the dependence on bad public services?

Money liberates and Empowers...

We need to go back to the drawing board. There is a way out of this contradiction, developing the idea that money liberates. Could we not give poor households cash instead of promising them public services? A poor household with cash can patronise whomsoever it wants, and not just the monopolistic government provider. Because the poor can pay for their medicines or their food, they will command respect from the private provider. Not only will a corrupt fair price shop owner not be able to divert the grain he gets since he has to sell at market price, but because he has to compete with the shop across the street, he cannot afford to be surly or lazy. The government can add to the effects of empowering the poor by instilling a genuine cost to being uncompetitive – by shutting down parts of the public delivery systems that do not generate enough custom.

Much of what we need to do is already possible. The government intends to announce a scheme for full financial inclusion on Independence Day. It includes identifying the poor, creating unique biometric identifiers for them, opening linked bank accounts, and making government transfers into those accounts. When fully rolled out, I believe it will give the poor the choice and respect as well as the services they had to beg for in the past. It can break a link between poor public service, patronage, and corruption that is growing more worrisome over time.

Undoubtedly, cash transfers will not resolve every problem, nor are they uncontroversial. A constant refrain from paternalistic social workers is that the poor will simply drink away any transfers. In fact, studies by NGOs like SEWA indicate this is not true. Moreover, one could experiment with sending transfers to women, who may be better spenders. Some argue that attaching conditions to cash transfers – for example, they will be made provided the recipient's children attend school regularly – may improve the usage of the cash. The danger of attaching conditionality is that if the monitor is corrupt or inefficient, the whole process of direct benefits transfers can be vitiated. Nevertheless, it will be useful to monitor usage carefully where automation is possible, and automatically attach further benefits to responsible usage.

A related concern is whether cash transfers will become addictive – whether they become millstones keeping the poor in poverty rather than stepping stones out of it. This is an important concern. Cash transfers work best when they build capabilities through education and healthcare, thus expanding opportunity, rather than when they are used solely for inessential consumption. The vast majority amongst the poor will seize opportunities, especially for their children, with both hands. Nevertheless, if there is evidence that cash transfers are being misspent – and we should let data rather than pre-conceived notions drive policy -- some portion could be given in the form of electronic coupons that can be spent by the specified recipient only on food, education or healthcare.[2]

Another set of concerns has to do with whether private providers will bother to provide services in remote areas. Clearly, if people in remote areas have the cash to buy, private providers will find their way there. Indeed, a particularly desirable outcome will be if some of the poor find work providing services that hitherto used to be provided by public servants. Moreover, implementing cash transfers does not mean dismantling the system of public delivery wherever it is effective – it only means that the poor will pay when they use the public service.

The broader takeaway is that financial inclusion and direct benefits transfer can be a way of liberating the poor from dependency on indifferently delivered public services, and thus indirectly from the venal but effective politician. It is not a cure-all but will help the poor out of poverty and towards true political independence. But financial inclusion can do more; by liberating the poor and the marginalised from the clutches of the moneylender, by providing credit and advice to the entrepreneurial amongst the poor, and by giving household the ability to save and insure against accidents, it can set them on the road to economic independence, thus strengthening the political freedom that good public services will bring. This is why financial inclusion is so important.

[2] Eventually, we will have to find a way to wean those who start earning significant amounts from receiving such transfers. How to do this without providing disincentives to working and earning is a future problem born of success which is best left for another day. The United States has dealt with the disincentive effects of getting off welfare with programs like the earned income tax credit.

Five Ps of Financial Inclusion

Let me end with a vision of how the RBI can speed up and enhance financial inclusion of the kind I have just outlined. Financial inclusion in my view is about getting five things right: Product, Place, Price, Protection, and Profit.

If we are to draw in the poor, we need products that address their needs; a safe place to save, a reliable way to send and receive money, a quick way to borrow in times of need or to escape the clutches of the moneylender, easy-to-understand accident, life and health insurance, and an avenue to engage in saving for old age. Simplicity and reliability are key – what one thinks one is paying for is what one should get, without hidden clauses or opt-outs to trip one up. The RBI is going to nudge banks to offer a basic suite of Products to address financial needs.

Two other attributes of products are very important. They should be easy to access at low transactions cost. In the past, this meant that the Place of delivery, that is the bank branch, had to be close to the customer. So a key element of the inclusion program was to expand bank branching in unbanked areas. Today, with various other means of reaching the customer such as the mobile phone or the business correspondent, we can be more agnostic about the means by which the customer is reached. In other words, 'Place' today need not mean physical proximity, it can mean electronic proximity, or proximity via correspondents. Towards this end, we have liberalised the regulations on bank business correspondents, encouraged banks and mobile companies to form alliances, and started the process of licensing payment banks.

The transactions costs of obtaining the product, including the Price and the intermediary charges, should be low. Since every unbanked individual likely consumes low volumes of financial services to begin with, the provider should automate transactions as far as possible to reduce costs, and use employees that are local and are commensurately paid. Furthermore, any regulatory burden should be minimal. With these objectives in mind, the RBI has started the process of licensing small local banks, and is re-examining KYC norms with a view to simplifying them. Last month, we removed a major hurdle in the way of migrant workers and people living in makeshift structures obtaining a bank account, that of providing proof of current address.

New and inexperienced customers will require Protection. The RBI is beefing up the Consumer Protection Code, emphasising the need for suitable products that are simple and easy to understand. We are also working with the government on expanding financial literacy. Teaching the poor the intricacies of finance has to move beyond literacy camps and into schools. Banks that lend to the entrepreneurial poor should find ways to advise them on business management too, or find ways to engage NGOs and organisations like NABARD in the process. We are also strengthening the customer grievance redressal mechanism, while looking to expand supervision, market intelligence, and coordination with law and order to reduce the proliferation of fly-by-night operators.

Finally, while mandated targets are useful in indicating ambition (and allowing banks to anticipate a large enough scale so as to make investments), financial inclusion cannot be achieved without it being Profitable. So the last 'P' is that there should be profits at the bottom of the pyramid. For instance, the government should be willing to pay reasonable commissions punctually for benefits transfers, and bankers should be able to charge reasonable and transparent fees or interest rates for offering services to the poor.

Let me conclude. One of the greatest dangers to the growth of developing countries is the middle income trap, where crony capitalism creates oligarchies that slow down growth. If the debate during the elections is any pointer, this is a very real concern of the public in India today. To avoid this trap, and to strengthen the independent democracy our leaders won for us sixty seven years ago, we have to improve public services, especially those targeted at the poor. A key mechanism to improve these services is through financial inclusion, which is going to be an important part of the government and the RBI's plans in the coming years. I hope many of you in this audience will join in ensuring we are successful. Thank you.

*Public Debt Management: Reflections on Strategy & Structure**

Harun R Khan

I am thankful to the Centre for Public Policy, Indian Institute of Management, Bangalore and Prof. Charan Singh in particular for inviting me to this conference. As suggested by the organisers, I would like to share some thoughts on the strategy and structure of public debt management in India with the experts and enthusiasts gathered here.

2. Globally it is a well-recognised fact that countries need efficient and effective public debt management as public debt portfolio is the largest portfolio in the economy and its impact could be felt across generations. This prompted Herbert Hoover to remark '*Blessed are the young for they shall inherit the national debt*'. Policy makers need to bestow special attention on debt management as debt sustainability has implications for financial stability as well as well-being of future generations.

3. The debt management in India has come of age from the phase of administered interest rates and high preemptions in the pre-reform period prior to 1990s. The reforms undertaken both in the debt management framework as well as in the Government securities (G-Sec) market has resulted successful management of large borrowing program with least market distortions or disruptions. From central bank funding budget deficits, we now have a system where all Government borrowings are funded through auctions at market determined rates. Statutory pre-emptions were brought down significantly. The annual gross market borrowing of the Government of India and the State Governments increased from ₹122.83 billion in 1991-92 to ₹7,602 billion in 2013-14. The amount of outstanding Government of India securities increased from ₹780.23 billion in 1991-92 to ₹35,141 billion in 2013-14. Policy action was taken on fiscal front by passing the Fiscal Responsibility and Budget Management (FRBM) Act in 2003, firmly setting targets for fiscal correction. Fiscal consolidation has both political and administrative commitment. G-Sec market has been developed through series of developmental measures. It is reasonably liquid and deep with diverse investor base and instruments. Reforms, such as, introducing new instruments, expanding the investor base, strengthening market infrastructure, *etc.* have further strengthened the G-Sec market. As a result, we have a yield curve that spans for thirty years, world-class trading and settlement infrastructure and keen foreign investor interest. On the sustainability front, the debt ratios are reasonable. Debt to GDP ratio has declined in the past decade and stands at 39 per cent of GDP for the Central Government (49 per cent of GDP for the total Central Government liabilities) in 2013-14 (RE). Interest payments to revenue receipts ratio of the Central Government at 37 per cent in 2013-14 (RE) was significantly lower than 51 per cent in 2002-03. In line with the renewed move towards fiscal consolidation from 2012-13, GFD declined to 4.6 per cent of GDP in 2013-14 (RE) from 4.8 per cent in 2012-13. It is budgeted to decline further to 4.1 per cent in 2014-15.

4. In this backdrop, I will share my thoughts on the debt management operations of the Reserve Bank of India with special emphasis on management of the Government of India debt.

Role of the Reserve Bank and the Government in Public Debt Management:

Legal and Institutional Framework

5. It is a sound practice to have appropriate legal framework and institutional structure/organisational

* Based on the keynote address delivered by Shri Harun R Khan, Deputy Governor, Reserve Bank of India at the 9th Annual International Conference on 'Public Policy & Management: Debt Management' at Indian Institute of Management, Bangalore on August 11, 2014. The contributions of Shri N R V V M K Rajendra Kumar and Kumari Renuka Balakrishnan of the Reserve Bank of India are gratefully acknowledged.

arrangements in place for public debt and the entities given powers to borrow must be entrusted with clear responsibility and transparency. The Constitution of India gives the executive branch of Government the powers to borrow upon the security of the Consolidated Fund of India. The Reserve Bank as an agent of the Government (both Union and the States) implements the borrowing program. The Reserve Bank draws the necessary statutory powers for debt management from Section 21 of the Reserve Bank of India Act, 1934. While the management of Union Government's public debt is an obligation for the Reserve Bank, the Reserve Bank undertakes the management of the public debts of the various State Governments by agreement. The procedural aspects in debt management operations are governed by the Government Securities Act, 2006 and rules framed under the Act.

6. External debt (bilateral and multilateral loans) is managed by the Department of Economic Affairs in the Ministry of Finance (MoF). All debt management functions for marketable internal debt are undertaken in the Reserve Bank. These functions comprise formulation of a calendar for primary issuance, deciding the desired maturity profile of the debt, size and timing of issuance, designing the instruments and methods of raising resources, *etc.* taking into account government's needs, market conditions, and preferences of various segments while ensuring that the entire strategy is consistent with the overall macro-economic policy objectives. The Reserve Bank also undertakes the conduct of auctions and manages the registry and depository functions.

7. Decisions on the implementation of the borrowing program, based on proposals made by the Reserve Bank, are periodically taken by the Monitoring Group on Cash and Debt Management. This is a standing committee of officials from the MoF and the Reserve Bank. While this represents a formal working relationship between the MoF and the Reserve Bank, it is further complemented by regular discussions between the Ministry and the Reserve Bank.

8. With regard to accountability and reporting, the operations of the debt management functions in the Reserve Bank are subject to the statutory audit, internal audit and concurrent audit. Recently, the Comptroller and Auditor General (CAG) have started a performance audit of debt management operations in the MoF and the Reserve Bank focusing on three 'E's of process excellence *viz.*, Economy, Efficiency and Effectiveness. While the internal debt management activities are reported in the Annual Report of the Reserve Bank, which is a statutory report and is placed before the Parliament (through MoF), the external debt management functions are reported in the Annual Status Report on External Debt presented to the Parliament by the Finance Minister. Further, the MoF is publishing an annual report on Government Debt, the Middle Office in the Budget Division is publishing quarterly reports on the debt issued. Therefore, a robust reporting of debt is in place in our country.

9. As can be seen, we have sound institutional mechanism with roles and responsibilities clearly entrusted to the Reserve Bank and the Government. This has helped in discharging our mandate effectively.

Debt Management Strategy

Policy Objectives

10. The main objective of debt management is to ensure that the government's financing needs and its payment obligations are met at low cost over the medium to long run consistent with a prudent degree of risk. Prudent degree of risk ensures that no problems exist in rollover of debt. Further, the debt structure must be sustainable to ensure financial stability across time periods. Another important objective is to promote deep and liquid financial markets to minimise long term borrowing cost markets. The debt management policy must also be consistent with other macro-economic policies including monetary policy.

11. Debt Management Strategy (DMS) comprising objectives, various benchmarks & portfolio indicators and yearly issuance plan (external and domestic

funding, instruments, maturity structure, *etc.*) provides requisite direction to the debt management operations. Its articulation imparts information and transparency, certainty and enables market participants (investors) to chalk out their investment strategy in the G-Sec market. Our DMS revolves around three broad pillars *viz.*, cost minimisation, risk mitigation and market development.

Cost Minimisation

12. Cost minimisation is sought to be achieved over medium to long run by formulating appropriate issuance strategy and developing financial markets. The borrowing needs are estimated and amounts are borrowed in timely fashion thereby minimising the opportunity cost. Proper demand estimation, planned issuance and offer of appropriate instruments would aid in lowering costs. In India, the issuance calendar for market borrowings is announced in advance for each half year with details of the quantum to be borrowed each week, maturity buckets, *etc.* A week prior to the auction, individual securities along with their issuance size is notified to public. This strategy of sharing information about debt management has enhanced transparency of debt management operations. The borrowings are planned keeping in view the investment preferences/horizons of various investors. As commercial banks are large investors in G-Sec and are interested in short/medium tenor bonds, substantial issuance is in this tenor. Longer tenor bonds are issued keeping in view demand from insurance companies and provident funds. It may be noted that cost minimisation objective refers to the planning horizon of debt management as minimising costs at any point in time is different from minimising costs over a longer time horizon. What might seem cost-efficient today may prove rather costly over a number of years. It is exactly the acknowledgment of this distinction that would help mitigate the alleged 'dilemma' of minimising costs while containing risks. The cost minimisation attempted over short-term by the debt managers may create sub-optimal debt structures, which may create stress for issuer by enhancing refinancing risks as was seen during the recent European sovereign debt crisis. Recognising the need for appropriate debt portfolio structure, we have desisted from issuance in short tenors as debt maturing in ten years constitutes nearly 60 per cent of total debt.

Risk Mitigation

13. The sovereign debt portfolio is exposed to rollover risk, currency/exchange rate risks, sudden-stop risks and interest rate risks which need to be managed.

Rollover / Refinancing Risk

14. Elongation of maturity of the portfolio is preferred strategy to limit rollover risk. DMS in India has stressed on elongation of maturity whenever possible and, in turn, cost minimisation over the medium term (Table 1). This is achieved by limiting issuances in short tenor bonds and increasing issuance of medium/long tenor bonds taking into account the investor preferences and shape of the yield curve. Though we have issued short term bonds to meet the needs of market borrowings for fiscal stimulus in wake of global financial crisis, we have adopted a conscious strategy of elongating maturity to lessen rollover risk. This is

Table 1: Central Government Market Borrowing through Dated Securities

Year	Borrowings		Outstanding Stocks	
	Weighted average maturity (Years)	Weighted average yield (per cent)	Weighted average maturity (Years)	Weighted average coupon (per cent)
2001-02	14.30	9.44	08.20	10.84
2002-03	13.80	7.34	08.90	10.44
2003-04	14.94	5.71	09.78	09.30
2004-05	14.13	6.11	09.63	08.79
2005-06	16.90	7.34	09.92	08.75
2006-07	14.72	7.89	09.97	08.55
2007-08	14.90	8.12	10.59	08.50
2008-09	13.80	7.69	10.45	08.23
2009-10	11.16	7.23	09.82	07.89
2010-11	11.62	7.92	09.78	07.81
2011-12	12.66	8.52	09.60	07.88
2012-13	13.50	8.36	09.67	07.97
2013-14	15.05	8.45	10.00	07.99

achieved by non-issuance in maturity of 1-5 years, moderating issuance in 5-9 years and increasing issuance in 10-14 year tenor which sees robust demand from banks and other market participants. We have also increased issuance of bonds in tenors more than 15 years to cater to needs of insurance companies and provident funds. Presently, weighted average maturity of India's debt portfolio at 10 years is one of the longest in the world. With an objective to smoothen redemptions, switching of short-tenor bonds maturing at proximate years with long-tenor bonds is also being attempted and is expected to reduce rollover risks.

Exchange Rate Risks

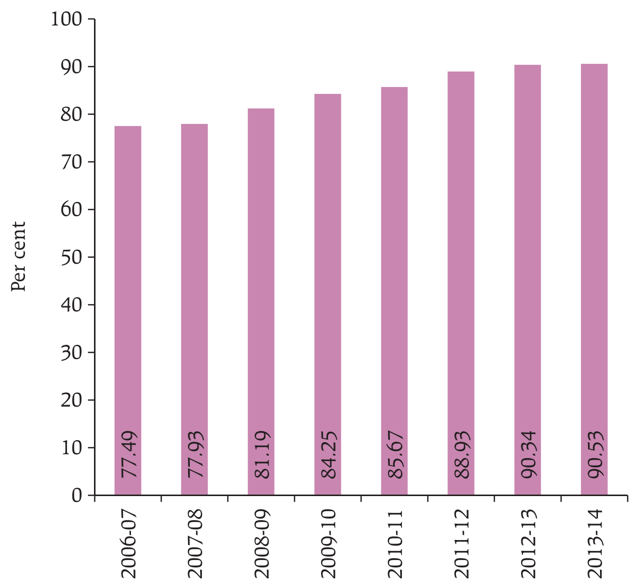
15. Achieving appropriate and stable mix of domestic and foreign currency debt in portfolio is essential. Raising debt in foreign currency could be cost effective and provide a wide and varied investor base. A country with large foreign currency denominated liabilities is, however, exposed to 'currency/exchange rate risks' which could impact macro-economic stability. Further, dependence on foreign currency bonds could mean sharp volatility in interest rate and market volumes linked to the uncertainty of external sovereign ratings. Hence, no sovereign foreign currency bonds have been issued so far by India. Sizeable domestic currency bond issuances are necessary to ensure supply of bonds in the domestic bond market which is a very critical ingredient for development of the domestic bonds market. As a conscious strategy, issuance of external debt (denominated in foreign currency) is kept very low in India and external debt as percentage of Central Government's public debt has come down from 6.4 per cent in 2005-06 to 5.2 per cent during 2011-12 (Chart 1). The external debt in Indian context is entirely bilateral and multilateral loans.

Sudden Stop Risk: Stable Investor Base

16. Almost entire internal debt (*i.e.*, more than 90 per cent) of the Central Government (Chart 1) and all the market loans (which form more than 90 per cent of internal debt [Chart 2]) have been raised from the domestic bond markets. An important feature of investor profile of the G-Sec market is the dominance of domestic investors and limited foreign investor participation. The ability of domestic markets to finance government operations is a source of strength of the debt portfolio which is insulated from the currency risk. This is a consciously adopted policy framework. Investment limits for the Foreign Portfolio Investors

Chart 1: Composition of the Central Government's Public Debt

Chart 2: Share of market loans in internal debt

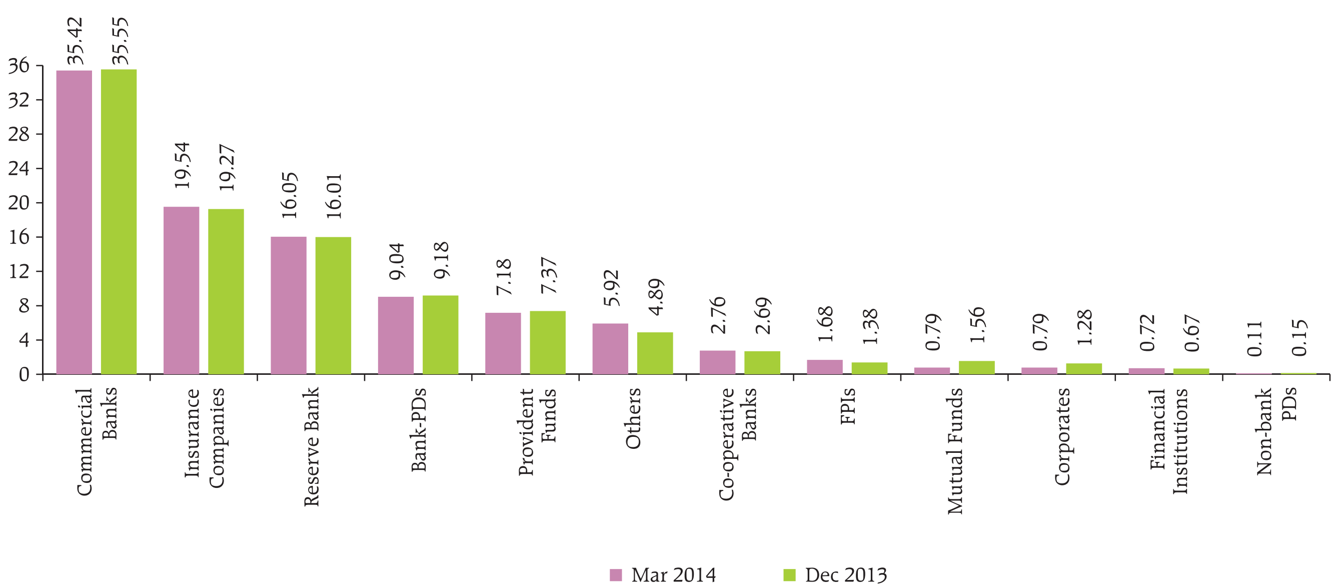


(FPIs) have been enhanced in a phased manner to US$ 30 billion in G-Sec. The limits are apportioned to different categories of investors with preference towards long term stable investors and investments in longer maturities keeping in view the sensitivity of foreign investors to global macro-economic factors and possible sudden reversals which could potentially impact the systemic stability. Participation of foreign investor in the domestic bond markets also needs to be examined in the light of our policy stance relating to calibrated approach to capital account convertibility and the possibility of interest rate and exchange rate volatility due to large scale reversal of capital flows.

17. The domestic investor base is dominated by banks in short to medium tenor securities and by insurance companies and provident funds at the long end. With the entry of co-operative banks, regional rural banks, pension funds, mutual funds and non-banking finance companies, the institutional investor base has been reasonably diversified (Chart 3). There is very little retail participation in the G-Sec market as the G-Sec market has traditionally been an institutional market.

For diversifying the investor base, especially in context of calibrated reduction in mandated investments in form of Statutory Liquidity Ratio (SLR), there is need to focus on new investors, such as, pension funds and retail investors. Reserve Bank has taken several steps to promote retail participation, such as, enabling non-competitive bidding in primary auctions to enable non-institutional investors to participate in auction, introduction of odd lot trading, permitting trading of G-Sec on stock exchanges; mandating retail/ mid-

Chart 3: Investor profile of G-Sec market



segment targets for primary dealers, web based trading access to gilt account holders, *etc.* The process of developing the retail and mid-segment investor base will be continued.

Interest Rate Risk

18. DMS involves issuance of variety of instruments of varying maturities to cater to the preferences of different investors. For example, some investors (banks and financial institutions) like to invest in floating rate bonds (FRBs) for their duration management. Similarly, institutional investors, such as, insurance companies, provident funds, pension funds, *etc.* would prefer to buy long term bonds, zero coupon bonds and inflation indexed bonds (IIBs) for their liability management. Floating rate instruments carry interest rate risks on re-fixing. In India, although we have been raising funds by issuing variety of instruments, such as, fixed rate conventional bonds, FRBs, Zero Coupon Bonds, CIBs, the contribution of linkers (FRBs, IIBs, *etc.*) has remained small, thereby limiting interest rate risk in the debt portfolio. There is, however, a need to increase the share of variable rate bonds to further improve the breadth and width of the G-Sec market and enable market participants to diversify their portfolio. Towards this end, IIBs have been issued linked to the Wholesale Price Index (WPI). A new series is being planned which is linked to Consumer Price Index (CPI).

Developing the G-Sec markets

19. The Reserve Bank, as regulator of G-Sec market, has taken several steps to create a deep and liquid market for facilitating price discovery, reducing the cost of government debt and serve as a benchmark for other debt instruments. The Reserve Bank through carefully and cautiously sequenced measures within a clear cut agenda for primary and secondary market design, development of institutions, enlargement of participants and products, dissemination of market information, prudential guidelines on valuation, accounting and disclosure. Consequently, the G-Sec market has witnessed significant transformation in various dimensions, *viz.*, market-based price discovery, widening of investor base, introduction of new instruments, establishment of primary dealers and electronic trading & settlement infrastructure.

20. For development of bond markets, the Reserve Bank of India adopted a strategy for creation of an efficient market infrastructure to enable safe trading. State of the art primary issuance process with electronic bidding and straight through processing capabilities, an efficient, completely dematerialised depository system within the Central Bank, Delivery-versus-Payment (DvP) mode of settlement, Real Time Gross Settlement (RTGS), electronic trading platform (Negotiated Dealing Systems – Order Matching) (NDS-OM) and a separate Central Counter Party (CCP) in the Clearing Corporation of India Ltd (CCIL) for guaranteed settlement are among the steps that were taken by the Reserve Bank over the years towards this end. The system makes G-Sec trading practically risk free and efficient.

21. The system of Primary Dealers (PDs) was established to provide support to the market borrowing programs of the Government and also to impart liquidity in the secondary markets. Subsequent to the withdrawal of the Reserve Bank of India from the primary market, as mandated by Fiscal Responsibility and Budget Management Act 2003, the PD System has been underwriting the entire Government of India market borrowing.

22. To meet the diverse funding and hedging needs of the participants, there is need for a wide array of instruments and products which would also offer benefits of diversification in the portfolio. Over the years, several instruments like zero-coupon bonds, capital-indexed bonds, floating rate bonds, Separate Trading of Registered Interest and Principal of Securities (STRIPs), bonds with call and put options, cash management bills, inflation indexed bonds have been introduced after wide consultations with market participants. Plain vanilla fixed coupon bonds, however, remain the mainstay of issuances.

23. The Reserve Bank has always focused on improving liquidity in the debt markets. Reserve Bank has constituted a Working Group (Chairman: Shri. R Gandhi) to examine ways to improve liquidity in Government securities and interest rate derivatives market which made several recommendations including suggestions for consolidation of debt. Many of the Working Group recommendations are being implemented. The recommendations, such as, truncating the time window for bidding in the primary auction; changing the settlement cycle of primary auctions in Treasury Bills (T-Bills) from T+2 to T+1; conduct of primary auctions in G-Sec as a mix of both uniform-price and multiple price formats; re-issuances of existing securities in state development loans; and migration of secondary market reporting of OTC trades in G-Sec (outright and repo) from PDO-NDS to NDS-OM and CROMS, respectively, have been implemented. Work is in progress with regard to recommendations on consolidation of public debt.

24. As a result of the DMS, all sustainability indicators, *viz.*, level of debt, ratio of interest payments to revenue receipts, average cost and few floating rate instruments point towards long term sustainability. To take the process further and improve stability of debt portfolio, Reserve Bank has been striving towards consolidation, both passive and active methods. Passive consolidation is achieved through re-issuances and nearly 95 per cent of the bond issuance is through reissuance. We have also embarked on active consolidation through switches and buy-backs, which is expected to reduce roll-over risks significantly.

25. It is against this backdrop, I would like to make some comments on an issue that is engaging attention of policy makers for a decade and half: the issue of separation of debt management from the central bank in India.

Institutional Arrangements for Sovereign Debt Management

26. To put the debate in its historical context, with regard to the location of sovereign debt management functions multiplicity of arrangements exist around the world: in the ministry of finance, central bank or autonomous debt management agency. Cross country experience shows that there is no international best practice and the adoption of any particular model could depend on country specific circumstances. In the nineties, several OECD countries entrusted debt management to separate agencies with the objective of providing monetary policy independence to central banks so that they could concentrate on inflation management and not impacted by the conflicting objective of raising debt for the sovereign at low cost. It was also perceived that independent Debt Management Office (DMOs) would improve operations of debt management through improved accountability and specialisation. Many developed nations have followed suit.

27. In India, the genesis of the proposal could be traced back to various Committees/Working Groups, such as, Committee on Capital Account Convertibility (1997); Review Group of Standing Committee on International Financial Standards & Codes (2004), Percy Mistry Committee, Internal Working Group on Debt Management, MoF and finally Financial Sector Legislative Reforms Committee, which suggested separation of debt management from monetary management. During this phase the Reserve Bank, while suggesting separation, has made it conditional on attainment of three milestones: development of the government securities market, durable fiscal correction and an enabling legislative framework. It is argued that separate DMO will help to establish transparency, and assign specific responsibility and accountability on the debt manager and could lead to an integrated and more professional management of all government liabilities, with a focused mandate.

28. The public discourse also focused on three kinds of conflict in sovereign debt management being done by the central bank:

i. The objective of the Reserve Bank as a public debt manager may conflict with the prevailing monetary policy stance and the market participants; the central bank may not be increasing interest rates to keep borrowing costs low and thereby compromising on inflation management;

ii. The central bank, being also a debt manager, could take government debt on its balance sheet to ensure successful government borrowing; and

iii. The imperatives of the Government borrowing program may influence the decision of the Reserve Bank, as regulator of banks, to reduce the SLR requirements.

29. In my view, the institutional arrangements for debt management must take into view the country specific context and requirements. To set the context for this debate, we can examine the conflict of interest argument in Indian context. Even as the government's borrowings had gone up both in absolute and proportional terms, Reserve Bank has raised policy rates several times during the past five years; clearly indicating its commitment to price stability. Inspite of a six-fold increase in the size of the net market borrowing of the Central and State Governments during the decade 2000-10, the average weighted cost of borrowing declined by over 450 bps compared to the previous decade. In 2009-10, during the global financial crisis, Reserve Bank carried out government borrowing of about ₹4 trillion without disrupting the debt market or elbowing out private sector's credit requirement. Inspite of rising interest rate scenario, the Reserve Bank was able to complete the Government's borrowing program in a non-disruptive fashion at a reasonable cost.

30. The FRBM Act, 2003 which precluded the Reserve Bank from participating in the primary auction of the Government bonds has resolved the conflict of interest with the monetary policy. Monetary signalling in India is now done by the repo rate (policy rate) under the liquidity adjustment facility (LAF) and not the bond yields.

31. As regards the SLR issue, it needs to be appreciated that the SLR has been used by the Reserve Bank as an instrument of prudential regulation. This has ensured that at any given point of time, all the banks have a specific percentage of their liabilities in the form of risk-free, liquid instruments. In fact, such requirement for banks to hold a certain percentage of their assets in cash and cash like instruments is one of the key corrective instruments being discussed internationally, and formed integral part of liquidity risk management under Basel III capital framework. In any case, pre-emptive mandated investments are being scaled down as can be seen from SLR reduction from peak levels of 38.5 per cent of NDTL of banking system to the present level of 22 per cent.

32. While theoretical formulations can conjecture conflicts of interest; the validity of assumptions need to be tested by evaluation of experience/performance and on that count, conflict of interest cannot be established with regard to the Reserve Bank.

33. Another point that merits attention is that the proponents of separation, while citing examples from countries which differ significantly with regard to institutional milieu from India, pay little attention to nuances of debt management operations. For instance, domestic debt in the UK is managed by DMO, whereas external debt is the responsibility of the Bank of England. The whole concept of an 'all-in-one debt office' is a theoretical construct than a real organisation.

34. It is also important to note that sovereign debt management (SDM) is much more than a mere resource raising exercise especially in a developing country context like ours. The size and dynamics of government market borrowing has a much wider influence on interest rate movements, systemic liquidity. An autonomous DMO, driven by specific objectives exclusively focusing on debt management alone, may not be able to manage this complex task involving various trade-offs.

35. With regard to autonomous DMOs focusing on specific responsibilities, the experience of European debt managers is instructive. The experience of DMO

in the Euro area (especially Greece, Portugal and Ireland) has been less than satisfactory. The independent DMOs seemed to have been guided by perverse incentives and issued short-term/foreign debt in a disproportionate fashion, intensifying roll-over risk, sovereign risk and financial instability. The debt management strategy and operations have resulted in a skewed maturity profile with balloon payments. For instance, Greece has bunched maturities during 2010–19 with interest payments on public debt constituting nearly 40 per cent of Greece's budget deficit during 2009. Large proportion (above 70 per cent) of debt of Portugal, Greece and Ireland was held by non-residents. As foreign investors turned risk averse and started withdrawing investments, rating agencies downgraded the debt of these countries. The debt management strategy has jeopardized the fiscal situation and financial stability. Therefore, autonomous DMO focusing on specific objectives, such as, cost minimisation in isolation and not in conjunction with other macro-economic policies may result in sub-optimal debt management outcomes.

36. Persistent fiscal deficit warranting huge borrowings, often at the cost of flow of reserves to the private sector, has been the predominant feature of the Indian economy. Increasing borrowings by the Government, both the Central and the State Governments, have to be strategically planned and tactically executed keeping in view the market conditions, liquidity situation and macro-economic implications. Thus, given the persistently large size of the market borrowings, there is a strong case for confluence of interest between monetary policy and debt management in India. On the other hand, Government's ownership of majority stake in public sector banks (which own 70 per cent of banking sector assets) could be a source of conflict of interest with its role as debt manager, either directly or through an agency controlled by it.

37. In a situation of excess capital flows requiring forex intervention from the Reserve Bank and the consequent sterilisation through issuance of Government securities under the Market Stabilisation Scheme (MSS), the coordination of SDM with these operations needs to continue. In 2007-08, the volume of MSS issuance was comparable to that of the SDM issuance. With the reversal of capital flows in 2008-09 and the large increase in Government's market borrowing program, there was significant unwinding of the MSS and the Reserve Bank could manage the situation non-disruptively as both the functions were entrusted to it and it could undertake the necessary liquidity management measures seamlessly. During second half of 2013, the Reserve Bank of India used cash management bills (CMBs) as a measure to contain the volatility in the foreign exchange market. Separation of SDM from the Reserve Bank will make it very difficult to harmonise these operations as is done at present.

Post-crisis lessons

38. In the pre-crisis phase, the functions of monetary policy, financial stability and SDM used to be looked upon as an 'impossible trinity'. Post-crisis, their interdependence is increasingly being recognised. Unlike in the past, central banks' operations are not currently confined to the shorter end but are carried out across the yield curve. Similarly, Government debt managers, opportunistically or under compulsion, are increasingly operating at the shorter end. This has intensified the interaction between monetary policy and SDM, warranting greater coordination in the interest of policy credibility and financial stability. Internationally, there has been a rethinking on the issue of debt management by Central Banks, with scholars like Charles Goodhart articulating that debt management being a critical element in the overall conduct of macroeconomic policy, central banks should be encouraged to revert to their role of managing the national debt.

39. In this context, the cause of coordination is always better served under the same roof than by a separation from central bank, accompanied by a closer inter-institutional coordination. There could be an argument that coordination mechanism could be designed

between the central bank and the DMO, either by statute or executive order. The experience of coordination mechanisms between DMO and central bank, which are vital for economic management, is however, far from satisfactory and impacted debt management. There has been instances of failed auctions, *e.g.*, in the UK (March 2009), causing reputation risk for both the authorities. In the above backdrop, it is strongly felt that given the large size of the market borrowings, there is a confluence of interest between monetary policy and debt management in India.

40. The significant impact of the Government borrowing on the broader interest rate structure in the economy and, therefore, on the monetary transmission process in financial markets, makes it a critical component of the macroeconomic management framework. In such a scenario, central bank involvement in managing the market volatility and market expectations arising out of government debt borrowing becomes necessary. The past experience, reinforced by the recent developments regarding huge market borrowing of the Government, has shown the necessity of this approach. Such will be the case even if the central bank is disassociated from the operational aspects of debt issuance. This being so, it is much better for the central bank to have a hands-on involvement.

41. It is, therefore, imperative that future course of action needs to be decided based on ground realities of our country rather than from an ideological perspective, emerging post-crisis international experience and the fact that the separation of debt management from the central bank could compromise the effectiveness of monetary policy, efficiency of debt management and stability of financial markets. Therefore, there is a strong case for continuance of present system of Central Bank managing debt management in India. In case, however, a decision is taken to move the debt management function to a separate unit, it needs to be preceded by well thought out strategy on timing of commencement of its operations, selection of personnel, their incentive structure, performance evaluation benchmarks from the long term debt sustainability points of view and arrangements for perfect institutional and operational co-ordination among the debt management unit, the Ministry of Finance & the Reserve Bank of India.

Concluding thoughts

42. I would like to conclude by adding that the process of managing public debt is an onerous responsibility, with implications for financial stability in the short to medium term and inter-generational equity in the long run. Our debt portfolio is reasonably stable and sustainable and due to our conscious strategy of elongation of maturity, low level of foreign currency debt, large domestic investor base, risks are at low level. There is, however, an unfinished agenda of consolidation of public debt and we are moving towards this goal by active debt management through re-issuances, buybacks and switches. More efforts are needed to develop a deep and liquid G-Sec market that allows the government to borrow more efficiently, different classes of investors to enter & exit the market freely and private sector issuers to price their offerings transparently. We are, therefore, committed to improving liquidity. Reserve Bank has discharged its mandate of managing the public debt in an efficient and effective manner. There is merit in continuance of present institutional arrangement. If at all, separation of debt management from central bank has to be effected, it should be preceded by well thought strategy focussing on perfect co-ordination among the Debt Management Office, the Ministry of Finance and the Reserve Bank of India.

Thank you.

*Real Estate and Housing – A Sensitive Sector or Samvriddhi Sector?**

R. Gandhi

Shri Navin Raheja, Chairman, National Real Estate Development Council, Shri Sunil Mantri, President, NAREDCO, members of NAREDCO, Ladies and Gentlemen, a warm good evening to all of you. I am very happy to be addressing you all at this valedictory session of the NAREDCO Conclave on Banking & Investment Reforms.

Real estate and our economy

2. The term 'real estate' is defined[1] as land, including the air above it, the ground below it, and any buildings or structures on it. It is also referred to as realty. It covers residential housing, commercial offices, trading spaces such as theatres, hotels and restaurants, retail outlets, industrial buildings such as factories and government buildings. Real estate involves the purchase, sale, and development of land, residential and non-residential buildings. The real estate sector is a major employment driver, being the second largest employer next only to agriculture. This is because of the chain of backward and forward linkages that the sector has with the other sectors of the economy, especially with the housing and construction sector. About 250 ancillary industries such as cement, steel, brick, timber and building materials are dependent on the real estate industry. While it is difficult to estimate the exact contribution of the real estate sector to gross domestic product (GDP) as it appears in a disaggregated and dispersed form in the National Accounts Statistics, in view of what is stated above, lot of importance has been placed on the development of real estate in the country by the Government.

Finance to real estate

3. Real estate and housing sectors are unique in one respect. It is in these sectors the financing thereof is contributed by every possible source – be in the Central Government, the state governments, banks, NBFCs, HFCs, MFIs, private capital – formal or informal, or individuals – has a hand in it; still it is insufficient, given the massive magnitude of the needs for housing and real estate sectors in the country.

4. The Government of India has taken several important policy decisions over the years in the areas of affordable and low income housing. It has played an important role in ensuring that the affordability component merges well with the overall sectoral strategy. Two factors that have clearly emerged as key drivers in the Indian housing market are: (1) a wider group of stakeholders and a multiplicity of institutions, and (2) enhanced confidence in the housing finance industry of all stakeholders.

5. The National Housing and Habitat Policy 2007 lays emphasis on development of affordable housing and elimination of acute housing shortage among the poor. Accelerated supply of serviced land, expansion of housing finance market and facilitating the private sector participation in the sectoral growth are also emphasised in the Policy. With the establishment of individual home loan financing through commercial banks & housing finance companies, access to home loan finance has expanded considerably. However, access to finance for the very poor and those working in informal sector, to fulfil their affordable housing needs, still needs to go a long way.

6. Recognising the importance of housing and real estate sectors, the Union Budget for 2014-15 included several announcements such as:

- ₹8,000 crores allocated to the Rural Housing Fund run by NHB,
- ₹7,060 crores allocated for development of 100 new smart cities in the country,

* Speech delivered by Shri R. Gandhi, Deputy Governor, Reserve Bank of India on August 20, 2014 at the 'NAREDCO CONCLAVE – Banking & Investment Reforms: Housing for all by 2022'. Assistance provided by Shri Arnab Roy and Shri Lalit Kumar is gratefully acknowledged.

[1] Tenth Five year Plan document of the Planning Commission.

- Relaxation of FDI norms in the real estate sector,
- ₹4,000 crores allocated for low-cost housing and ₹50,000 crores for urban housing,
- Slum development to be treated as Corporate Social Responsibility (CSR) activity,
- Real estate investment trusts (REITs) introduced. SEBI has since issued guidelines in this regard and
- Increase in deduction limit on interest paid on home loans.

7. State Governments have also played an important role in promoting affordable housing for the lower segments of the population. Many of the state Governments have initiated programmes aimed at eradication of slums and provision of formal housing to the lower income segments. These programmes, which are at various stages of execution, have given to the people, hopes for a better life and hopes for a brighter tomorrow. Other policymakers such as the Reserve Bank of India and the National Housing Bank are also playing their part in promoting growth through housing. It is heartening to note that the housing finance sector, which was in its infancy just two decades back, is now a thriving and vibrant part of the overall financial sector, is well integrated with the other segments of the economy and is equipped to take on the challenge of extending access to formal housing finance system to the less privileged segments of the society.

Housing Finance

8. The housing finance market witnessed significant expansion in late 1990s and early 2000s with the entry of scheduled commercial banks in a big way. The housing loan portfolio of both SCBs and HFCs has grown significantly over the years due to supportive policies initiated by the Government of India and the RBI. On the one hand, fiscal concessions were provided by GoI (under sections 80 C and 24 of I.T. Act) while on the other hand, housing loans upto ₹25 lakh given by SCBs were brought under Priority Sector Lending. NPAs being very low and supported by SARFAESI Act, has prompted the financial institutions to make available housing loans at competitively affordable and comparatively lower rates. Besides, GoI has also implemented Interest Subvention Schemes like 1 per cent Interest Subsidy Scheme, Interest Subsidy Scheme for Housing the Urban Poor and Rajiv Awas Yojana, *etc.*, in order to make housing loans affordable for the targeted segments. These measures have resulted in improving the demand for housing loans. Recently, RBI has carved out Residential Project loans out of the purview of Commercial Real Estate arena to boost financing of project loans for increasing the supply of housing stock. The housing loan portfolio of financial institutions (SCBs and HFCs) has increased from ₹4.60 lakh crores in 2010 to ₹8.90 lakh crores in 2014 thereby registering compound annual growth rate of about 18 per cent over 2010 – 2014.

9. However, housing loans as a percentage of GDP in our country has remained quite low at around 9 per cent which is significantly lower than the levels achieved in most of the developed countries. Further, the housing shortage in the urban areas was estimated, as of 2012, at 18.78 million units while in rural areas it is estimated to be more than 40 million units. The situation is alarming with 95 per cent of the housing shortage pertaining to the Economically Weaker Section (EWS) and Low Income Group (LIG) categories which do not seem to be getting translated into economic demand due to lower affordability by the poor. The ever increasing demand for housing due to increased migration from rural to urban areas has continuously led to development of slums and unhygienic living conditions dragging down the productivity of the city and its potential contribution to economic growth. This definitely indicates the extent of opportunity for deeper penetration of this market.

10. The housing market in India is influenced by both demand and supply side constraints. The growing middle class, income levels of the people, cyclical conditions, urbanisation are demand drivers which

have impacted the housing sector. The major supply side constraints include the lack of availability of land, finance at reasonable rate, infrastructure, legal and regulatory framework and the limitations of the private and other stakeholders to provide low income housing.

11. Banks and financial institutions consider lending to the poor a risky business. To renew the interest of the lending agencies in the financial sector towards extending housing finance to this segment of the population the Government of India has been taking a number of steps like the establishment of the Credit Risk Guarantee Fund Trust for Low Income Housing, Rajiv Rin Yojana, *etc.* The Hon'ble Finance Minister in his budget of 2014-15 has given impetus to the mission of 'Housing For All' by allocating a sum of ₹8,000 crore towards the Rural Housing Fund, ₹4,000 crore towards affordable housing to the urban poor/EWS/LIG segment. He has also extended additional tax incentive on home loans under Sections 80 C and 24 of Income Tax Act, to encourage people, especially the young, to own houses amongst others.

Regulatory Approach

12. Despite the significance of the real estate and the housing sectors for the economy as a whole, their contribution to and further potentials for economic growth, and their critical role in poverty alleviation, these sectors have been globally considered by regulators as volatile and prone to formation of asset bubbles, requiring special regulatory attention to protect the interest of lenders and even the borrowers. Many a financial crisis in the world has been caused by the excesses in these sectors. Most recent global economic and financial crisis of 2008 – 09 has also been caused by these excesses. Therefore the regulatory approach to these sectors has been highly sensitive.

13. The Reserve Bank's regulations have also been directed towards containing excessive/rapid flow of credit towards the sector, prescribing prudential norms for banks and NBFCs for lending towards real estate activities. However, India needs special attention and support for housing. Therefore, the policy approach has been so fine-tuned facilitating affordable housing for weaker sections and growth of the residential real estate sector. National Housing Bank's regulations for the Housing Finance Companies also follow similar approach.

Banks and Commercial Real Estate (CRE) & Housing

14. CRE and Housing finance as a financial service is relatively young in India and has witnessed massive growth particularly over the last twenty years. Banks became major players in the Indian mortgage market only from the late 1990' and are now one of the largest mobilisers of households' savings and housing finance. The Indian banking sector has an expansive reach and is well geared to serve all segments of the society, including the underprivileged.

15. Our circular DBOD.BP.BC.No.42/08.12.015/2009-10 dated September 9, 2009 on 'Guidelines on Classification of Exposures as CRE Exposures' prescribes that for an exposure to be classified as Income Producing Real Estate/CRE, the essential feature would be that the funding will result in the creation / acquisition of real estate (such as, office buildings to let, retail space, multi-family residential buildings, industrial or warehouse space, and hotels) where the prospects for repayment would depend primarily on the cash flows generated by the asset. Additionally, the prospect of recovery in the event of default would also depend primarily on the cash flows generated from such funded asset which is taken as security, as would generally be the case. The primary source of cash flow (*i.e.,* more than 50 per cent of cash flows) for repayment would generally be lease or rental payments or the sale of the assets as also for recovery in the event of default where such asset is taken as security.

16. This circular also states that it is possible for an exposure to get classified simultaneously into more than one category, as different classifications are driven by different considerations. In such cases, the exposure would be reckoned for regulatory / prudential exposure limit, if any, fixed by the RBI or by the bank itself, for

all the categories to which the exposure is assigned. For the purpose of capital adequacy, the largest of the risk weights applicable among all the categories would be applicable for the exposure. The rationale for such an approach is that, while at times certain classifications / categorisations could be driven by socio-economic considerations and may be aimed at encouraging flow of credit towards certain activities, these exposures should be subjected to appropriate risk management / prudential / capital adequacy norms so as to address the risk inherent in them. Similarly, if an exposure has sensitivity to more than one risk factor it should be subjected to the risk management framework applicable to all the relevant risk factors.

17. In view of the volatility in prices of CRE, higher risk weight and provisioning norms have been prescribed by us for the CRE Sector. We have prescribed differential Loan to Value (LTV) Ratio, risk weights and provisioning for individual housing loans in order to differentiate the risks involved in low value and high value home loans. In order to support the residential housing sector, we have carved out (vide circular dated June 21, 2013) a separate sub-sector out of CRE *viz.*, CRE-RH (Commercial Real Estate – Residential Housing). The circular defines CRE-RH as below:

> *CRE-RH would consist of loans to builders / developers for residential housing projects (except for captive consumption) under CRE segment. Such projects should ordinarily not include non-residential commercial real estate. However, integrated housing projects comprising of some commercial space (e.g., shopping complex, school, etc.) can also be classified under CRE-RH, provided that the commercial area in the residential housing project does not exceed 10 per cent of the total Floor Space Index (FSI) of the project. In case the FSI of the commercial area in the predominantly residential housing complex exceeds the ceiling of 10 per cent, the project loans should be classified as CRE and not CRE-RH.*

18. Carving out of CRE-RH was done with the intention of providing regulatory support to lending towards residential housing projects by allowing lower provisioning and risk-weights. Apart from this, different slabs of LTV ratios, risk weights and provisioning have been prescribed to support housing loans for lower income groups while stressing the need for higher stake of home buyers in high cost houses.

19. The LTV ratio – Risk weight matrix for housing loans as also CRE and standard assets provisioning for both Housing as also CREs are tabulated below:

Category of Loan	LTV Ratio (per cent)	Risk Weight (per cent)	Standard Asset Provisioning (per cent)
(a) Individual Housing Loans			
(i) Up to ₹20 lakh	90	50	0.40
(ii) Above ₹20 lakh and up to ₹75 lakh	80	50	0.40
(iii) Above ₹75 lakh	75	75	0.40
(b) CRE-RH	N A	75	0.75
(c) CRE	N A	100	1.00

20. The restructured housing loans should be risk weighted with an additional risk weight of 25 per cent. In view of the higher risk associated with housing loans at teaser rates *i.e.*, at comparatively lower rates of interest in the first few years, after which rates are reset at higher rates, we have prescribed higher standard asset provisioning on such loans at 2.00 per cent from December 2010. The provisioning on these assets would revert to 0.40 per cent after 1 year from the date on which the rates are reset at higher rates if the accounts remain 'standard'.

21. We have also advised banks vide circular dated February 3, 2012 that they should not include stamp duty, registration and other documentation charges in the cost of the housing property they finance so that the effectiveness of LTV norms is not diluted. These charges overstate the realisable value of the property and consequently the margin stipulated gets diluted.

22. In order to ensure adequate credit flow to infrastructure sector as also towards the affordable housing needs of the country, by encouraging banks to

optimally utilise the long-term financing avenues already available to them to finance their lending to these sectors, the extant prudential guidelines on this issue have been reviewed with a view to minimise certain regulatory pre-emptions. The RBI vide its circular dated July 15, 2014 allowed banks to issue long-term bonds with a minimum maturity of seven years to raise resources for lending to (i) long term projects in infrastructure sub-sectors, and (ii) affordable housing. The circular has defined lending to affordable housing as housing loans eligible under priority sector lending by the RBI and also housing loans to individuals upto ₹50 lakhs for houses of values upto ₹65 lakhs located in the six metropolitan centres *viz.*, Mumbai, New Delhi, Chennai, Kolkata, Bengaluru and Hyderabad and ₹40 lakhs for houses of values upto ₹50 lakhs in other centres for purchase/construction of dwelling unit per family. The RBI will periodically review the definition of affordable housing on account of inflation.

NBFCs and Real estate

NBFCs primarily into housing finance – Housing Finance Companies (HFC):

23. NBFCs that are primarily into housing finance are regulated by National Housing Bank. At present, around 60 Housing Finance Companies are registered with NHB, of which around 18 are deposit taking ones. As per the NHB report on trend and progress of housing in India 2013, the share of HFCs in the total housing loan portfolio of the country was 46 per cent for 2012-13. Total outstanding housing loans of HFCs as on March 31, 2013 stood at ₹2,90,427 crores.

NBFCs other than HFCs:

24. Regulation on lending to / investment in real estate by NBFCs registered with the Reserve Bank cover the following:

i. Deposit taking NBFCs are not permitted to invest in land or building, except for its own use, beyond an amount exceeding ten per cent of its owned fund.

ii. Since September 2011, deposit taking and non-deposit taking NBFCs with asset size of ₹100 crores and above are required to furnish data on their exposure to real estate.

iii. While granting finance to housing / development projects, NBFCs also should stipulate as a part of the terms and conditions that the builder / developer / owner / company would disclose in the Pamphlets / Brochures / advertisements, *etc.*, the name(s) of the entity to which the property is mortgaged and that they would provide No Objection Certificate/ permission of the mortgagee entity for sale of flats / property, if required.

iv. The risk weight currently applicable to real estate exposures is 100 per cent. For loans guaranteed by Credit Risk Guarantee Fund Trust for Low Income Housing, NBFC-MFIs may assign zero risk weight for the guaranteed portion.

v. Every non-deposit taking NBFC with asset size of ₹100 crores and above shall disclose its exposure to real estate, both direct and indirect.

vi. Mere extension of date of commencement of commercial operation (DCCO) in the case of CRE projects would not be considered as restructuring, if the revised DCCO falls within the period of one year from the original DCCO and there is no change in other terms and conditions.

vii. Further, the general instructions with regard to prudential norms including exposure norms are also applicable to NBFCs' exposure to real estate.

NBFCs – Real estate exposure

25. As on March 31, 2014, the real estate exposure of NBFCs registered with the Bank at around 4.1 per cent of the total assets of the sector is not significant as may

Amount in ₹ crore

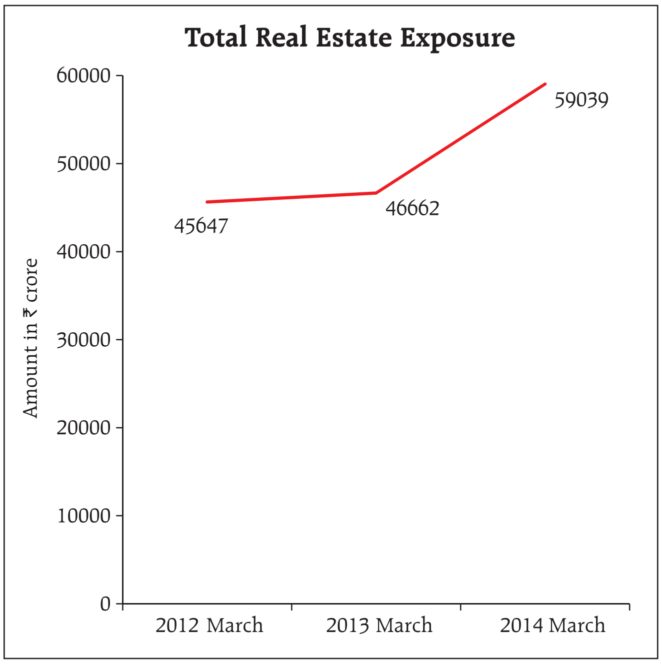
	2012 March	2013 March	2014 March	2012 March	2013 March	2014 March
Assets	11,51,675	12,96,081	14,43,977	per cent to total assets		
A. Direct Exposure						
1. Commercial Property	7,507	10,922	15,284	0.7 per cent	0.8 per cent	1.1 per cent
2. Land & Building Developers (Commercial)	11,802	8,645	14,522	1.0 per cent	0.7 per cent	1.0 per cent
3. Mortgages other than individual Housing Loans	8,346	12,658	15,033	0.7 per cent	1.0 per cent	1.0 per cent
4. Housing Loans	8,816	5,613	6,548	0.8 per cent	0.4 per cent	0.5 per cent
5. Others	8,026	7,943	6,871	0.7 per cent	0.6 per cent	0.5 per cent
6. Investments in Real Estate	0	0	3	0.0 per cent	0.0 per cent	0.0 per cent
B. Indirect Exposure						
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	1,149	881	777	0.1 per cent	0.1 per cent	0.1 per cent
Total Real Estate Exposure	45,647	46,662	59,039	4.0 per cent	3.6 per cent	4.1 per cent

*Data pertains to deposit taking NBFCs, and non-deposit taking NBFCs with asset size ₹100 crore and above and as reported to RBI

be observed from the table below. Further, only few NBFCs are reported to have relatively high exposure to real estate. The number of such NBFCs having exposure of more than 40 per cent of their assets was around 14. As compared to previous years, the exposure shows a rising trend, though.

Mortgage Guarantee Companies (MGC)

26. A mention may also be made here with regard to mortgage guarantee companies. An MGC is a company which primarily transacts the business of providing mortgage guarantee. The Reserve Bank regulates them towards since 2008. The concept of MGC was mooted, as announced in the Union Budget Speech 2007-08, to give greater comfort to banks and housing finance companies that lend against mortgages. So far only one MGC has been registered with the Bank. Certain bottlenecks identified as reasons for the concept not picking up are being addressed by the Reserve Bank.



National Housing Bank's Refinance Initiatives

27. NHB extends refinance assistance to primary lending institutions in respect of their lending for housing. There are different schemes for catering to the requirements of different segments such as rural housing, urban low income housing, housing for women, energy efficient housing, *etc.* Since inception, the Bank has provided cumulative refinance assistance to the tune of ₹1.20 lakh crores under its various schemes.

Rural Housing Fund (RHF)

28. Central Government has set up a RHF to enable primary lending institutions to access funds for extending housing finance to targeted groups in rural areas at competitive rates. The corpus of the Fund is contributed by those Scheduled Commercial Banks

(SCBs) which have been unable to fulfil their priority sector targets during the preceding year. The quantum of funds to be contributed by each SCB and the applicable interest rate are determined by the Reserve Bank of India depending upon the priority sector shortfall of the respective SCB. The funds are made available to NHB for a period of 7 years. The corpus of the Fund for 2008-09 was ₹2,000 crore, which was enhanced by₹2,000 crore during 2009-10, ₹2,000 crore for 2010-11, ₹3,000 crore for 2011-12, ₹4,000 for 2012-13 and by a further amount of ₹6,000 crore for 2013-14. A total amount of ₹12,778 crore was received by the Bank under the Fund in the first five years, and was deployed in full towards refinance for rural housing for the target groups. For the year 2013-14, an allocation of ₹6,000 crore was made, out of which an amount of ₹3,527 crore has been deployed for refinance till date. The Union Budget for 2014-15 has made an allocation of ₹8,000 crore towards RHF.

Urban Housing Fund (UHF)

29. UHF was announced in the Union Budget for 2013-14 with an initial outlay of ₹2,000 crore to provide refinance assistance with a view to mitigating the housing shortage in urban areas. The UHF refinance scheme covers urban housing loans upto ₹10 lakhs (where the annual household income of borrower is upto ₹4 lakhs and the unit cost is ₹16 lakhs or unit size is upto 60 m^2). Out of an allocation of ₹2,000 crore under UHF, an amount of ₹890 crore has been deployed till date.

Special Refinance Scheme for Urban Low Income Housing (LIH Scheme)

30. The LIH scheme has been designed with the objective of augmenting the flow of institutional housing finance to the low and moderate income segments in urban areas. The scheme provides refinance at fixed concessional rates for long tenures in respect of housing loans extended to target beneficiaries in urban areas.

What More

31. There are several more things to ensure that the real estate and housing sectors grow at the desired pace and direction. First, to be effective and efficient, housing finance systems need to be supported by explicit legal institutions and instruments. These are not only necessary to acquire and transfer ownership rights in real estate, but also represent the foundation for the orderly functioning of mortgage lending. Legal arrangements must also take into account the additional layers of complexity raised by the mobilisation of collateral in the secondary mortgage market.

32. Secondly, there is also a felt need for financial innovation with respect to the loan products. One such product could be savings induced home loan or a home loan deposit. The willing consumers may be induced to generate a savings balance by way of monthly or periodic deposits. This will enable creation of a track record for repayment of a future home loan product. Once the customer reaches a threshold balance, the financial institutions can consider sanctioning of a housing loan. The balance in the account could act as collateral or the margin. The amount deposited every month would act as the base to assess the repayment capacity of the customer for the purpose of calculating the monthly repayment instalments.

33. Thirdly, the credit risks originating in the housing sector, particularly low ticket housing segment, should also be internalised through proper insurance schemes for banks and other lenders. The various stakeholders should aim at timely completion of projects, delivery of houses/flats to target segments without cost escalations and with valid titles and all necessary clearances.

34. Fourthly, we need to develop an elaborate system for collecting data on real estate and housing activity. Statistics on housing starts, house sales – new and old, housing prices, *etc.*, so that our policy decisions can be fully informed and guided by research.

Conclusion

35. To conclude, we recognise that housing is integrally related to a host of outcomes for the individuals, communities and society more broadly beyond those that are financial or material. Quality housing can facilitate psychological and social outcomes such as security and a sense of control over one's life. Although commendable progress has been made over the years in the real estate and housing sectors, there is room for a great deal more. Availability of adequate housing units in the affordable segment and improved home ownership coupled with access to formal housing finance for the lower income segments, continues to be a policy priority for contributing significantly to all round economic growth.

36. In short, a comprehensive and holistic approach involving easy availability of land, accessible financing, supportive legal framework and innovative technology continues to be the fulcrum required for realising the full potentials of these sectors.

37. Thanking everyone for your patient attention.

*Danger Posed by Shadow Banking Systems to the Global Financial System – The Indian Case**

R. Gandhi

What is Shadow Banking?

Shadow banking is a universal phenomenon, although it takes on different forms. In advanced economies where the financial system is more matured, the form of shadow banking is more of risk transformation through securitisation; while in the economically backward economies where financial market is still in a developing stage, the activities are more of supplementary to banking activities. However, in both the structures, shadow banking operates outside the regular banking system and financial intermediation activities are undertaken with less transparency and regulation than the conventional banking. In a sense, shadow banks are like icebergs – more deeply spread than what they seem to be.

2. In the context of developing economies, shadow banks play a gainful role in credit delivery and financial inclusion as they can facilitate credit availability to certain sectors that might otherwise have difficulty in access to credit. They play both a substitute and complementary role for commercial banks as they are able to map the financing needs of the borrowers with the financing provision where the formal banking systems are confronted with regulatory constraints and/or where the formal banking system's requirements are onerous for the clients to comply with.

3. The term 'shadow bank' was coined by Paul McCulley in 2007, by and large, in the context of US non-bank financial institutions engaging in maturity transformations (use of short-term deposits to finance long-term loans). However, a formal touch to the institutions of shadow banking was given by the Financial Stability Board[1], which defined 'shadow banking' as the 'credit intermediation involving entities and activities (fully or partially) outside the regular banking system'. Shadow banking activities, thus, include credit intermediation (any kind of lending activity where the saver does not lend directly to the borrower, and at least one intermediary is involved), and liquidity transformation (investing in illiquid assets while acquiring funding through more liquid liabilities) & maturity transformation (use of short-term liabilities to fund investment in long-term assets) that take place outside the regulated banking system. Focusing on the pre-requisites for sustenance of shadow banking, Claessens and Ratnovski (2014) have described shadow banking as all financial activities, barring traditional banking, which require a private or public backstop (in the form of franchise value of a bank or insurance company, or in the form of a Government guarantee) to operate.

4. In the last two to three decades, growing innovations in the financial sector, changes in regulatory framework and growing competition with non-bank entities caused banks to shift a part of their activities outside the regulatory framework. This contributed to the growth of shadow banks. As a result, shadow banking activities have evolved over time in response to newer set of regulation and

* Address by Shri R. Gandhi, Deputy Governor, Reserve Bank of India on August 21, 2014 at ICRIER's International Conference – Governance & Development: Views from G20 Countries. Assistance provided by Shri S. M. Pillai and Shri Raj Rajesh is gratefully acknowledged.

[1] See Financial Stability Board (2012).

supervisory guidelines and spread in the domains where the scope for regulatory arbitrage was higher. It emerged not only as an avenue for exploiting regulatory arbitrage but also in response to market demand for innovative financial instruments that could mitigate risks and yield higher returns.

5. The recent global financial crisis brought to fore the need for monitoring and regulating the activities of shadow banking. There is, nevertheless, a concern that the forthcoming implementation of Basel III, which has more stringent capital and liquidity requirements for the banks, might further push the banks to shift part of their activities outside of the regulated environment and therefore increase shadow banking activities.

Size of Shadow Banks

6. One cannot precisely gauge the size of shadow banking as the activities lack transparency. According to the FSB report (2013), size of global shadow system expanded to US$ 71 trillion[2] in 2012. In 2012, the assets of other financial intermediaries, which undertake non-bank financial intermediation, accounted for about 24 per cent of total financial assets, about half of banking system assets and 117 per cent of GDP of the above-said 25 jurisdictions. The largest system of non-bank financial intermediation in 2012 was found in the USA, which had assets size of US$ 26 trillion, followed by the euro area (US$ 22 trillion), the UK (US$ 9 trillion) and Japan (US$ 4 trillion). The size of shadow banking in a large number of emerging market economies (EMEs) was found to have increased in 2012, nevertheless, the share of non-bank financial intermediation remained relatively smaller at less than 20 per cent of GDP. As per the report, for a number of EMEs, non-bank financial intermediation remains relatively small as compared to the level of GDP. In India, Russia, Argentina, Turkey, Indonesia, and Saudi Arabia the amount of non-bank financial activity remained below 20 per cent of GDP at the end of 2012. However, the sector was growing rapidly in some of these jurisdictions.

How are Shadow Banks Dissimilar to Banks?

7. Shadow banks, like conventional banks undertake various intermediation activities akin to banks, but they are fundamentally distinct from commercial banks in various respects. First, unlike commercial banks, which by dint of being depository institutions can create money, shadow banks cannot create money. Second, unlike the banks, which are comprehensively and tightly regulated, the regulation of shadow banks is not that extensive and their business operations lack transparency. Third, while commercial banks, by and large, derive funds through mobilisation of public deposits, shadow banks raise funds, by and large, through market-based instruments such as commercial paper, debentures, or other structured credit instruments. Fourth, the liabilities of the shadow banks are not insured, while commercial banks' deposits, in general, enjoy Government guarantee to a limited extent. Fifth, in the times of distress, unlike banks, which have direct access to central bank liquidity, shadow banks do not have such recourse.

8. While there may be stark differences in the way the shadow banks operate as compared to banks, sometimes there is only a thin line separating the two. For instance a regulated bank may float a Special Purpose Vehicle (SPV) to hold some specific assets, with a view at removing them from its balance sheet.

[2] This is the magnitude of non-bank financial intermediation, which is a conservative proxy of the global shadow banking system based on data from 25 countries – 5 euro area economies and 20 non euro area jurisdictions. For 2011, FSB had reported the size of shadow banking to be around US$ 66 trillion.

Regulation of Shadow Bank Activities

9. While the role of the shadow banking generated apparent economic efficiencies through financial innovations, the crisis demonstrated that shadow banking created new channels of contagion and systemic risk transmission between traditional banks and the capital markets. Therefore, globally a need was felt to bring such unregulated entities under the regulatory architecture. United States of America passed the Dodd-Frank Act in 2010 that strengthened the arms of Federal Reserve to regulate all institutions of systemic importance. In order to put a control on the burgeoning shadow banking activities, the European Union has also put in place some measures, which *inter alia* include prudential rules concerning securitisation, regulation of credit rating agencies, *etc.* Further, at the request of G-20 countries, at international level, FSB has been working towards strengthening the oversight and regulation of the shadow banking system so that the risks emanating from them may be mitigated. Various other countries, including India are working towards improving the regulatory framework so as to curb the shadow banking activities, which pose a risk to financial stability.

Challenges Posed By Shadow Banks

10. Though the focus of regulation on shadow banking activities emerged in the wake of their alleged role in the recent global crisis, shadow banking system is not a new development. Even in the late 1950s and early 1960s, concerns emanating from the growth of non-bank financial intermediaries had been highlighted [Thorn (1957); Hogan (1960)]. Thorn (1957) had advocated same degree of control over credit expansion by the NBFIs as that of the banks. Hogan (1960) found that from late 1930s to 1950s, while the role of banking system in Australia was declining, that of the financial intermediaries was rising and he called for controlling the liquidity of the non-banking sector.

11. The biggest challenge for the regulators is to gauge the magnitude of shadow banking as this landscape is continually evolving by arbitraging the gaps in the regulatory framework that otherwise seek to control them. Furthermore, unlike the banking sector, which have a very good statistical coverage, consistent database on shadow banking is not available given the heterogeneous nature of shadow banking entities, instruments and activities.

12. Some of the challenges posed by the shadow banks to the global economy and economies, in general, are as follows:

a. Financial Stability and Systemic Risk Concerns

13. Across various economies, regulatory arbitrage was used to create shadow banking entities. In many instances, banks themselves composed part of the shadow banking chain by floating a specialised subsidiary to carry out shadow banking activities. Banks also invested in financial products issued by other shadow banking entities. Since shadow bank entities have no access to central bank funding or safety nets like deposit insurance, they remain vulnerable to shocks. Given the huge size of shadow bank activities and their inter-linkages with other entities of the financial sector, any shock in the shadow banking segment can get amplified, giving rise to systemic risk concern. The capacity of shadow banks to precipitate systemic crisis was manifested in the recent global financial crisis.

b. Regulatory arbitrage spread across geographical jurisdictions

14. Different legal and regulatory frameworks across geographical jurisdictions also pose a significant

handicap in curbing the shadow banking activities, which are spread across borders. For instance, high taxation in some jurisdictions sometimes generates tax avoidance strategies by financial firms. Tax haven countries with their eye on attracting foreign capital and creation of jobs in their economies keep their tax rates low. Firms in high taxation countries restructure their financial activity by shifting some high tax activities to low tax countries. This, at times, generates large and significant hot money flows, which itself, is a source of instability for both set of countries from where it outflows to where it flows in. This, at times, has an adverse effect on financial stability, especially at a time when the whole global economy is far more integrated than ever.

c. Challenges in the conduct of Monetary Policy

15. Opaqueness of its structure, size, operations and inter-linkages of shadow banks with commercial banks and other arms of the financial sector might distort the information content of monetary policy indicators and thereby undermine the conduct of monetary policy. For instance, a central bank might lose control over the credit aggregate (as these entities broadly remain outside the regulatory purview), which might weaken the monetary policy transmission through credit channel. This concern was highlighted even in the 1950s. Thorn (1957) advocated some form of control over credit abilities of the non-bank financial intermediaries for the successful implementation of monetary policy as these entities remain immune to direct central bank control. Hogan (1960) had also advocated controlling the liquidity of the non-banking sector through a flexible interest rate policy that could influence the behavior of the NBFIs in Australia.

16. Shrestha (2007) found that growing level of intermediation activities of the non-bank financial intermediaries (NBFIs) causes a shift in deposits from banks to non-banks in South-East Asian countries. He observed that since the deposits of the NBFIs are not included in the monetary aggregates, the conduct of monetary policy gets undermined for regimes, which follow monetary targeting framework.

17. A Deutsche Bundesbank study (2014) contended that the growing activities of shadow banks might weaken the transmission of monetary policy measures via commercial banks (through interest rate and bank credit channel), but, on the contrary, the asset prices channel may become effective in the monetary policy transmission process. An expansionary monetary policy might fuel asset prices, which, in turn, might increase the leverage of the shadow banks, expand their balance sheets, reduce their risk premium and thereby increase lending to non-financial sector and finally the level of real activity[3].

d. Procyclicity and amplification of business cycles

18. Shadow banking activities, which broadly remain less regulated, have been reported to act pro-cyclically, which might amplify financial and economic cycles. Their leverage would rise during booms (as they face little problem in arranging funds) as assets price rise and margin/ haircuts on secured lending remain low. On the contrary, during the downturn phase (as the funding becomes difficult) as asset prices fall and margins/ haircuts on secured loan become tighter, shadow bank get compelled to undertake deleveraging.

19. Pro-cyclicality of shadow banks may also get exacerbated owing to their inter-connectedness with the banks. FSB (2012) observed that inter-connectedness of the shadow banks with the banks might aggravate the pro-cyclical build-up of leverage and thereby heighten the risks of asset price bubbles,

[3] See also Adrian, *et. al.* (2010).

especially when the investment assets of the two systems are correlated. This pro-cyclicality in the financial system might amplify financial and business cycles. High pro-cyclicality of the shadow banking sector has implications for the real sector, which might also get affected adversely as funding by the shadow banks to the real economy during the economic downturn might take a hit.

Shadow Banking and Indian Economy

20. The type of entities which are called shadow banks elsewhere are known in India as the Non-Banking Finance Companies (NBFCs). Are they in fact shadow banks? No, because these institutions have been under the regulatory structure of the Reserve Bank of India, right from 1963 *i.e.,* 50 full years before many in the world are thinking of doing so!

Evolution of Regulation of NBFCs in India

21. In the wake of failure of several banks in the late 1950s and early 1960s in India, large number of ordinary depositors lost their money. This led to the formation of the Deposit Insurance Corporation by the Reserve Bank, to provide the necessary safety net for the bank depositors. The Reserve Bank did then note that the deposit taking activities were undertaken by non-banking companies also. Though they were not systemically as important as the banks, the Reserve Bank initiated regulating them, as they had the potential to cause pain to their depositors.

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

NBFCs of India

23. The 'NBFCs' of India include not just the finance companies, but also a wider group of companies that are engaged in investment, insurance, chit fund, nidhi, merchant banking, stock broking, alternative investments *etc.* as their principal business. NBFCs being financial intermediaries are playing a supplementary role to banks. NBFCs especially those catering to the urban and rural poor, namely NBFC-MFIs and Asset Finance Companies have a complimentary role in the financial inclusion agenda of the country. Further, some of the big NBFCs *viz.,*; infrastructure finance companies are engaged in lending exclusively to the infrastructure sector, and some are into factoring business, thereby giving fillip to the growth and development of the respective sector of their operations. In short, NBFCs bring the much needed diversity to the financial sector.

Profile of NBFCs

24. The total number of NBFCs as on March 31, 2014 are 12,029 of which deposit taking NBFCs are 241 and non-deposit taking NBFCs with asset size of ₹100 crore and above are 465, non-deposit taking NBFCs with asset size between ₹50 crore and ₹100 crore are 314 and those with asset size less than ₹50 crore are 11,009. As on March 31, 2014, the average leverage ratio (outside liabilities to owned fund) of the NBFCs-ND-SI stood at 2.94, return on assets (net profit as a percentage of total assets) stood at 2.3 per cent, Return on equity (net profit as a percentage of equity) stood at 9.22 per cent and the gross NPA as a percentage of total credit exposure (aggregate level) stood at 2.8 per cent.

Asset Liability composition:

25. ***Liabilities* of the NBFC sector:*** Owned funds (23 per cent of total liabilities), debentures (32 per cent), bank borrowings (21 per cent), deposit (1 per cent), borrowings from Financial Institutions (1 per cent), Inter-corporate borrowings (2 per cent), Commercial Paper (3 per cent), other borrowings (12 per cent), and current liabilities & provisions (5 per cent).

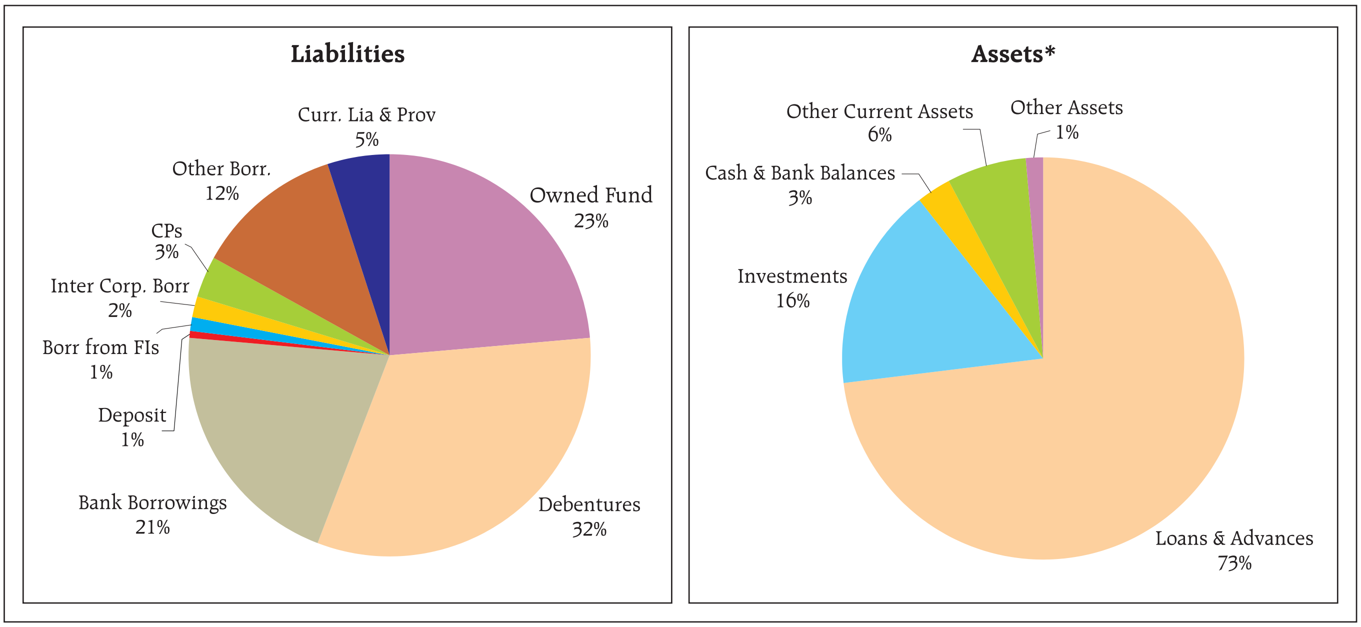
26. **Assets*:** Loans & advances (73 per cent of total assets), investments (16 per cent), cash and bank balances (3 per cent), other current assets (7 per cent) and other assets (1 per cent).

The Dangers and the Regulatory Challenges

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

28. Just as the shadow banks (*i.e.* the NBFCs) in India are of a different genre, the dangers posed by them are also of different genre. Consequently, the regulatory challenges that we face today are different which are as follows:

29. First, there are law related challenges *viz.*, i. there are a number of companies that are registered as finance companies, but are not regulated by the Reserve Bank, ii. there are unincorporated bodies who



*The data pertains to only reported deposit taking NBFCs and those non-deposit taking NBFCs with asset size of ₹100 crore and above. All figures are as on end March, 2014.

undertake financial activities and remain unregulated, iii. there are incorporated companies and unincorporated entities illegally accepting deposits, iv. there are entities who camouflage deposits in some other names and thus illegally accepting deposits. The law as it stands today is inadequate to deal with these issues. In order to correct these and initiate action against violations, we need to bring in suitable amendments to the statutory provisions. Reserve Bank is working with the government for such improvements in the law.

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

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

32. Fourthly, the international requirement is that the shadow banks be brought under tighter regulations. G-20 has already expressed it as a mission to be achieved by 2015. In our case, bringing them under regulation is not the issue, as they already are. The challenge for us is how differentially or how closely we should regulate the NBFCs?

Conclusion

33. To summarise, the shadow banks in India (*i.e.* the NBFCs) are of a different type; they have been under regulation for more than 50 years; they subserve the economy by playing a complimentary and supplementary role to mainstream banks and also in furthering financial inclusion. Yet, they do pose dangers, but of different variety; it primarily relates to consumer protection. It is the constant endeavour of the Reserve Bank to enable prudential growth of the sector, keeping in view the multiple objectives of financial stability, consumer and depositor protection, and need for more players in the financial market, addressing regulatory arbitrage concerns while not forgetting the uniqueness of NBFC sector.

34. Thank you very much for your patient attention.

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ARTICLES

India's External Debt at end - March 2014

Union Budget 2014-15: An Assessment

Consumer Confidence Survey - Q2:2013-14 to Q1:2014-15

Corporate Investment: Growth in 2013-14 and Prospects for 2014-15

India's External Debt at end-March 2014*

As per the standard practice, India's external debt statistics for the quarters ending March and June are released by the Reserve Bank of India and those for the quarters ending September and December by the Ministry of Finance, Government of India. The external debt data are released with a lag of one quarter. The external debt data, as compiled in the standard format, as at end-March 2014 in Rupees and US dollar terms and revised data for the earlier quarters are available in the RBI Press Release on India's External Debt as at end-March 2014 dated June 30, 2014. The article provides a detailed review of external debt along with the policy measures undertaken during the year.

Even though India's current account deficit narrowed sharply in 2013-14 compared with 2012-13, the external debt as at end-March 2014 increased by US$ 31.2 billion over the year. Increase in external debt was mainly led by the special swap scheme introduced by the RBI for the commercial banks to mobilise FCNR(B) and overseas borrowings. The borrowings under the Swap Scheme in combination with a decline in CAD and revival in equity flows helped in building up the foreign exchange reserves. As a result, the major indicators for assessing India's external sector vulnerability improved over the year.

Highlights

- India's external debt, as at end-March 2014, was placed at US$ 440.6 billion (23.3 per cent of GDP) recording an increase of US$ 31.2 billion (7.6 per cent) over the end-March 2013 level mainly on account of a significant increase in FCNR(B) forming a part of NRI deposits.
- Excluding the valuation change (gain) due to appreciation of US dollar against major international currencies and Indian rupee, the external debt as at end-March 2014 would have increased by US$ 40.6 billion over end-March 2013, instead of US$ 31.2 billion.
- Component-wise, the share of ECBs continued to be the highest at 33.3 per cent of total external debt, followed by NRI deposits (23.6 per cent) and short-term debt (20.3 per cent).
- The short-term debt as at end-March 2014 declined by US$ 7.5 billion or 7.7 per cent over the previous year's level.
- The share of short-term debt in total debt, by original maturity, was 20.3 per cent. Based on residual maturity, short-term debt accounted for 39.6 per cent of the total external debt as at end-March 2014. Outstanding NRI deposits accounted for 31.4 per cent of short-term external debt based on residual maturity.
- The ratio of short-term debt (residual maturity) to foreign exchange reserves at 57.4 per cent at end-March 2014 was lower compared to 59.0 per cent as at end-March 2013.
- The debt service ratio remained stable at 5.9 per cent during 2013-14.
- India's foreign exchange reserves provided a cover of 69.0 per cent to the external debt stock at end-March 2014 as compared with 71.3 per cent at end-March 2013.
- The US dollar denominated debt accounted for 61.8 per cent of the total external debt stock as at end-March 2014, followed by that in Indian rupee (21.1 per cent) and SDR (6.9 per cent).

1. India's External Debt as at end-March 2014

India's external debt, as at end-March 2014, was placed at US$ 440.6 billion (23.3 per cent of GDP) recording an increase of US$ 31.2 billion (7.6 per cent) over end-March 2013 (Table 1 & Chart 1).

The increase in external debt during 2013-14 was largely on account of increase in outstanding NRI

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

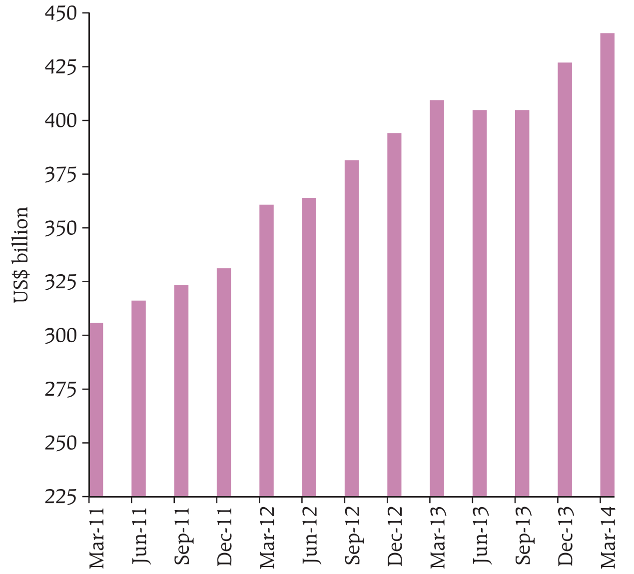
Table 1: External Debt Outstanding

(US$ billion)

	Total External Debt	Variation			
		Over corresponding Quarter of Previous Year		Over Previous Quarter	
		Amount	Per cent	Amount	Per cent
1	2	3	4	5	6
Mar-12	360.8	42.9	13.5	15.6	4.5
Jun-12	364.0	32.8	9.9	3.2	0.9
Sep-12	381.4	40.5	11.9	17.5	4.8
Dec-12	394.1	48.9	14.2	12.7	3.3
Mar-13	409.4	48.6	13.5	15.3	3.9
Jun-13	404.8	40.9	11.2	-4.6	-1.1
Sep-13	404.8	23.4	6.1	0.0	0.0
Dec-13	426.9	32.8	8.3	22.1	5.5
Mar-14	440.6	31.2	7.6	13.7	3.2

Source: Ministry of Finance, Government of India and Reserve Bank of India

Chart 1: India's Total External Debt



deposits which reflected mobilisation of FCNR(B) under the swap scheme which was in place during September to November 2013. Under the swap arrangement, a bank was to sell US Dollars in multiples of US dollar one million to the Reserve Bank and simultaneously agree to buy the same amount of US Dollars at the end of the swap period. Under the swap scheme, an amount of US$ about 26 billion was mobilised. As at end-March 2014, outstanding NRI deposits were the second largest component of India's external debt after external commercial borrowings (ECBs) (Table 2).

Table 2: External Debt by Component

(US$ million)

Item	End- March							
	1991	2008	2009PR	2010PR	2011PR	2012PR	2013PR	2014P
1	2	3	4	5	6	7	8	9
1. Multilateral	20,900 (24.9)	39,490 (17.6)	39,538 (17.6)	42,857 (16.4)	48,475 (15.2)	50,452 (14.0)	51,596 (12.6)	53,290 (12.1)
2. Bilateral	14,168 (16.9)	19,708 (8.8)	20,610 (9.2)	22,593 (8.7)	25,712 (8.1)	26,884 (7.5)	25,170 (6.1)	24,807 (5.6)
3. IMF	2,623 (3.1)	1,120 (0.5)	1,018 (0.5)	6,041 (2.3)	6,308 (2.0)	6,163 (1.7)	5,964 (1.5)	6,156 (1.4)
4. Trade Credit	4,301 (5.1)	10,328 (4.6)	14,481 (6.5)	16,841 (6.5)	18,647 (5.9)	18,990 (5.3)	17,732 (4.3)	15,271 (3.5)
5. ECBs	10,209 (12.2)	62,334 (27.8)	62,461 (27.8)	70,726 (27.1)	100,476 (31.6)	120,136 (33.3)	140,182 (34.2)	146,546 (33.3)
6. NRI Deposits	10,209 (12.2)	43,672 (19.5)	41,554 (18.5)	47,890 (18.4)	51,682 (16.3)	58,608 (16.2)	70,822 (17.3)	103,844 (23.6)
7. Rupee Debt	12,847 (15.3)	2,017 (0.9)	1,523 (0.7)	1,658 (0.6)	1,601 (0.5)	1354 (0.4)	1,258 (0.3)	1,468 (0.3)
8. Long-term Debt (1to 7)	**75,257** (89.8)	**178,669** (79.6)	**181,185** (80.7)	**208,606** (79.9)	**252,901** (79.6)	**282,587** (78.3)	**312,724** (76.4)	**351,382** (79.7)
9. Short-term Debt	**8,544** (10.2)	**45,738** (20.4)	**43,313** (19.3)	**52,329** (20.1)	**64,990** (20.4)	**78,179** (21.7)	**96,697** (23.6)	**89,231** (20.3)
Total (8+9)	**83,801** **(100)**	**224,407** **(100)**	**224,498** **(100)**	**260,935** **(100)**	**317,891** **(100)**	**360,766** **(100)**	**409,421** **(100)**	**440,614** **(100)**

P: Provisional. PR: Partially Revised.
IMF: International Monetary Fund; ECBs: External Commercial Borrowings; NRI: Non-Resident Indian
Note: Figures in parentheses are percentage to total external debt.
Source: Ministry of Finance, Government of India and Reserve Bank of India.

Table 3: External Debt – Outstanding and Variation

(US$ million)

Memo Items	Outstanding at the end of March			Absolute variation		Percentage variation	
	2012 R	2013 PR	2014 P	Mar-12 to Mar-13	Mar-13 to Mar-14	Mar-12 to Mar-13	Mar-13 to Mar-14
1	2	3	4	5	6	7	8
1. Multilateral	50,452	51,596	53,290	1,144	1,694	2.3	3.3
2. Bilateral	26,884	25,170	24,807	-1,714	-363	-6.4	-1.4
3. IMF	6,163	5,964	6,156	-199	192	-3.2	3.2
4. Export Credit	18,990	17,732	15,271	-1,258	-2,461	-6.6	-13.9
5. Commercial Borrowings	120,136	140,182	146,546	20,046	6,364	16.7	4.5
6. NRI Deposits	58,608	70,822	103,844	12,214	33,022	20.8	46.6
7. Rupee Debt	1,354	1,258	1,468	-96	210	-7.1	16.7
8. Short-term Debt	78,179	96,697	89,231	18,518	-7,466	23.7	-7.7
Of which: Short-Term Trade Credit	65,130	86,787	81,743	21,657	-5,044	33.3	-5.8
Total Debt (1 to 8)	**360,766**	**409,421**	**440,614**	**48,655**	**31,193**	**13.5**	**7.6**
Memo Items							
A. Long-Term Debt	282587	312724	351382	30,137	38,658	10.7	12.4
B. Short-Term Debt	78,179	96,697	89,231	18,518	-7,466	23.7	-7.7

P: Provisional. PR: Partially Revised. R: Revised
Source: Ministry of Finance, Government of India and Reserve Bank of India.

2. Valuation Change

The valuation change (gain) during 2013-14 amounted to US$ 9.4 billion reflecting the appreciation of US dollar against the Indian rupee and other major currencies. Thus, excluding the valuation gain, the stock of external debt as at end-March 2014 would have increased by US$ 40.6 billion, instead of US$ 31.2 billion over end-March 2013.

3. Components of External Debt

Although external debt surged in 2013-14, the increase was uneven across sub-components. Among the major components, NRI deposits and commercial borrowings increased while short-term debt declined during the year (Table 3). Fall in short-term debt obligations was on account of net repayment of short-term trade credit during 2013-14.

Approvals as well as gross disbursements of ECBs increased during 2013-14. Accordingly, the level of outstanding commercial borrowings as at end-March 2014 recorded a rise of 4.5 per cent over the level at end-March 2013 (Table 4).[1] Increase in outstanding commercial borrowing also reflects higher inflows

[1] ECBs in external debt include commercial bank loans, securitised borrowings and FII investments in debt funds (public and private), hence, may not be comparable with net ECBs flows under BoP.

Table 4: External Commercial Borrowings

(US$ million)

End-March	Approvals#	Gross Disbursement*	Amortisation*	Interest*	Total Servicing	ECB Debt Outstanding
1	2	3	4	5	6(=4+5)	7
1991	1,903	4,252	2,004	1,410	3,414	10,209
1996	6,286	4,252	2,977	1,380	4,357	13,873
2001	2,837	9,621	5,313	1,695	7,008	24,408
2002	2,653	2,684	4,272	1,456	5,728	23,320
2003	4,235	3,505	5,206	1,167	6,373	22,472
2004	6,671	5,225	8,153	2,119	10,272	22,007
2005	11,490	9,084	3,658	959	4,617	26,405
2006	17,175	14,343	14,341	5,219	19,560	26,452
2007	25,353	20,257	5,936	5,468	11,404	41,443
2008	28,900	28,700	8,339	6,607	14,946	62,334
2009 R	15,702	13,226	9,054	6,521	15,575	62,461
2010 R	20,636	14,029	14,180	5,719	19,899	70,726
2011 R	25,218	22,283	13,359	6,073	19,432	100,476
2012PR	35,240	28,922	22,986	8,527	31,513	120,136
2013P	31,670	25,497	20,387	10,944	31,331	140,182
2014 P	33,218	28,418	21,137	11,175	32,312	146,546

PR : Partially Revised; P: Provisional; R : Revised
* : Revised, based on Balance of Payments data.
# : Based on date of agreement of the loan which may differ from the date of granting the loan registration number by the RBI. Ceiling on ECB approvals is fixed on the basis of the latter, which may either be after or before the date of agreement of the loan. Hence, there may be some difference between the amount shown under approvals in the table and the amount of ceiling fixed for a particular year.
Note: Disbursements during 2000-01 include IMDs (US$ 5.5 billion). Debt service payments during 2003-04 and 2005-06 include redemption of RIBs and IMDs, respectively.

subsequent to the enhancement of overseas borrowing limits by the Reserve Bank for AD-I category banks from 50 per cent to 100 per cent of their unimpaired Tier-I capital. Banks were also incentivised by giving the option to swap these borrowings with the Reserve Bank. Under this swap scheme, an amount of US$ 8.4 billion was mobilised during September-November 2013.

Trade credit component of external debt (both long-term and short-term) showed a decline of 7.7 per cent as at end-March 2014 over end-March 2013. Contraction in overall imports in 2013-14 might have led to lower need for trade credit. The short-term debt declined by US$ 7.5 billion to US$ 89.2 billion as at end-March 2014 from US$ 96.7 billion as at end-March 2013 mainly due to net repayments of short-term trade credit by Indian importers.

4. Currency Composition of India's External Debt

The US dollar denominated debt continued to be the largest components of India's external debt with a share of 61.8 per cent as at end-March 2014, followed by that in Indian rupee (21.1 per cent), SDR (6.9 per cent), Japanese Yen (5.1 per cent) and Euro (3.4 per cent).

Table 5: Currency Composition of India's External Debt

(Percentage share in total external debt)

Currency	2009	2010	2011 R	2012PR	2013P	2014P
1	2	3	4	5	6	7
US Dollar	54.1	53.2	53.6	55.0	57.2	61.8
Indian rupee	15.4	18.7	19.5	21.4	24.0	21.1
Japanese Yen	14.3	11.5	11.3	9.1	6.3	5.1
SDR	9.8	10.7	9.7	8.7	7.5	6.9
Euro	4.1	3.6	3.7	3.7	3.5	3.4
Pound Sterling	1.9	1.8	1.7	0.9	0.7	1.1
Others	0.4	0.5	0.5	1.2	0.8	0.6
Total	**100**	**100**	**100**	**100**	**100**	**100**

Note: Currency composition as at end-March 2008 to end-March 2014 incorporates the original currency composition of short-term debt; in the previous years, the entire short-term debt was taken to be denominated in US dollars.

Source: Ministry of Finance, Government of India and Reserve Bank of India.

5. Instrument-wise Classification of External Debt

The instrument-wise classification of India's external debt across the borrower category indicates that even though the amount of debt rose as loans increased by about US$ 10 billion in 2013-14, its share in total debt outstanding declined from 47.6 per cent as at end-March 2013 to 46.6 per cent as at end-March 2014 (Table 6). The share of 'bonds and notes' in total external debt also declined. On the other hand, the share of 'currency & deposits' in the total India's external debt as at end-March 2014 increased significantly from 17.3 per cent at end-March 2013 to 23.6 per cent at end-March 2014, implying mainly the flows under swap scheme to mobilise FCNR(B) during September to November 2013.

Table 6: Instrument-wise classification of External Debt Outstanding

(US$ million)

Borrower	End-March 2013	End-March 2014
1	2	3
A. Government (1+2+3)	**81,654**	**81,530**
1. Short-Term	3,787	2,541
(i) Money Market Instruments	3,787	2,541
2. Long-term {(i)+(ii)+(iii)}	71,904	72,833
(i) Bonds and Notes	9,647	9,479
(ii) Loans	60,843	61,954
(iii) Trade Credit	1,414	1,400
3. Other debt liabilities	5,964	6,156
(i) IMF	5,964	6,156
B. Monetary Authority	**181**	**148**
1. Short-term	181	148
(i) Currency and Deposits	181	148
C. Non-Government (1+2)	**327,586**	**358,936**
1. Short-Term {(i)+(ii)}	92,730	86,542
(i) Money Market Instruments	5,943	4,800
(ii) Trade Credit	86,787	81,743
2. Long-term{(i)+(ii)+(iii)+(iv)}	234,857	272,394
(i) Bonds and Notes	29,187	24,401
(ii) Loans	134,068	143,361
(iii) Currency and Deposits	70,823	103,844
(iv) Trade Credits	779	788
Total External Debt (A+B+C)	**409,422**	**440,614**

Source: Ministry of Finance, Government of India and Reserve Bank of India.

6. Short-term Debt

The short-term debt (on original maturity basis) as at end-March 2014 primarily comprised trade related credits, FII investment in Government T-bills and external liabilities of banks. Even though the outstanding short-term trade credit declined reflecting decline in imports, its share in total short-term debt increased. On the other hand, outstanding FII investment in T-bills as at end-March 2014 was lower than that at end-March 2013. The share of external liabilities of commercial banks in short-term debt increased marginally from 4.3 per cent at end-March 2013 to 4.6 per cent at end-March 2014 (Table 7).

7. External Debt by Residual Maturity

Based on residual maturity, the short-term debt accounted for 39.6 per cent of total external debt as at end-March 2014 as compared with 42.1 per cent as at end-March 2013. The ratio of short-term debt by residual maturity to foreign exchange reserves worked out to 57.4 per cent at end-March 2014, lower than that at end-March 2013 (Table 8).

8. Government and Non-Government External Debt

Government (Sovereign) external debt stood lower at US$ 81.5 billion as at end-March 2014 as against US$ 81.7 billion as at end-March 2013. The share of Government external debt in the total external debt at 18.5 per cent at end-March 2014 was lower than that of 19.9 per cent as at end-March 2013. Concomitantly, the share of non-Government debt in total external debt increased to 81.5 per cent as at end-March 2014 from 80.1 per cent at end-March 2013 (Table 9 & Chart 2).

Table 7: Short-Term Debt by Original Maturity

(US$ million)

Components	End-March							
	1991	2008	2009	2010	2011	2012	2013	2014
1	2	3	4	5	6	7	8	9
A Short-Term Debt	**8,544**	**45,738**	**43,313**	**52,329**	**64,990**	**78,179**	**96,697**	**89,231**
a) NRI Deposits (up to 1 year maturity) @	3,577	0	0	0	0	0	0	0
b) FC (B&O) Deposits (up to 1 year maturity)	167	0	0	0	0	0	0	0
c) Trade Related Credits #	4,800	41,901	39,915	47,473	58,463	65,130	86,787	81,743
(i) Above 6 months and upto 1 year	2,267	22,884	23,346	28,003	35,347	39,182	59,021	54,992
(ii) Upto 6 months	2,533	19,017	16,569	19,470	23,116	25,948	27,766	26,751
d) FII Investments in Government Treasury Bills & other instruments	0	651	2,065	3,357	5,424	9,395	5,455	3,158
e) Investment in Treasury Bills by foreign central banks and International Institutions *etc.*	..	155	105	103	50	64	82	95
f) External Debt Liabilities of:	..	3,031	1,228	1,396	1,053	3,590	4,373	4,236
(i) Central Bank	..	1,115	764	695	155	170	181	148
(ii) Commercial Bank		1,916	464	701	898	3,420	4,192	4,087
B. Imports (during the year)*	**27,915**	**257,629**	**308,520**	**300,644**	**383,481**	**499,533**	**502,237**	**466,216**
C. Trade Credit to Imports (%)	**17.2**	**16.3**	**12.9**	**15.8**	**15.2**	**13.0**	**17.3**	**17.5**

@ : Short-term deposits of less than one-year maturity under FCNR(A) were withdrawn with effect from May 15, 1993, such deposits under FCNR(B) and NR(E)RA were withdrawn effective October 1999 and April 2003, respectively.

: Data on Short-term Trade Credit of less than six months in respect of suppliers' credit and FII investment in debt papers are included since end-March 2005.

* : On balance of payments basis.

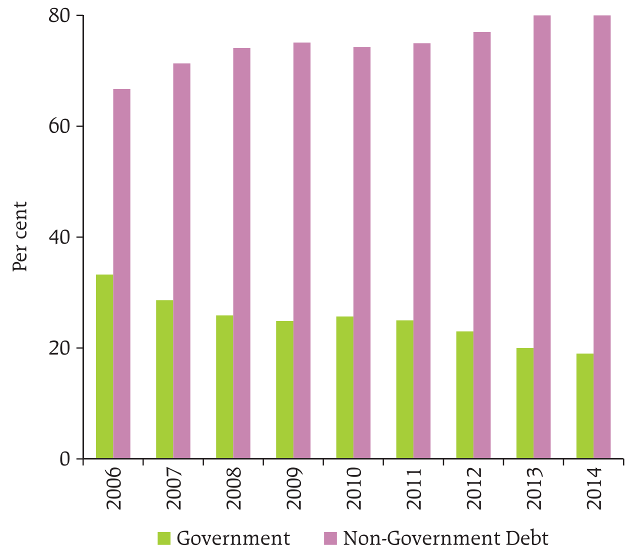
Table 8: Residual Maturity of External Debt Outstanding as at End-March 2014

(US$ million)

Components	Short-term up to one year	Long-term 1 to 2 years	Long-term 2 to 3 years	Long-term More than 3 years	Total (2 to 5)
1	2	3	4	5	6
1. Sovereign Debt (long-term) $	5,708	5,920	6,212	61,149	78,989
2. External Commercial Borrowings (including trade credit) #	24,870	22,875	25,049	95,755	168,550
3. NRI deposits {(i)+(ii)+(iii)}	54,768	7,499	24,567	17,010	103,844
(i) FCNR(B)	12,965	2,007	18,737	8114	41,823
(ii) NR(E)RA	34,303	4,863	5,338	8,404	52,908
(iii) NRO	7,501	629	492	492	9,114
4. Short-term Debt* (Original maturity)	89,231				89,231
Total (1 to 4)	**174,578**	**36,294**	**55,829**	**173,913**	**440,614**
Memo Items					
Short-term debt (Residual maturity as per cent of total external debt)	**39.6**				
Short-term debt (Residual maturity as per cent of Reserves)	**57.4**				

$: Inclusive of FII Investments in Govt Securities.
* : Includes FII investments in sovereign debt and government commercial papers.
# : External Commercial Borrowings in this table also include (i) Trade Credits (ii) Non-Government defence debt & (iii) a portion of non-Government multilateral and bilateral borrowing, hence may not tally with the ECBs provided in other tables under original maturity.
Note: Residual Maturity of NRI Deposits is estimated on the basis of the Survey conducted by the Reserve Bank of India on NRI deposits outstanding as on March 31, 2014.
Source: Ministry of Finance, Government of India and Reserve Bank of India.

Chart 2 : Share of Government and Non-Government External Debt



9. Debt Service Payments

India's debt service payments amounted to US$ 32.3 billion during 2013-14 as compared to US$ 31.3 billion during 2012-13 (Table 10). This marginal rise in debt service payments arose due to higher repayments of ECBs and interest outgo on NRI deposits. While interest outgo continued to account for nearly 35 per cent, principal repayment of ECBs accounted for nearly 65 per cent of total debt service payments during 2013-14. Notwithstanding a marginal rise in absolute terms, the debt service ratio during 2013-14 remained same

Table 9: Government and Non-Government External Debt

(US$ million)

Components	End-March 2008	2009	2010	2011	2012PR	2013 PR	2014 P
1	2	3	4	5	6	7	8
A. Sovereign Debt (I+II)	**58,070**	**55,870**	**67,067**	**78,072**	**81,895**	**81,654**	**81,530**
(As a percentage of GDP)	*4.7*	*5.1*	*4.7*	*4.5*	*4.7*	4.4	4.3
I. External Debt on Government Account under External Assistance	52,541	51,816	55,235	62,295	63,374	61,336	62,203
II. Other Government External Debt @	5,529	4,054	11,832	15,777	18,522	20,319	19,327
B. Non-Government Debt #	**166,337**	**168,628**	**193,868**	**239,819**	**278,870**	**327,767**	**359,085**
(As a percentage of GDP)	*13.3*	*15.2*	*13.5*	*13.7*	*15.8*	17.6	19.0
C. Total External Debt (A+B)	**224,407**	**224,498**	**260,935**	**317,891**	**360,766**	**409,421**	**440,614**
(As a percentage of GDP)	*18.0*	*20.3*	*18.2*	*18.2*	*20.5*	22.0	23.3

@: Other Government external debt includes Defence Debt, Investment in Treasury Bills/ Government Securities by FIIs, Foreign Central Banks and International Institutions and IMF.
: Includes external debt of Monetary Authority.
Source: Ministry of Finance, Government of India and Reserve Bank of India.

Table 10: India's External Debt Service Payments

(US$ million)

Item	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
1	2	3	4	5	6	7	8	9	10
1. External Assistance	2,652	2,942	3,241	3,384	3,461	3,667	3,923	4,255	4,078
Repayment	1,945	1,960	2,099	2,375	2,585	2,839	3,125	3,415	3,383
Interest	707	982	1,142	1,009	876	828	798	840	695
2. External Commercial Borrowings	14,839	6,331	9,771	10,543	14,742	13,959	25,198	23,240	23,398
Repayment	11,824	3,814	6,119	6,578	11,498	10,451	19,782	16,914	17,702
Interest	3,015	2,517	3,652	3,965	3,244	3,508	5,416	6,326	5,696
3. I.M.F.	-	-	-	-	-	-	-	-	-
Repayment	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-
4. NRI Deposits Interest	1,497	1,969	1,813	1,547	1,599	1,737	2,313	3,778	4,784
5. Rupee Debt Service Repayments	572	162	121	101	97	69	79	58	52
6. Total Debt Service (1 to 5)	19,560	11,404	14,946	15,575	19,899	19,432	31,513	31,331	32,312
Repayment	14,341	5,936	8,339	9,054	14,180	13,359	22,986	20,387	21,137
Interest	5,219	5,468	6,607	6,521	5,719	6,073	8,527	10,944	11,175
7. Current Receipts #	194,170	242,811	314,284	356,175	345,144	445,999	528,372	530,163	551,072
Debt Service Ratio (6/7) (%)	10.1	4.7	4.8	4.4	5.8	4.4	6.0	5.9	5.9

: Current Receipts minus Official Transfers. – : Nil.
Source : Ministry of Finance, Government of India and Reserve Bank of India.

at 5.9 per cent, the level recorded during 2012-13. The servicing of ECBs during 2013-14 accounted for 72.4 per cent of the total debt service as against 74.2 per cent during 2011-12, reflecting higher principal repayment of ECBs.

10. Key Indicators of India's External Debt

With lack of momentum in GDP and rise in external debt, India's external debt to GDP ratio deteriorated further in 2013-14. Rise in external debt was mainly due to flows under FCNR(B) deposits largely mobilised during September-November 2013, which helped bolstering India's foreign exchange reserves, *albeit* being supported by resumption of portfolio flows to India in subsequent months. Nevertheless the rise in foreign exchange reserves could not fully offset the incremental external debt during the year. As a result, ratio of foreign exchange reserves to total debt also worsened in 2013-14 (Chart 3 & Table 11). However, with fall in short-term debt, the ratio of short-term debt to foreign exchange reserves as well as total external debt improved. Debt service ratio remained at the same level recorded in 2012-13. In comparison with top 20 indebted countries, India continues to be among the less vulnerable countries (Table 12).

External Debt Management in India

Countries facing a scarcity of domestic capital require external financing to supplement domestic saving. For a sustainable external sector position, it is necessary that an adequate balance is ensured in terms of composition of foreign capital. In case of India, while long-term non-debt creating flows are preferred, the

Chart 3: Reserves Cover for External Debt (End-March)

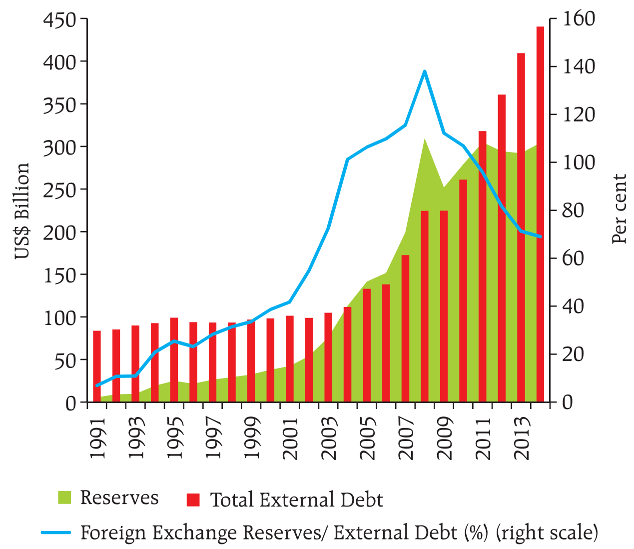


Table 11: India's Key External Debt Indicators

(Per cent)

Year	External Debt (US$ billion)	Ratio of External Debt to GDP	Debt Service Ratio	Ratio of Foreign Exchange Reserves to Total Debt	Ratio of Concessional Debt to Total Debt	Ratio of Short-Term Debt to Foreign Exchange Reserves	Ratio of Short-Term Debt to Total Debt
1	2	3	4	5	6	7	8
1991	83.8	28.7	35.3	7.0	45.9	146.5	10.2
1996	93.7	27.0	26.2	23.1	44.7	23.2	5.4
2001	101.3	22.5	16.6	41.7	35.4	8.6	3.6
2002	98.8	21.1	13.7	54.7	35.9	5.1	2.8
2003	104.9	20.3	16.0*	72.5	36.8	6.1	4.5
2004	112.6	18.0	16.1**	100.3	35.8	3.9	3.9
2005	134.0	18.1	5.9^	105.6	30.7	12.5	13.2
2006	139.1	16.8	10.1#	109.0	28.4	12.9	14.0
2007	172.4	17.5	4.7	115.6	23.0	14.1	16.3
2008	224.4	18.0	4.8	138.0	19.7	14.8	20.4
2009	224.5	20.3	4.4	112.2	18.7	17.2	19.3
2010	260.9	18.2	5.8	106.9	16.8	18.8	20.1
2011R	317.9	18.2	4.4	95.9	14.9	21.3	20.4
2012PR	360.8	20.5	6.0	81.6	13.3	26.6	21.7
2013PR	409.4	22.0	5.9	71.3	11.1	33.1	23.6
2014P	440.6	23.3	5.9	69.0	10.5	29.3	20.3

P: Provisional. PR: Partially Revised. R: Revised

* Works out to 12.4 per cent, with the exclusion of pre payment of external debt of US$ 3,430 million.

** Works out to 8.2 per cent with the exclusion of pre payment of external debt of US$ 3,797 million and redemption of Resurgent India Bonds (RIBs) of US$ 5,549 million.

^ works out to 5.7 per cent with the exclusion of pre payment of external debt of US$ 381 million.

\# works out to 6.3 per cent with the exclusion of India Millennium Deposits (IMDs) repayments of US$ 7.1 billion and pre payment of external debt of US$ 23.5 million.

Source: Ministry of Finance, Government of India and Reserve Bank of India

debt flows are guided by regulations in terms of ceiling, end-use, maturity periods and interest rate/all-in-cost ceilings. Such regulations are, however, fine-tuned in line with the domestic and global financial conditions. Keeping in view the domestic and global financial conditions and their stress on India's external sector, a number of policy changes were undertaken with regard to various components of external debt which are set out below:

Major Policy Developments in 2013-14 and 2014-15 (so far)

Foreign investment in Government Securities

- In May 2013, the Government extended the benefit of lower withholding tax [*i.e.*, 5 per cent instead of 20 per cent] in respect of interest on investment made in bonds issued by Indian companies and Government securities. The benefit was available in respect of interest income of FIIs and QFIs accruing between June 2013 and May 2015 irrespective of the date of investment. Subsequently, in June 2014, the Union Budget 2014-15 proposed to extend the liberalised facility of 5 per cent withholding tax to all bonds issued by Indian corporate abroad for all sectors and extend the validity of the scheme to June 30, 2017.
- In June 2013, the Reserve Bank enhanced the limit for foreign investment in Government dated securities by US$ 5 billion to US$ 30 billion. The enhanced limit of US$ 5 billion was made available only for investments in Government dated securities by long term investors registered with SEBI – Sovereign Wealth Funds (SWFs), Multilateral Agencies, Pension/ Insurance/ Endowment Funds, Foreign Central Banks. With this, the total limit for investments by FIIs, QFIs and long term investors in Government securities and for corporate debt stood at US$ 30 billion and US$ 51 billion, respectively.
- On January 29, 2014, the sub-limit of US$ 5 billion available to long term investors registered with SEBI for investment in Government dated securities was further enhanced to US$10 billion, within the total limit of US$ 30 billion for foreign investments in Government securities. However,

on July 24, 2014, the Reserve Bank enhanced the investment limit in government securities available to FIIs/QFIs/FPIs by US$ 5 billion by correspondingly reducing the amount available to long term investor from US$ 10 billion to US$ 5 billion within the overall limit of US$ 30 billion.

External Commercial Borrowings

- In June 2013, the Reserve Bank raised the aggregate limit for ECB under the low cost affordable housing for the financial years 2013-14 and 2014-15 with a ceiling of US$ 1 billion in each of the two years, subject to review thereafter.
- In June 2013, import of services, technical know-how and payment of license fees was included as part of import of capital goods by the companies for the use in the manufacturing and infrastructure sectors as permissible end use of ECB under the automatic/approval route subject to certain conditions.
- In June 2012, the Reserve Bank had allowed Indian companies to avail of external commercial borrowings under the approval route for repayment of Rupee loan(s) availed of from the domestic banking system and/or for fresh Rupee capital expenditure with an overall ceiling of US$ 10 billion. The maximum permissible ECB for an individual company was limited to 50 per cent of the average annual export earnings realised which however, was raised to 75 per cent or 50 per cent of the highest foreign exchange earnings realised in any of the immediate past three financial years, whichever is higher. In July 2013, the Reserve Bank extended the benefit of US$ 10 billion scheme also to those Indian companies in the manufacturing, infrastructure and hotel sectors which have established Joint Venture/Wholly Owned Subsidiary or have acquired assets overseas in compliance with extant regulations under FEMA, 1999 subject to certain conditions.
- In September 2013, the Reserve Bank permitted eligible borrowers to avail of ECB under the approval route from their foreign equity holder company with minimum average maturity of 7 years for general corporate purposes subject to certain conditions.
- In September 2013 and January 2014, the Reserve Bank expanded the definition for infrastructure sector for the purpose of availing ECBs.
- The Reserve Bank raised the current overseas borrowing limit of 50 per cent of the unimpaired Tier I capital to 100 per cent which can be swapped with it at the option of the Bank at a concessional rate of 100 basis points below the ongoing swap rate prevailing in the market. The Scheme was *inter alia* subject to the condition that the borrowing would have a minimum maturity of three years. However, on September 25, 2013, the requirement of minimum maturity was reduced from three years to one year for such borrowing. This scheme was valid till end-November 2013.
- In December 2013, in order to strengthen the flow of resources to infrastructure sector, the Reserve Bank permitted Holding Companies/Core Investment Companies coming under the regulatory framework of the Reserve Bank to raise ECB under the automatic route/approval route, as the case may be, for project use in Special Purpose Vehicles subject to certain terms and conditions.
- In March 2014, the Reserve Bank announced that the scheme of raising ECB for working capital for Civil Aviation Sector would continue till March 31, 2015.

Trade Credit

- In September 2013, the Reserve Bank allowed companies in all sectors to avail of trade credit not exceeding US$ 20 million up to a maximum period of five years for import of capital goods as classified by Director General of Foreign Trade.

Non-resident Deposits

- In August 2013, the incremental FCNR (B) deposits as also NRE deposits with reference base date of July 26, 2013, and having maturity of three years and above, mobilised by banks were exempted from maintenance of CRR and SLR.

- In September 2013, the Reserve Bank introduced a US Dollar-Rupee swap window for fresh FCNR (B) dollar funds, mobilised for a minimum tenor of three years and over. The swap facility was available for the scheduled commercial banks (excluding RRBs) for fresh FCNR(B) deposits mobilised in any permitted currency for the tenor of minimum three years. However, the swap facility with RBI was available in US Dollars only. Under the swap arrangement, a bank was to sell US Dollars in multiples of US$ one million to RBI and simultaneously agree to buy the same amount of US Dollars at the end of the swap period. The swap was undertaken at a fixed rate of 3.5 per cent per annum. The underlying deposits were having a minimum lock-in period of one year. However, premature withdrawal of such deposits was to be permitted after one year. The Scheme was closed by end-November 2013.
- In August 2013, the Reserve Bank announced that banks were free to offer interest rates on incremental NRE deposits with maturity of 3 years and above without any ceiling. However, on January 31, 2014, it was notified that interest rates offered by banks on NRE deposits could not be higher than those offered by them on comparable domestic rupee deposits and the interest rate ceiling would revert to the position prior to RBI Notification on August 14, 2013. Similarly, the interest rate ceiling on FCNR (B) deposits was reverted to the ceiling prior to August 14, 2013. Accordingly, the interest rate ceiling on FCNR(B) deposits of three to five years was changed to LIBOR/SWAP plus 300 basis points as compared to earlier LIBOR/SWAP plus 400 basis points.

11. Cross Country Comparison among Top 20 Indebted Countries

i. According to the latest data available on Global Development Finance Online Database, World Bank, the international comparison of external debt of the twenty most indebted countries indicates that India stands at the third most indebted country in 2012 after China and Brazil (Table 12).

Table 12: International Comparison of Top Twenty Debtor Countries, 2012

Country	External debt (US$ billion)	Concessional debt/ Total external debt (per cent)	External debt/ GNI (per cent)	Short-term debt/ Total external debt (per cent)	Debt Service Ratio (per cent)	Short-term debt/ Total reserves (per cent)
	2010	2011	2010	2011	2010	2011
1	2	3	4	5	10	11
Albania	25.5	21.0	58.4	24.5	11.5	71.5
Argentina	121.0	2.7	26.3	11.6	13.2	32.3
Brazil	440.5	2.7	19.9	7.4	15.5	8.7
Bulgaria	50.8	1.5	102.9	27.1	13.0	67.1
China	754.0	5.3	9.2	67.6	3.3	15.0
Colombia	79.1	5.3	22.4	13.5	22.0	28.9
India	394.1	11.9	22.1	23.7	5.8	31.6
Indonesia	254.9	16.0	29.9	17.6	17.1	39.7
Kazakhstan	137.0	0.8	79.0	6.8	23.5	33.0
Malaysia	103.9	2.2	35.5	45.2	3.5	33.6
Mexico	354.9	0.9	30.7	20.4	17.7	43.3
Pakistan	61.9	56.9	25.5	4.2	14.9	19.0
Philippines	61.4	21.7	24.6	13.8	8.0	10.1
Romania	131.9	6.7	78.9	20.5	34.2	57.8
Serbia	34.4	12.3	94.8	3.0	36.7	7.1
South Africa	137.5	0.0	36.6	20.3	7.9	55.0
Thailand	134.2	4.3	38.2	42.4	4.1	31.4
Turkey	337.5	3.2	43.1	29.9	26.1	84.6
Ukraine	135.1	0.8	77.9	25.7	31.5	141.5
Venezuela, RB	72.1	7.2	19.4	26.9	5.6	65.8
Vietnam	59.1	50.9	44.1	16.7	4.4	38.7

Source: Global Development Finance, World Bank; Ministry of Finance, Government of India & Reserve Bank of India.

ii. The element of concessionality in India's external debt portfolio was the seventh highest after Pakistan, Vietnam, Philippines, Albania, Indonesia and Serbia.

iii. India's debt service ratio was the sixth lowest after China, Malaysia, Thailand, Vietnam and Venezuela.

iv. India's position with respect to short-term debt to total external debt was the nineth highest. This was lowest in case of Serbia and highest in case of China. In terms to short-term debt to reserves, India's position was the eighth lowest after Serbia, Brazil, Philippines, China, Pakistan, Colombia and Thailand.

*Union Budget 2014-15: An Assessment**

This article, based on the Union Budget 2014-15 presented to the Parliament on July 10, 2014, analyses the key features of the Budget and makes an assessment of the likely fiscal situation in 2014-15. Presented against the backdrop of incipient signs of improvement in macroeconomic environment, even as uncertainty regarding monsoon and oil prices prevails, the Union Budget has been formulated taking into account the two-fold objectives of reviving growth in the economy and containing fiscal deficit so as to leave space for private sector credit as the investment cycle picks up. The Budget, in line with these broad objectives and the revised roadmap for fiscal consolidation, has indicated reduction in gross fiscal deficit-GDP ratio from 4.5 per cent in 2013-14 to 4.1 per cent in 2014-15[1] and further to 3.0 per cent by 2016-17.

Highlights

- Gross fiscal deficit (GFD), as percentage of GDP in the provisional accounts (PA) for 2013-14 was 4.5 per cent, lower than the revised estimates and budget estimates for the year. Reduction in revenue deficit through cutbacks in plan and non-plan revenue expenditure coupled with higher non-debt capital receipts and lower capital expenditure resulted in a marginally lower GFD-GDP ratio compared to revised estimate of 4.6 per cent.
- The Budget estimates for 2014-15 indicate a continuation of the process of fiscal consolidation, with all key deficit indicators relative to GDP set to decline. GFD-GDP ratio is budgeted to decline to 4.1 per cent in 2014-15. In the medium-term, the GFD-GDP ratio is expected to decline to 3.0 per cent by 2016-17.
- The envisaged reduction in GFD in 2014-15 is to be achieved through enhanced non-debt receipts-GDP ratio which would more than offset a marginal increase in total expenditure-GDP ratio. Non-debt receipts are budgeted to increase by 18.6 per cent in 2014-15 (15.8 per cent in 2013-14), with significant increases to be recorded in tax revenue and disinvestment receipts.
- The growth in personal income tax collections will be affected, following exemption proposals announced in the budget. Indirect taxes, however, are budgeted to grow at a faster rate in 2014-15 compared to the previous year, mainly on the assumption of a revival in economic growth. Service tax collections are estimated to grow at 31 per cent in 2014-15 (BE) over 2013-14 (RE).
- Total subsidy expenditure is budgeted to be contained at 2.0 per cent of GDP through reduction in provision for petroleum subsidy.
- Capital expenditure as a per cent of GDP is budgeted to increase marginally to 1.8 per cent in 2014-15, still below 2.0 per cent attained in 2010-11.

Policy initiatives proposed in the budget to boost investment, savings and growth are highlighted in Box 1.

Progress towards Fiscal Consolidation in 2013-14 and 2014-15

I. Fiscal Performance in 2013-14

Provisional accounts showed a further improvement in fiscal performance even as tax revenues fell short of the budgetary targets and revised estimates

Revenue deficit (RD), gross fiscal deficit (GFD) and primary deficit (PD), as percentage of GDP, at 3.2

* Prepared in the Fiscal Analysis Division of the Department of Economic and Policy Research, Reserve Bank of India. The previous article on Union Budget 2013-14 was published in the Reserve Bank of India Bulletin, June 2013.

[1] GDP growth (at current market prices) for 2014-15 is estimated at 13.4 per cent as against 11.9 per cent in 2013-14.

Box 1: Union Budget 2014-15 - Policy Initiatives

1. Budgetary measures to support growth, saving and investment

Recognising inadequate infrastructure as a constraining factor to achievement of higher growth, the Budget proposes a slew of measures which is to be taken up by the government, banks, financial institutions and financial markets. These measures, *inter alia*, include, (i) encouraging banks to extend long-term lending to infrastructure sector with flexible structuring to absorb potential adverse contingencies; (ii) extending the 10 year tax holiday to the power sector undertakings which begin generation, distribution and transmission power by March 31, 2017, (iii) providing necessary incentives for Real Estate Investment Trusts, (iv) developing "one hundred Smart Cities', (v) urbanising the rural areas under the Shyama Prasad Mukherji Rurban Mission, (vi) raising the corpus of Rural Infrastructure Development Fund and (vii) re-orienting Mahatma Gandhi National Rural Employment Gurantee Act towards asset creation with linkages to agriculture and allied activities. Further, in order to attract new investment and to quicken the implementation of projects, the Budget has proposed to provide investment allowance to manufacturing companies that invest more than ₹25 crore in any year in new plant and machinery up to March 31, 2017.

In order to incentivise the household sector to save, the Budget has announced (i) raising personal income-tax exemption limit by ₹50,000, ii) raising investment limit under section 80C of the Income-tax Act from ₹1 lakh to ₹1.5 lakh, (iii) increasing deduction limit on account of interest on loan in respect of self- occupied house property from ₹1.5 lakh to ₹2 lakh, (iv) enhancing annual ceiling in the PPF Scheme to ₹1.5 lakh from ₹1 lakh per annum, (v) reintroducing Kisan Vikas Patra (KVP) and (vi) introducing a special small savings instrument for the requirements of educating and marriage of the Girl Child.

2. Initiatives relating to Banking and Financial Sector

To meet the huge equity capital requirement of ₹2,400 billion by 2018, the capital of PSU banks will be raised by increasing the shareholding of the people in a phased manner, largely through the retail sale of shares. A system for continuous authorisation of universal banks in private sector and licensing of small banks and other differentiated banks has also been announced in the budget. Six new Debt Recovery Tribunals would be set up. Suggestions regarding consolidation of public sector banks would be considered during the year. The Financial Inclusion Mission aims at providing all households in the country with banking services in a time bound manner. The transactions of all financial assets with single demat account has been announced. Further, uniform KYC norms and inter-usability of the KYC records across the entire financial sector would be introduced.

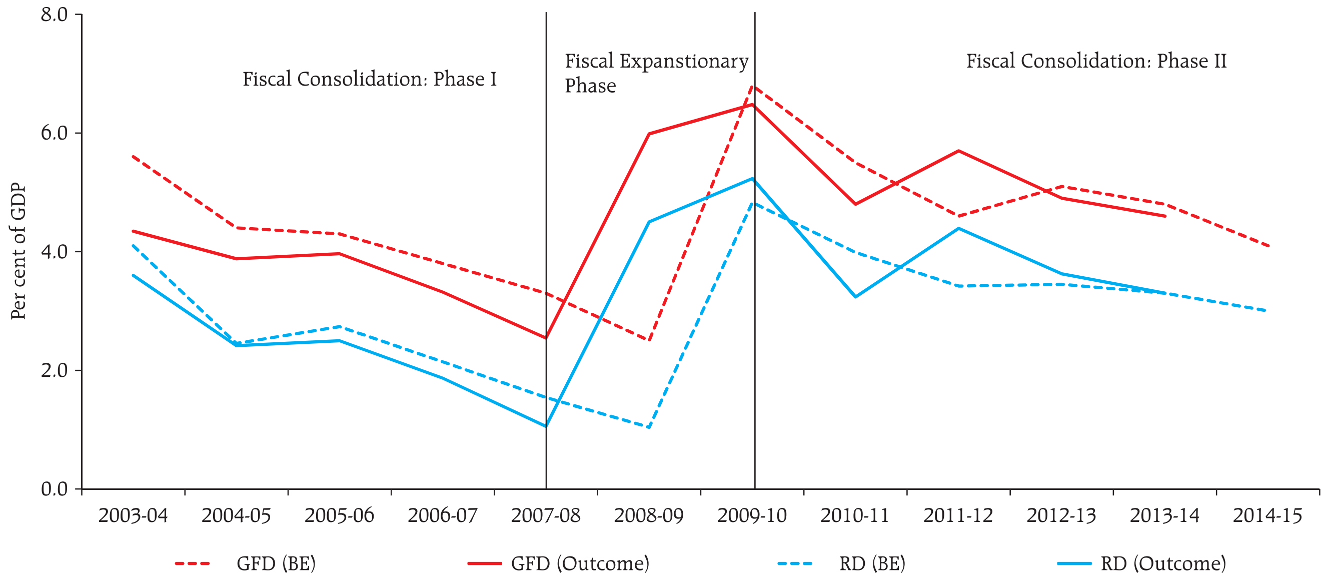
per cent, 4.5 per cent and 1.2 per cent, respectively, in the PA for 2013-14 were lower than in the revised estimates and budget estimates for the year (Chart 1). Reduction in revenue deficit in 2013-14 (PA) over the revised estimates for the year was brought about by cutbacks in plan and non-plan revenue expenditure coupled with higher non-tax revenue, which more than offset the shortfall in tax revenue resulting from continued slowdown in growth (Chart 2). Reduction in revenue deficit coupled with higher non-debt capital receipts and lower capital expenditure resulted in a marginally lower GFD-GDP ratio compared to the revised estimate of 4.6 per cent.

II. Budget Estimates for 2014-15[2]

The Budget estimates for 2014-15 indicate a continuation of the process of fiscal consolidation, with all key deficit indicators relative to GDP set to decline. The envisaged reduction in GFD in 2014-15 is to be achieved through enhanced non-debt receipts-GDP ratio

[2] All comparisons are with respect to 2013-14 (RE) unless otherwise stated.

Chart 1: Key Deficit Indicators: Budget versus Outcome



which would more than offset a marginal increase in total expenditure-GDP ratio (Table 1).

II.1 Non-debt receipts

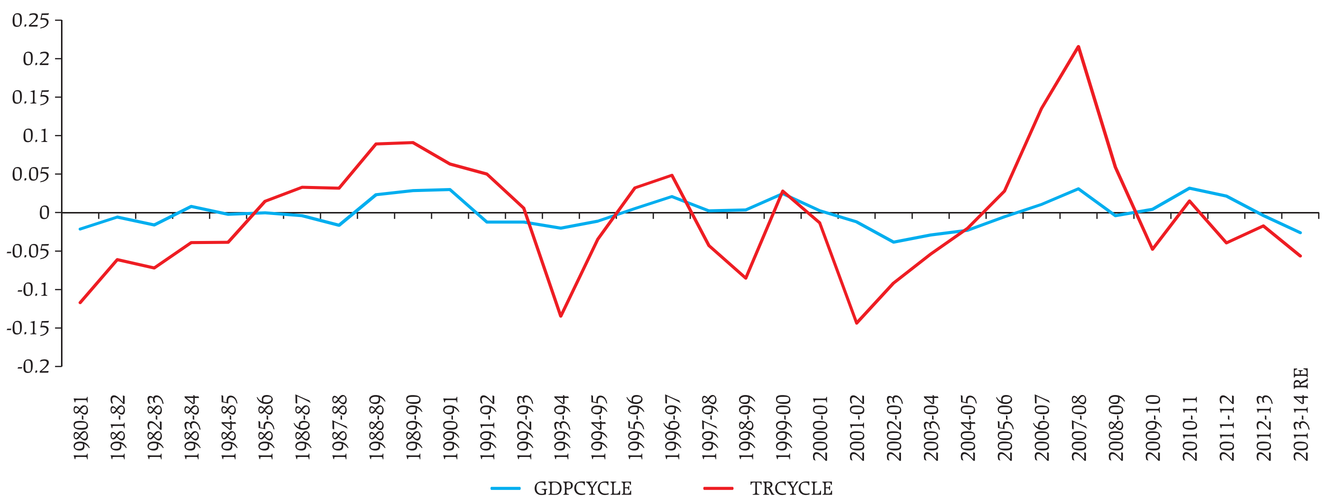
Non-debt receipts are budgeted to increase by 18.6 per cent in 2014-15 (15.8 per cent in 2013-14), with significant increases to be recorded in tax revenue and disinvestment receipts (Chart 3).

II.1a. Tax revenue

Indirect taxes to post sharp recovery in 2014-15

With the expected growth of 17.7 per cent in gross tax revenues over 2013-14 (RE), the gross tax revenue-GDP ratio is estimated to improve by 0.4 percentage point to 10.6 per cent during 2014-15[3]. Net tax-GDP ratio (after devolution to states) is estimated to increase

Chart 2: Cyclical Movement in Tax Revenues



Note: 1. GDP and tax revenue are in real terms with logarithmic transformation.
2. The cyclical components have been extracted through the HP-filter.

[3] Both gross and net tax revenues are estimated to grow by 19.8 per cent in 2014-15 (BE) over the actual of 2013-14.

Table 1: Fiscal Performance of the Central Government

(Per cent of GDP)

	2004-08	2008-10	2010-14	2012-13	2013-14 (BE)	2013-14 (RE)	2013-14 (PA)	2014-15 (BE)
	Average							
1	2	3	4	5	6	7	8	9
Non debt receipts	**10.4**	**9.5**	**9.4**	**9.1**	**9.9**	**9.4**	**9.3**	**9.8**
Tax revenue	7.8	7.5	7.2	7.3	7.8	7.4	7.2	7.6
Non-tax revenue	2.1	1.8	1.8	1.4	1.5	1.7	1.8	1.7
Non debt Capital Receipts	0.4	0.3	0.4	0.4	0.6	0.3	0.4	0.6
Total Expenditure	**13.8**	**15.8**	**14.4**	**13.9**	**14.6**	**14.0**	**13.8**	**13.9**
Revenue Expenditure	11.9	14.1	12.6	12.3	12.6	12.3	12.1	12.2
Capital Expenditure	1.9	1.7	1.8	1.6	2.0	1.7	1.7	1.8
Plan Expenditure	4.0	4.8	4.4	4.1	4.9	4.2	4.0	4.5
Non-Plan Expenditure	9.8	11.0	10.0	9.9	9.8	9.8	9.8	9.5
Revenue Deficit	**2.0**	**4.9**	**3.6**	**3.6**	**3.3**	**3.3**	**3.2**	**2.9**
Gross Fiscal Deficit	**3.4**	**6.2**	**5.0**	**4.8**	**4.8**	**4.6**	**4.5**	**4.1**

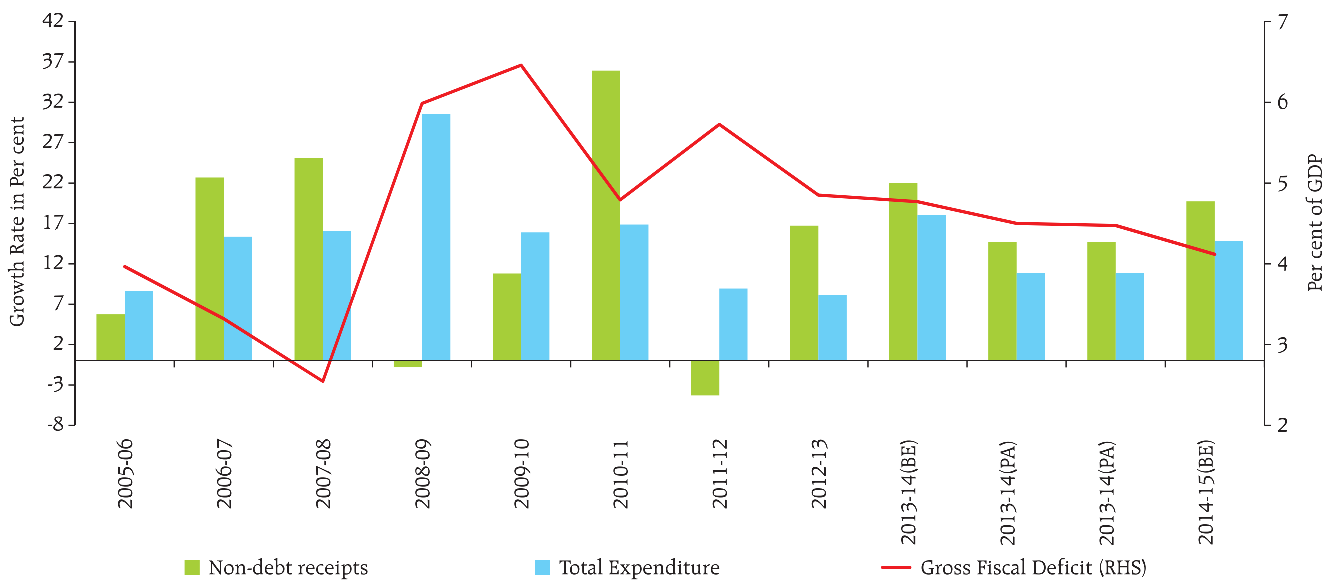
Note: Total expenditure, capital expenditure and non-debt capital receipts have been adjusted for prepayment to NSSF in 2004-05 and transactions relating to transfer of Reserve Bank's stake in State Bank of India (SBI) to the Government in 2007-08.

by 0.2 percentage point to 7.6 per cent during 2014-15, with acceleration in growth in all the major categories of taxes except personal income tax (Table 1).

The growth in personal income tax collections will be affected, following the increase in personal income tax exemption limit for individual tax payers and senior citizens as also in investment limit under section 80C of the Income Tax Act, and deduction limit on account of interest on loan in respect of self-occupied house property. These tax measures along with other direct tax proposals announced in the budget are estimated to result in a revenue loss of ₹222 billion during 2014-15.

The indirect taxes are budgeted to grow at a faster rate in 2014-15 compared to the previous year, mainly on the assumption of a revival in economic growth.

Chart 3: Growth in Government's Non-debt Receipts and Total Expenditure



Service tax collections are estimated to grow at 31 per cent in 2014-15 (BE) over 2013-14 (RE)[4]. The budgeted tax proposals on indirect taxes are estimated to yield an additional revenue of ₹ 75 billion.

II.1b Non-Tax Revenue

Non-tax revenues are budgeted to grow at a slower pace of 10 per cent in 2014-15 as against over 40 per cent growth in 2013-14, reflecting primarily the base effect[5]. The major components contributing to the growth in non-tax revenue in 2014-15 include spectrum charges, unlocking of resources from unspent balances lying in the Public Account, such as, Guarantee Redemption Fund, Social Infrastructure Development Fund and other cess-backed funds and increase in dividend to be paid by the Reserve Bank. Out of total dividend/profit receipts of ₹902 billion, dividend from the Reserve Bank is placed at ₹460 billion for 2014-15.[7] Spectrum revenue is estimated at ₹455 billion, while unlocking of funds in the Public Account would provide ₹123 billion in 2014-15.

II.1c Non-debt Capital Receipts

Non-debt Capital Receipts to post strong growth in 2014-15

Despite the shortfall in achieving the disinvestment targets in the past, including in 2013-14, non-debt capital receipts are estimated to grow by 101.8 per cent in 2014-15 in anticipation of a sharp growth in disinvestment proceeds[6]. The Government's disinvestment receipts are budgeted to grow by 170.9 per cent, while disinvestment of Government's stake in non- Government companies is estimated to grow by 400 per cent. The disinvestment proceeds, which are to be credited to National Investment Fund, are meant to be used for recapitalisation of public sector banks (₹ 112 billion) and investment in Indian Railways towards capital expenditure (₹ 290 billion) in 2014-15.

II.2 Total Expenditure

Total expenditure is budgeted to increase by 12.9 per cent in 2014-15[8] (Chart 3). Although plan expenditure is budgeted to increase at a significantly faster pace than non-plan expenditure, it would still remain less than one-third of the total expenditure.

Non-Plan expenditure growth to moderate in 2014-15

Non-plan expenditure-GDP ratio is budgeted to decline to 9.5 per cent in 2014-15 (9.8 per cent in 2013-14 (RE)). Within non-plan expenditure, growth in interest payments and grants to states is estimated to decelerate sharply in 2014-15. Defence expenditure growth is, however, placed marginally higher at 12.4 per cent in 2014-15. Higher allocation for defence capital expenditure implies an increase in its share in total defence expenditure to 41.3 per cent in 2014-15 from 38.7 per cent in 2013-14.

Total subsidy expenditure to be contained in 2014-15

Total subsidy expenditure is budgeted to be contained at 2.0 per cent of GDP (Table 2), through reduction in provision for petroleum subsidy. However, higher budgetary allocations have been made for both fertilizer and food subsidies in 2014-15, keeping in view the requirements in respect of indigenous urea fertiliser and the National Food Security Act[9]. In this context, the Budget has sought to bring about pricing reforms in the urea sector through a new Nutrient Based Urea Policy. It has also committed to undertake reforms in the food sector on priority basis so as to moderate subsidy expenditure in the medium term.

[4] Service tax collection is estimated to grow by 39.7 per cent in 2014-15 (BE) over the actual of 2013-14.

[5] Non-tax revenue is estimated to grow by 6.7 per cent in 2014-15 (BE) over the actual of 2013-14.

[6] Non-debt capital receipts are estimated to grow by 84.6 per cent in 2014-15 (BE) over the actual of 2013-14.

[7] The actual surplus transferred by the Reserve Bank to the Central government was ₹526.79 billion.

[8] Total expenditure is estimated to grow by 14.8 per cent in 2014-15 (BE) over the actual for 2013-14.

[9] Food subsidy is estimated higher at ₹560 billion in 2014-15 regular budget, as against ₹265 billion in the interim budget. Allocation under NFSA, on the other hand, has been reduced from ₹885 billion in the interim budget to ₹590 billion in the regular budget for 2014-15, considering the delay in implementation of the Act in several states.

Table 2: Major Subsidies of Central Government

Amount in ₹ Billion

Items	2012-13 (Actual)		2013-14 (BE)		2013-14 (RE)		2013-14 (PA)		2014-15 (BE)	
	Amount	Per cent to GDP	Amount	Per cent to GDP	Amount	Per cent to GDP	Amount	Per cent to GDP	Amount	Per cent to GDP
1	2	3	4	5	6	7	8	9	10	11
Major Subsidies	**2,474.9**	**2.4**	**2,209.7**	**1.9**	**2,454.5**	**2.2**	**2,476.0**	**2.2**	**2,514.0**	**2.0**
i. Food	850.0	0.8	900.0	0.8	920.0	0.8	923.2	0.8	1,150.0	0.9
ii. Fertiliser	656.1	0.6	659.7	0.6	679.7	0.6	712.8	0.6	729.7	0.6
iii. Petroleum	968.8	1.0	650.0	0.6	854.8	0.8	840.0	0.7	634.3	0.5

Capital expenditure budgeted to increase in 2014-15

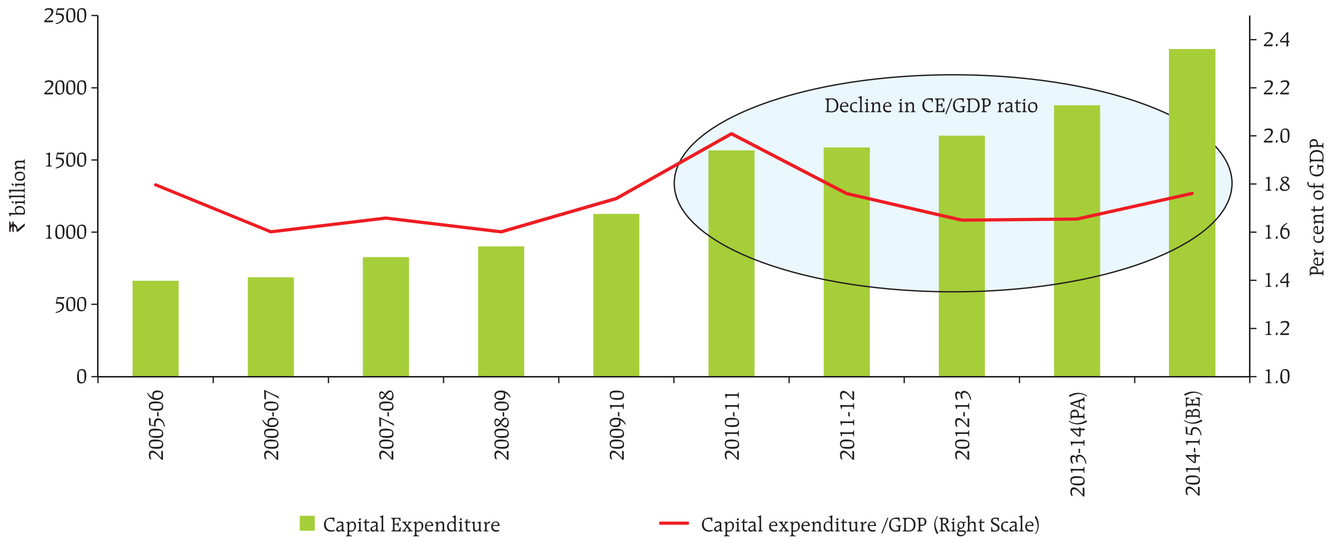
Capital expenditure[10] as a per cent of GDP is budgeted to increase marginally to 1.8 per cent in 2014-15, still below 2.0 per cent attained in 2010-11 (Chart 4).

III. Resource Transfers to States

Resource transfers from Centre to States to increase in 2014-15

While gross and net transfers as a ratio to GDP during 2013-14 (RE) have turned out to be lower than budgeted, they are budgeted to increase to 6.1 per cent and 6.0 per cent, respectively, in 2014-15 (Table 3). Pursuant to the restructuring of all plan schemes under which central assistance is provided to states/UTs, funds for centrally sponsored schemes which were hitherto under the central plan outlay have been placed with the administrative ministries for transfer to the states (as central assistance to state/UT plans) through their consolidated funds with effect from 2014-15 (BE). With a change in the accounting practice, the central assistance to state plans has increased by 1.7 percentage points to 2.6 per cent of GDP in 2014-15 over 2013-14.

Chart 4: Trend in Capital Expenditure



Note: Capital Expenditure in 2007-08 includes government purchase of RBI's stake in SBI.

[10] Total capital expenditure including grants for creation of capital assets (shown under revenue expenditure in the central government budget) as a per cent of GDP is budgeted to increase to 3.1 per cent in 2014-15 from 2.8 per cent in 2013-14.

Table 3 : Gross and Net Transfers from Centre to States

(₹ billion)

Items	2012-13	2013-14 (BE)	2013-14 (RE)	2013-14 (PA)	2014-15 (BE)
1	2	3	4	5	6
1. States' share in Central Taxes	2,915	3,470	3,182	3,182	3,822
2. Non-Plan Grants & Loans	514	771	617	611	700
3. Central Assistance for State & UT (with Legislature) Plans*	1,018	1,278	1,113	999	3,297
4. Assistance for Central and Centrally Sponsored Schemes	413	438	398	442	59
5. Total Grants & Loans (2+3+4)	1,945	2,486	2,128	2,052	4,056
Grants	1,805	2,376	2,018	1,941	3,935
Loans	141	111	111	111	121
6. Less-Recovery of Loans & Advances	95	85	86	102	88
7. Net Resources transferred to State and UT Governments (1+5-6)	4,766	5,871	5,225	5,133	7,790
Gross Transfers / GDP (per cent)	4.8	5.2	4.7	4.6	6.1
Net Transfers / GDP (per cent)	4.7	5.2	4.6	4.5	6.0

* With effect from 2014-15, funds for centrally sponsored schemes are routed through the state budgets as part of central assistance to state plans.

IV. Market Borrowings and Liabilities

Budgeted market borrowings of government and its likely impact on credit and liquidity

During 2014-15 (BE), the gross fiscal deficit would continue to be largely financed by market borrowings. The net market borrowings through dated securities for 2014-15 is budgeted at ₹4,612 billion[11]. Inclusive of funding through 364-day treasury bills, the net market borrowing at ₹4,813 billion would finance 90.6 per cent of the budgeted GFD of ₹5,312 billion (Table 4). The total net borrowing by the states is tentatively estimated at ₹1,930 billion. Thus, the combined net market borrowings in 2014-15 are estimated at around ₹6,743 billion, which is expected to be completed without exerting any sizeable pressure on the availability of financial resources for the private sector during the year[12].

[11] In terms of GDP, net market borrowing is budgeted at 3.9 per cent [higher than 3.6 per cent in the Interim budget, but lower than 4.1 per cent in 2013-14 (RE)].

Table 4 : Financing Pattern of Gross Fiscal Deficit

(Amount in ₹ Billion)

Items	2013-14 (BE)	2013-14 (RE)	2014-15 (BE)
1	2	3	4
Gross Fiscal Deficit	5,425 (100.0)	5,245 (100.0)	5,312 (100.0)
Financed by			
Net Market Borrowings*	4,840 (89.2)	4,603 (87.8)	4,813 (90.6)
Other treasury bills	198 (3.7)	162 (3.1)	145 (2.7)
Securities against small savings (net)	58 (1.1)	116 (2.2)	82 (1.5)
External Assistance	106 (1.9)	54 (1.0)	57 (1.1)
State Provident Fund	100 (1.8)	100 (1.9)	120 (2.3)
NSSF	0 (0.0)	-99 -(1.9)	0 (0.0)
Reserve Fund	59 (1.1)	58 (1.1)	-153 -(2.9)
Deposits and Advances	33 (0.6)	79 (1.5)	61 (1.2)
Draw Down of Cash Balances	0 (0.0)	150 (2.9)	172 (3.2)
Others	31 (0.6)	21 (0.4)	15 (0.3)

*Includes dated securities and 364-day treasury bills taking into account the net impact of buy-back operations in 2013-14.

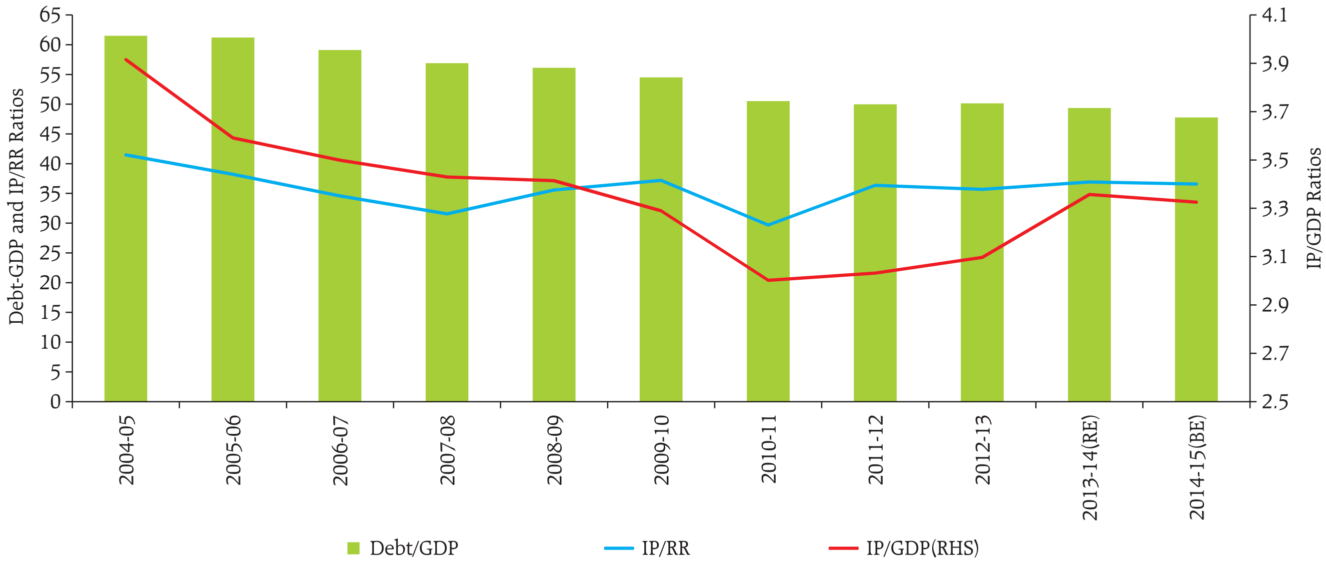
Note: Figures in parentheses represent percentages to GFD.

Interest payments to net tax revenue ratio to decline in 2014-15

Reflecting the fiscal consolidation efforts, total liabilities-GDP ratio of the Central government is budgeted to decline to 48.3 per cent in 2014-15 from 49.2 per cent in 2013-14 (RE). There would be a reduction in interest payments to net tax revenue ratio to 43.7 per cent in 2014-15 (BE) from 45.5 per cent in 2013-14 (RE) (Chart 5).

[12] Banks' holding of government securities is assumed to be 46 per cent.

Chart 5: Debt and Interest Burden of the Central Government



V. Overall Assessment

The government has reaffirmed its commitment to take forward the process of fiscal consolidation, as evident from the budgeted targets of revenue and fiscal deficit at 2.9 per cent and 4.1 per cent of GDP in 2014-15, and the medium-term targets of 1.6 per cent and 3.0 per cent, respectively to be achieved by 2016-17. The revenue deficit target for 2014-15 is even lower than the interim budget level of 3.0 per cent. Its achievement would, however, depend on the realisation of an increase of 0.5 percentage point in non-debt receipts of the Central government in 2014-15.

In the medium-term, the focus of fiscal consolidation strategy has to shift from over-dependence on non-tax revenues and disinvestment receipts to tax revenues, while also containing non-plan expenditure in general and subsidies in particular to sustain the process of fiscal consolidation. On the revenue side, the envisaged implementation of 'Goods and Services Tax' and tax administration reforms would help to improve tax buoyancy and tax receipts. On the expenditure side, the recommendations of the proposed 'Expenditure Management Commission' in respect of expenditure reforms to be undertaken by the Government would assume significance from the viewpoint of expenditure containment and efficiency.

The general concern regarding quality of fiscal adjustment is also sought to be addressed through a gradual increase in the component of grants for creation of capital assets within the overall plan revenue expenditure to two-thirds from the present one-third so as to eliminate effective revenue deficit in the near term. Adherence to fiscal discipline is necessary so that the monetary policy is driven primarily by the objective of lowering inflation to provide a growth enabling macroeconomic environment.

The thrust of the Union Budget is on early revival of investment cycle and growth in the economy which is reflected in sector-specific budgetary allocations, schemes and other initiatives. In recognition of the limited fiscal space, the private sector investment, both domestic and foreign, is incentivised to fill up the resource gap in financing of infrastructure and other development requirements. Further, domestic financial saving is envisaged to be encouraged by increasing the investment limit under Section 80C of the Income tax

Act (also the annual ceiling limit in the public provident fund), introduction of special small savings instrument to cater to the requirements of educating and marriage of the girl child and national savings certificate with insurance cover.

Along with progressive reduction in gross fiscal deficit and several other initiatives to enhance economic activity and spur growth, the announcement of specific measures to control food inflation is a positive feature of the Budget. These initiatives include closer coordination between Centre and states with respect to the implementation of APMC Act for creating a national market for agricultural products, to provide for establishment of private markets and to encourage the state governments to develop Farmers' Markets in town areas to enable the farmers to sell their produce directly. This, along with other measures *viz.*, setting up of a ₹50 billion warehousing infrastructure fund, a dedicated Kisan TV channel (to reduce post harvest losses), and a price stabilization fund of ₹5 billion may help the food economy.

Statement 1: Budget at a Glance

(Amount in ₹ billion)

Items	2012-13 (Accounts)	2013-14 (Revised Estimates)	2013-14 (Provisional) Estimates)	2014-15 (Budget Estimates)	Variation in per cent	
					Col.5 over Col. 3	Col. 5 over Col.4
1	2	3	4	5	6	7
1. Revenue Receipts (i+ii)	**8,792.3**	**10,292.5**	**10,152.8**	**11,897.6**	**15.6**	**17.2**
i) Tax Revenue (Net to Centre)	7,418.8	8,360.3	8,160.5	9,772.6	16.9	19.8
ii) Non-tax Revenue	1,373.6	1,932.3	1,992.3	2,125.1	10.0	6.7
of which:						
Interest Receipts	207.6	210.2	224.1	197.5	-6.0	-11.9
2. Capital Receipts	**5,311.4**	**5,611.8**	**5,482.1**	**6,051.3**	**7.8**	**10.4**
of which:						
i) Market Borrowings *	5,074.5	4,603.4	4,640.4	4,813.0	4.6	3.7
ii) Recoveries of Loans	150.6	108.0	125.0	105.3	-2.5	-15.8
iii) Miscellaneous Capital Receipts	258.9	258.4	275.6	634.3	145.4	130.2
3. Total Receipts (1+2)	**14,103.7**	**15,904.3**	**15,634.9**	**17,948.9**	**12.9**	**14.8**
4. Revenue Expenditure (i + ii)	**12,435.1**	**13,995.4**	**13,755.9**	**15,681.1**	**12.0**	**14.0**
i) Non-Plan	9,143.1	10,276.9	10,230.5	11,146.1	8.5	8.9
ii) Plan	3,292.1	3,718.5	3,525.4	4,535.0	22.0	28.6
5. Capital Expenditure (i + ii)	**1,668.6**	**1,909.0**	**1,879.0**	**2,267.8**	**18.8**	**20.7**
i) Non-Plan	824.4	872.1	873.5	1,052.8	20.7	20.5
ii) Plan	844.2	1,036.8	1,005.4	1,215.0	17.2	20.8
6. Total Non-Plan Expenditure (4i + 5i)	**9,967.5**	**11,149.0**	**11,104.0**	**12,198.9**	**9.4**	**9.9**
of which:						
i) Interest Payments	3,131.7	3,800.7	3,775.0	4,270.1	12.4	13.1
ii) Defence	1,817.8	2,036.7	2,034.7	2,290.0	12.4	12.5
iii) Subsidies	2,474.9	2,454.5	2,476.0	2,514.0	2.4	1.5
7. Total Plan Expenditure (4ii + 5ii)	**4,136.3**	**4,755.3**	**4,530.9**	**5,750.0**	**20.9**	**26.9**
8. Total Expenditure (6+7=4+5)	**14,103.7**	**15,904.4**	**15,634.9**	**17,948.9**	**12.9**	**14.8**
9. Revenue Deficit (4-1)	**3,642.8**	**3,702.9**	**3,603.1**	**3,783.5**	**2.2**	**5.0**
	(3.6)	**(3.3)**	**(3.2)**	**(2.9)**		
10. Effective Revenue Deficit	**2,485.7**	**2,320.6**	**2,304.7**	**2,102.4**	**-9.4**	**-8.8**
	(2.5)	**(2.0)**	**(2.0)**	**(1.6)**		
11. Gross Fiscal Deficit (8-(1+2ii+2iii))	**4,901.9**	**5,245.4**	**5,081.5**	**5,311.8**	**1.3**	**4.5**
	(4.8)	**(4.6)**	**(4.5)**	**(4.1)**		
12. Gross Primary Deficit (11-6i)	**1,770.2**	**1,444.7**	**1,306.5**	**1,041.7**	**-27.9**	**-20.3**
	(1.8)	**(1.3)**	**(1.2)**	**(0.8)**		

Notes : 1) Figures in parentheses represent percentgae to GDP.
2) *Includes dated securities and 364-day treasury bills ,taking into account the net impact of buy-back operations in 2013-14.

Source : Budget documents of the Government of India, 2014-15.

*Consumer Confidence Survey – Q2:2013-14 to Q1:2014-15**

1. Introduction

The Reserve Bank has been conducting Consumer Confidence Survey (CCS) on a quarterly basis since June 2010.The survey captures qualitative responses on questions pertaining to economic conditions, household circumstances, income, spending, prices and employment prospects. The survey results are based on the views of the respondents and are not necessarily shared by the Reserve Bank of India. The responses are analysed in two parts, viz., current situation as compared with a year ago and expectations for a year ahead. The quarterly results of CCS are released on the RBI website. This article presents analysis of survey results covering a longer time period, with particular focus on the last four rounds (Q2: 2013-14 to Q1:2014-15) of the survey.

2. Sample Coverage and Survey Questionnaire

The survey is conducted in six metropolitan cities, *viz.*, Bengaluru, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi. In each round of survey, 5,400 respondents are selected (900 respondents from each city). A two stage sampling design is adopted for the survey. At the first stage in a city, the polling booths are selected using systematic random sampling technique, after arranging these according to various constituencies. In order to ensure wide geographical coverage, 45 polling booths spread over the entire city are selected. From each polling booth area, 20 respondents are selected following the right hand rule.

The survey schedule is organised into four blocks covering the respondent's details, economic conditions, household circumstances and general views on income, spending *etc.* and perceptions on price level. From Q2:2012-13 (10th round) onwards, the survey schedule was modified to include perceptions on future household circumstances, outlay for major expenditures *viz.*, motor vehicle, house, consumer durables, *etc.*, current employment scenario and current/future rate of price change. Qualitative information is obtained on a three point scale *i.e.* positive/no change/ negative.

Box 1
Consumer Confidence Index – A cross-country practice

Consumer confidence is considered to be a leading indicator of economic trends. With globalisation greater liberalisation of the domestic financial system and increasingly deregulated markets, need for quick and forward looking information has increased. Many developed economies conduct consumer confidence surveys. Some of the leading surveys are given below:

USA: Two institutions *viz.*, the Conference Board and University of Michigan collect 5,000 and 500 respondents' views respectively and compiles consumer confidence index on monthly basis. University of Michigan captures information on current family finances, future family finances, future business conditions, future national economy and current buying conditions parameters. The Conference Board collates information on current business conditions, business conditions for the next six months, current employment conditions and employment conditions for the next six months and total family income for the next six months.

Japan: Bank of Japan collects around 5,000 respondents' view and compiles consumer confidence index on

(Contd...)

* Prepared in the Department of Statistics and Information Management, Reserve Bank of India, New Delhi. The latest round (June 2014) of the survey data was released on August 5, 2014 on the RBI Website. The previous annual article on the subject was published in September 2013 issue of the RBI Bulletin.

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monthly basis. Survey schedule comprises of questions for eliciting information on select parameters *viz.*, economic conditions, household circumstances, price levels, future land prices, growth potential of the Japanese economy and recognition and credibility of the Bank.

Australia: Westpac-Melbourne Institute collects views of around 1,200 respondents on monthly basis in Australia for Consumer Confidence Survey. The survey comprises of five parameters *viz.*, family finances v/s. a year ago, family finances next 12 months, economic conditions next 12 months, economic conditions next 5 years and good or bad time to buy major household items.

UK: GfK NOP collects 2,000 respondents' view on monthly basis for compiling consumer confidence. GfK NOP captures information on five parameters *viz.*, personal financial situation over the last 12 months, personal financial situation over the next 12 months, general economic situation over the last 12 months, General economic situation over the next 12 months and 'a good time or bad time for the average person to make a major outlay for items such as a furniture or electrical goods purchasing sentiments'.

Euro Area: European commission conducts Consumer Confidence Survey by phone and covers 23,000 households on monthly basis. The questions focus on current economic and financial situation, saving intention as well as on expected developments regarding: consumer price indices, general economic situation and major purchases of durable goods.

3. Survey Results

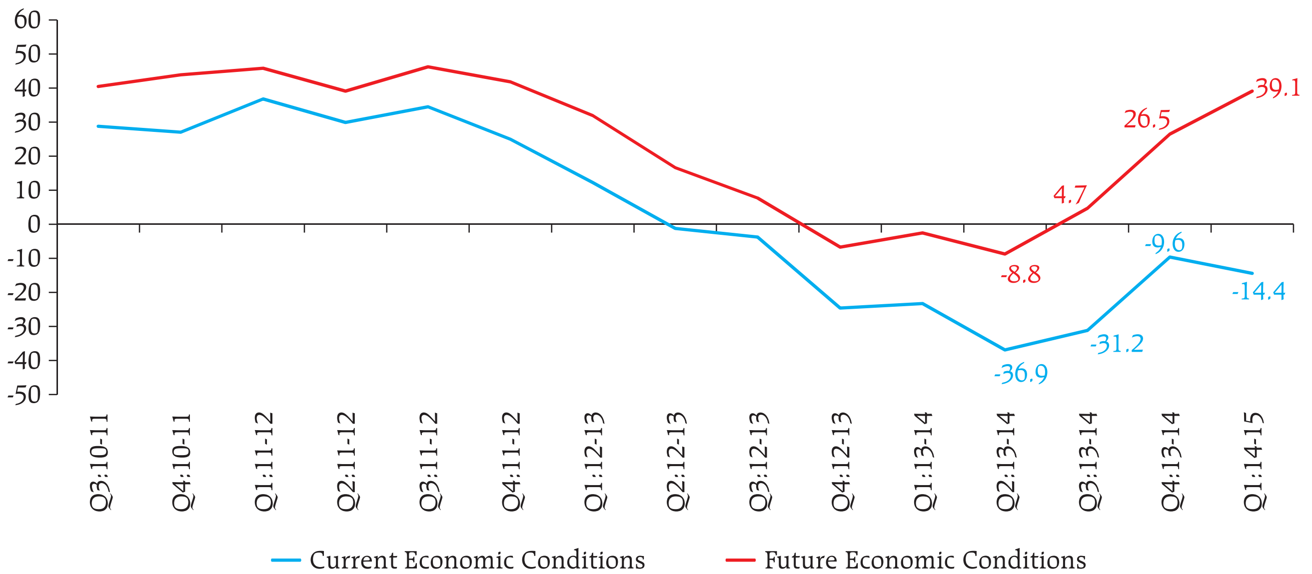
The survey results are shown for each parameter based on net response (difference between positive and negative perceptions). For reporting purpose, *current* is used for current situation as compared with one year ago and *future* is used for expectations for one year ahead period.

3.1 Economic Conditions

The net response on current economic conditions became negative from Q2:2012-13 onwards and could not recover thereafter (Chart 1).

The optimism regarding future economic conditions has consistently been better than that pertaining to the current economic conditions (Chart 1).

Chart 1: Net response on Economic Conditions



The net responses in this case also turned negative during Q4:2012-13 to Q2:2013-14 of the survey. However, it turned positive since Q3: 2013-14. The net responses on future economic conditions appear to show sharp improvement after Q3:2013-14, rising from 4.7 per cent to 39.1 per cent.

3.2 Household Circumstances

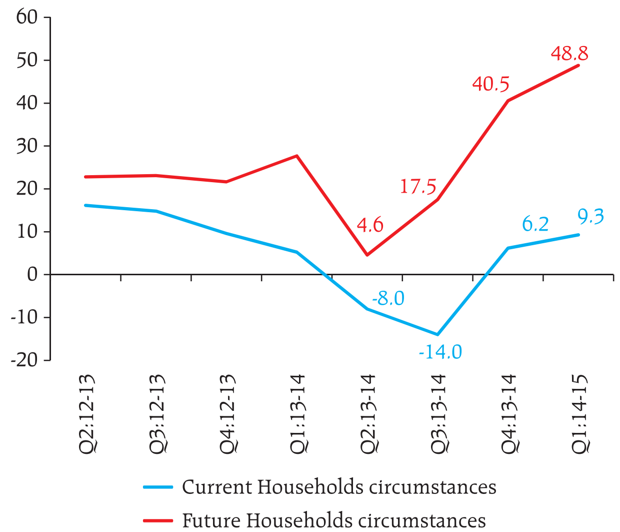
Net response on current household circumstances showed a sign of improvement from Q3:2013-14. It is observed that the outlook on household circumstances has been better than the current scenario (Chart 2). However, the net responses on future household circumstances witnessed rise since Q2:2013-14 and reached around 49 per cent in Q1:2014-15.

'Salary and business income' and 'prices' are the two major factors that have influenced respondents' perceptions on household circumstances across all the survey rounds (Table 3).

3.3 Income

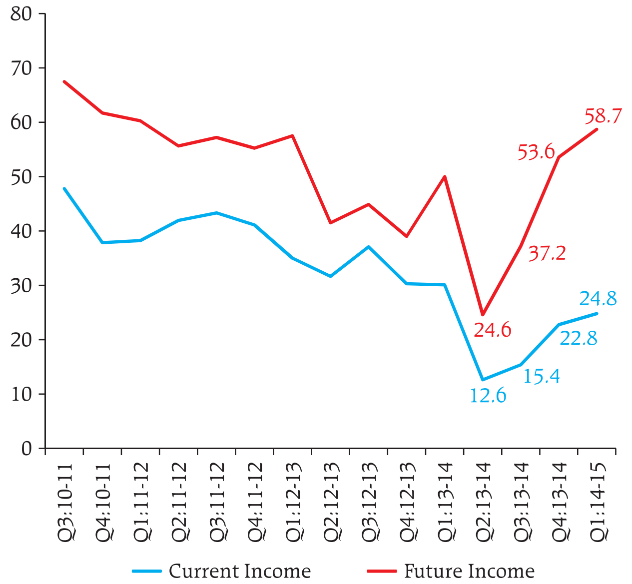
The net response on current and future income perceptions was at its lowest in Q2:2013-14 but witnessed improvement in subsequent survey rounds. Current income perceptions have remained consistently lower as compared to the net perceptions on future income. The net response on future income improved to more than 50 per cent in latest two rounds *i.e.* Q4:2013-14 & Q1:2014-15 (Chart 3).

Chart 2: Net response on Households circumstances



Note: The response on future household circumstances was collected from Q2: 2012-13 onward.

Chart 3: Net response on Income



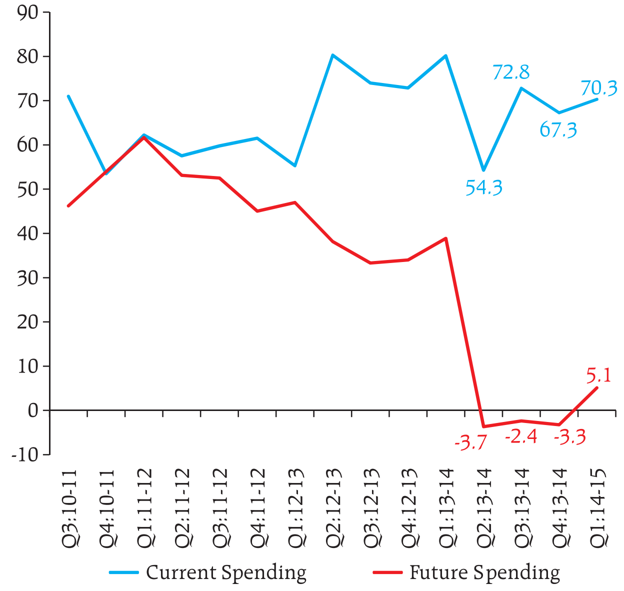
The proportion of respondents, who reported relatively higher income as compared to the last year, has increased consistently from 34.5 per cent in Q2: 2013-14 to about 39.1 per cent in Q1:2014-15. However, this proportion in respect of future income expectations has remained above 40 per cent during last four quarters. About 43-54 per cent respondents reported that their income has remained at the same level as that of last year. However, the same proportion for future expectations is about 30-41 per cent only (Table 4).

3.4 Spending

The net response on future spending has remained consistently lower as compared to net response on current spending. The net responses on current as well as future spending appear to show some improvement in Q1:2014-15 (Chart 4).

More than three-fourths of the respondents reported that their current spending has increased as compared to a year ago (Table 5). However, this

Chart 4: Net response on Spending



proportion in respect of increased future spending in the next year has been significantly lower.

'Cost of consumer goods', 'cost of services' and 'income' were observed to be the major factors that have influenced the perceptions on current spending (Table 6).

3.5 Perceptions on Price Levels and Inflation

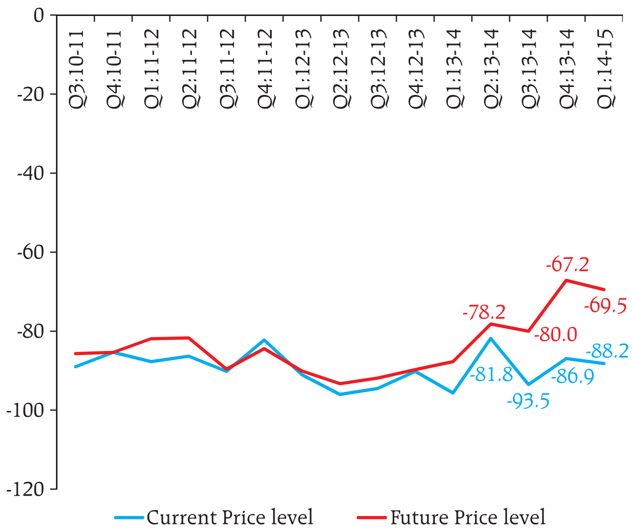
Net responses on current price level are below 90 per cent during last one year. These proportions were marginally lower in respect of net responses on future price levels (Chart 5). During the last four rounds, the proportion of respondents expecting prices to rise has decreased. The net response on expectations on price rise improved from 80 per cent to 70 per cent.

Extending the query, the respondents among those who reported increase in price levels were asked whether the rate of price rise (*i.e.*, inflation) would be higher or same or lower. In terms of net responses, more than 80 per cent of respondents expected inflation to increase over the next year (Chart 6, Table 8).

3.6 Cross Tabulations on Income *versus* Spending and Inflation *versus* Spending

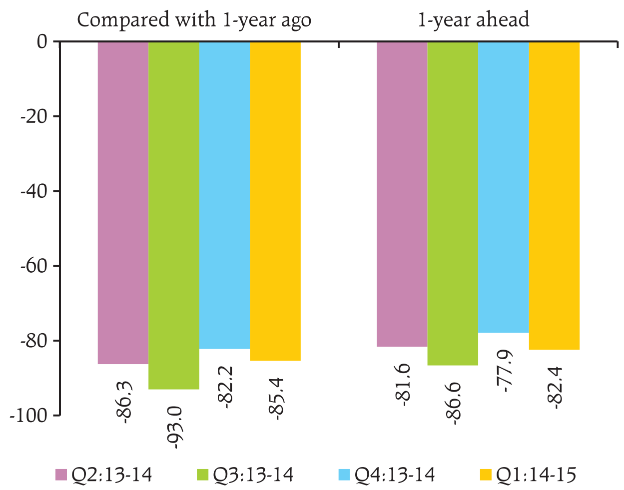
The cross tabulation on income and spending for last four rounds are given in Table 9. About 27-32 per cent of respondents reported increase in current spending to be associated with increase in current income. About 21- 38 per cent of respondents, reported increase in current spending even with current income

Chart 5: Net response on price levels



Note: Perceptions of increase/decrease in prices is considered to be negative/ positive sentiments.

Chart 6: Net response on rate of change in price levels



Note: Perceptions of increase/decrease in prices is considered to be negative/ positive sentiments.

remaining same or lower. The strength of association of expected increase in future spending with increase in future income is observed to be relatively lower as about 14-24 per cent respondents reported increase in expected spending to be associated with increase in future income.

The cross tabulation on inflation and spending for last four rounds are given in Table 10 providing further insights on spending perceptions. The analysis of responses reveal that about 63-74 per cent of the respondents reported higher current spending in association with higher current inflation. Against 23-32 per cent respondents reported association of increase in future spending with increase in expected inflation as expected expectations of rise in future inflation was associated with lower spending intentions.

3.7 Perceptions on other Macroeconomic Indicators

3.7.1 Employment: In general, the respondents had more optimistic outlook regarding employment. The similar pattern is observed in terms of net responses on employment perceptions (Chart 7).

The proportion of respondents expecting improvement in the future employment scenario has consistently been higher than those who felt improvement in current employment prospects (Table 12).

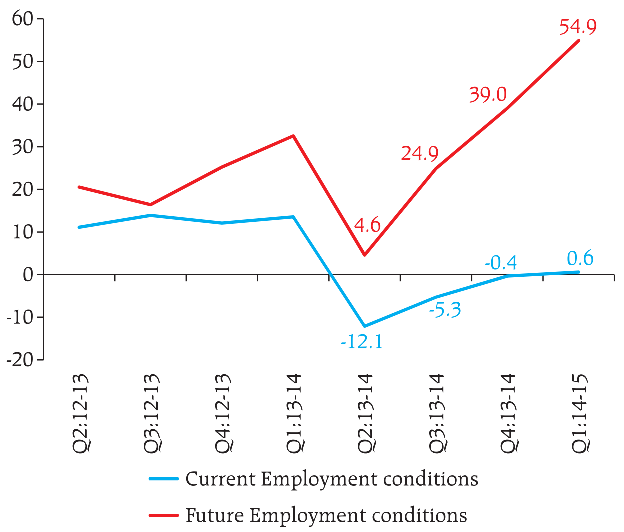
3.7.2 Plan for major expenses: Respondents were asked whether it was a good time to make major outlay for any major purchases *viz.*, motor vehicle, house or durable goods. Gold/bullion was added as an item in the list from Q4:2012-13. During the last four rounds, less than 32 per cent of respondents reported that this is the right time to make outlays for major purchases *viz.*, motor vehicle, house, durable goods and gold. Around one third of the respondents reported that it is a good time for purchasing gold (Table 12).

3.8 Consumer Confidence Index

3.8.1 Current Situation Index (CSI) and Future Expectations Index (FEI)

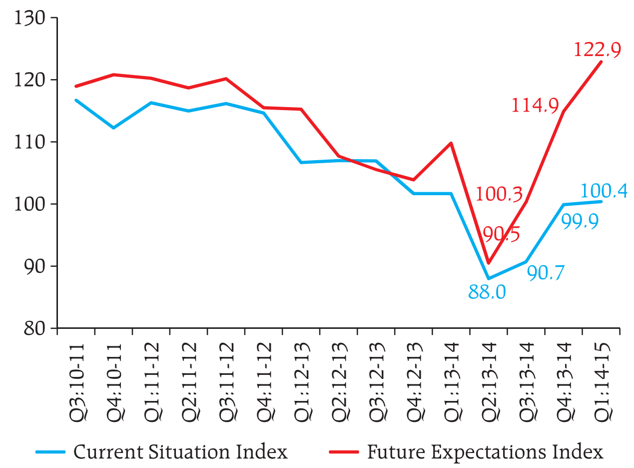
In the pre Q2:2012-13 rounds, the CSI was based on the net responses in respect of economic conditions, household circumstances, income, spending and price levels and FEI was based on the net responses in respect of economic conditions, income, spending, employment conditions and price levels. From Q2:2012-13, these indices have been

Chart 7: Net response on Employment Perceptions



Note: The response on current employment perceptions was collected from Q2: 2012-13 onward.

Chart 8: Current Situation Index and Future Expectation Index



Note: The definitions of these indices are not strictly comparable due to inclusion of current employment and future household perceptions in respective series w.e.f. Q2: 2012-13 onward.

worked out using the common set of parameters *viz.* economic conditions, household circumstances, income, spending, employment conditions and price levels (new methodology in Annex 2).

CSI and FEI were at their lowest in Q2:2013-14 since their inception. But CSI recovered slowly and reached threshold level in Q1:2014-15. However, there has been significant improvement in FEI due to increase in the positive perceptions on almost all parameters during last four rounds of survey, however, increase is not uniform across all indicators. Overall the consumer confidence index reflects improvements in the positive perceptions, in general, there exists optimism regarding future circumstances as compared to current situation.

3.8.2 Robustness of Estimates

In order to evaluate the quality of estimates, the confidence intervals for mean CSI and FEI have been estimated using bootstrap methodology. Based on 10,000 re-samples selected through 'simple random sampling with replacement', the 99 per cent bootstrap confidence intervals for mean CSI and mean FEI are given in Table 14. The width of confidence intervals varied between 2.7 to 3.2 indicating the robustness of the estimates of CSI and FEI.

Annex 1 – Data Tables

Table 1: Opinion on Economic Conditions

(Per centage responses)

	Compared with 1-year ago				1-year ahead			
	Q2:13-14	Q3:13-14	Q4:13-14	Q1:14-15	Q2:13-14	Q3:13-14	Q4:13-14	Q1:14-15
Improve	22.4	22.7	29.5	25.5	29.9	34.8	47.6	56.7
Remain same	18.4	23.3	31.3	34.6	31.5	35.1	31.2	25.6
Worsen	59.3	54.0	39.1	39.9	38.6	30.1	21.1	17.6
Net Response	**-36.9**	**-31.2**	**-9.6**	**-14.4**	**-8.8**	**4.7**	**26.5**	**39.1**

Table 2: Perceptions on Household circumstances

(Per centage responses)

	Compared with 1-year ago				1-year ahead			
	Q2:13-14	Q3:13-14	Q4:13-14	Q1:14-15	Q2:13-14	Q3:13-14	Q4:13-14	Q1:14-15
Improve	30.8	23.7	32.4	36.5	33.3	37.1	52.9	59.7
Remain same	30.4	38.6	41.3	36.3	38.0	43.3	34.7	29.5
Worsen	38.8	37.7	26.2	27.2	28.7	19.6	12.4	10.9
Net Response	**-8.0**	**-14.0**	**6.2**	**9.3**	**4.6**	**17.5**	**40.5**	**48.8**

Table 3: Major Factors influencing views on Household Circumstances

(Per centage responses)

	Compared with 1-year ago				1-year ahead			
	Q2:13-14	Q3:13-14	Q4:13-14	Q1:14-15	Q2:13-14	Q3:13-14	Q4:13-14	Q1:14-15
Salary and business income	84.1	70.0	74.8	84.4	81.3	77.2	72.1	90.0
Interest and dividend income	30.8	15.4	22.4	14.9	32.8	15.6	18.7	14.8
Income from real estate sales	26.6	12.1	17.6	13.1	26.2	12.2	16.1	13.7
Prices	76.0	78.8	81.7	74.4	70.6	70.9	75.8	73.1
Change in value of assets	25.8	12.8	17.4	7.6	26.3	13.6	17.4	8.1
The number of dependent in my family	34.5	19.7	33.2	20.4	37.2	20.4	30.0	19.1

Note: As respondents may report multiple factors, the per centage responses may add up to be more than 100.

Table 4: Perceptions on Income

(Per centage responses)

	Compared with 1-year ago				1-year ahead			
	Q2:13-14	Q3:13-14	Q4:13-14	Q1:14-15	Q2:13-14	Q3:13-14	Q4:13-14	Q1:14-15
Increase	34.5	30.9	34.3	39.1	41.7	45.4	58.9	63.9
Remain same	43.5	53.5	54.2	46.7	41.2	46.4	35.8	30.8
Decrease	21.9	15.5	11.5	14.3	17.1	8.2	5.3	5.2
Net Response	**12.6**	**15.4**	**22.8**	**24.8**	**24.6**	**37.2**	**53.6**	**58.7**

Table 5: Perceptions on Spending

(Per centage responses)

	Compared with 1-year ago				1-year ahead			
	Q2:13-14	Q3:13-14	Q4:13-14	Q1:14-15	Q2:13-14	Q3:13-14	Q4:13-14	Q1:14-15
Increase	61.8	76.7	73.9	77.1	28.4	26.4	25.1	36.3
Remain same	30.7	19.4	19.4	16.0	39.5	44.8	46.6	32.6
Decrease	7.5	3.9	6.6	6.8	32.1	28.8	28.3	31.2
Net Response	**54.3**	**72.8**	**67.3**	**70.3**	**-3.7**	**-2.4**	**-3.3**	**5.1**

Table 6: Major Factors influencing Spending Perception

(Per centage responses)

	Income	Future income	Non-financial assets	Financial assets	Expenditure on real estate	Expenditure on consumer durables	Number of dependents	Cost of consumer goods	Cost of services
Q2:2013-14	66.6	32.1	20.5	40.0	26.2	39.0	49.9	79.4	70.4
Q3:2013-14	51.2	22.2	9.7	17.7	20.8	38.2	41.8	83.0	66.9
Q4:2013-14	49.0	26.0	11.3	24.7	21.6	46.6	50.2	75.2	71.7
Q1:2014-15	61.7	29.6	10.9	16.7	23.8	34.5	36.1	67.6	62.1

Note: As respondents may report multiple factors, total of per centage relating to factors may be more than 100.

Table 7: Perceptions on price level

(Per centage responses)

	Compared with 1-year ago				1-year ahead			
	Q2:13-14	Q3:13-14	Q4:13-14	Q1:14-15	Q2:13-14	Q3:13-14	Q4:13-14	Q1:14-15
Increase	85.2	94.2	88.9	89.7	82.6	83.0	73.6	76.7
Remain same	11.4	5.1	9.1	8.8	13.1	14.0	19.9	16.1
Decrease	3.4	0.7	2.0	1.5	4.4	3.0	6.5	7.2
Net Response	**-81.8**	**-93.5**	**-86.9**	**-88.2**	**-78.2**	**-80.0**	**-67.2**	**-69.5**

Note: Perceptions of increase/decrease in prices is considered to be negative/positive sentiments.

Table 8: Perceptions on rate of change in price levels (Inflation)

(Per centage responses)

	Compared with 1-year ago				1-year ahead			
	Q2:13-14	Q3:13-14	Q4:13-14	Q1:14-15	Q2:13-14	Q3:13-14	Q4:13-14	Q1:14-15
Increase	89.0	93.4	83.8	87.1	85.4	87.8	80.8	84.0
Remain Same	8.3	6.2	14.5	11.1	10.9	11.1	16.3	14.5
Decrease	2.7	0.4	1.6	1.8	3.7	1.1	2.9	1.5
Net Response	**-86.3**	**-93.0**	**-82.2**	**-85.4**	**-81.6**	**-86.6**	**-77.9**	**-82.4**

Note: Perceptions of increase/decrease in inflations is considered to be negative/positive sentiments.

Table 9: Cross-tabulation of Income and Spending

(Per centage responses)

Income	Spending	Current Income Vs. Current Spending			Future Income Vs. Future Spending		
		Increase	Remain same	Decrease	Increase	Remain same	Decrease
Q2: 2013-14	Increase	26.9	6.7	0.9	14.2	14.3	13.1
	Remain same	21.7	19.3	2.4	9.9	18.6	12.8
	Decrease	13.2	4.6	4.3	4.4	6.5	6.2
Q3: 2013-14	Increase	26.6	3.7	0.7	14.5	18.7	12.2
	Remain same	37.7	14.3	1.5	10.4	23.7	12.2
	Decrease	12.5	1.4	1.7	1.4	2.4	4.4
Q4: 2013-14	Increase	29.3	4.2	0.8	18.1	24.0	16.8
	Remain same	36.3	13.9	4.0	5.7	20.9	9.1
	Decrease	8.2	1.4	1.9	1.2	1.7	2.4
Q1: 2014-15	Increase	31.9	5.3	1.9	24.4	19.0	20.5
	Remain same	34.5	9.1	3.1	10.4	12.2	8.3
	Decrease	10.7	1.6	1.9	1.5	1.3	2.4

Table 10: Cross-tabulation of Inflation and Spending

(Per centage responses)

Income	Spending	Current Inflation Vs. Current Spending			Future Inflation Vs. Future Spending		
		Increase	Remain same	Decrease	Increase	Remain same	Decrease
Q2: 2013-14	Increase	63.4	19.7	5.9	25.2	31.6	28.6
	Remain same	4.0	4.0	0.3	3.1	5.2	2.5
	Decrease	1.2	1.3	0.2	1.3	1.9	0.5
Q3: 2013-14	Increase	73.8	16.4	3.3	23.6	37.0	27.2
	Remain same	4.9	1.1	0.2	2.8	5.1	3.2
	Decrease	0.3	0.0	0.1	0.6	0.3	0.2
Q4: 2013-14	Increase	66.1	13.5	4.2	23.7	32.3	24.7
	Remain same	10.5	3.0	1.0	3.6	9.4	3.3
	Decrease	0.9	0.3	0.4	0.5	1.5	0.9
Q1: 2014-15	Increase	69.5	12.1	5.6	32.0	24.7	27.3
	Remain same	8.0	2.5	0.6	5.8	6.0	2.7
	Decrease	1.1	0.3	0.4	0.4	0.7	0.4

Table 11: Current & Future perceptions on Employment

(Per centage responses)

	Compared with 1-year ago				1-year ahead			
	Q2:13-14	Q3:13-14	Q4:13-14	Q1:14-15	Q2:13-14	Q3:13-14	Q4:13-14	Q1:14-15
Improve	26.6	29.1	28.3	30.8	35.3	45.1	54.6	65.1
Remain Same	34.6	36.5	43.0	39.0	34.0	34.7	29.9	24.8
Worsen	38.8	34.4	28.7	30.2	30.7	20.2	15.5	10.1
Net Response	-12.1	-5.3	-0.4	0.6	4.6	24.9	39.0	54.9

Table 12: Perceptions on Outlays for Major Expenditure

(Per centage responses)

		Q2:13-14	Q3:13-14	Q4:13-14	Q1:14-15
Motor Vehicle	**Yes**	13.1	14.4	21.1	17.9
	Can't Say	19.2	17.3	21.9	20.6
	No	67.7	68.2	57.0	61.5
House	**Yes**	14.1	17.7	19.7	25.4
	Can't Say	16.6	15.4	18.7	19.2
	No	69.3	67.0	61.6	55.4
Durable goods	**Yes**	15.3	21.9	20.2	29.7
	Can't Say	18.4	18.6	27.3	21.8
	No	66.4	59.4	52.5	48.5
Gold	**Yes**	9.8	18.9	15.5	32.0
	Can't Say	12.2	15.4	15.7	17.8
	No	78.0	65.8	68.8	50.2

Table 13: Current and Future Expectations Index

	Q3: 10-11	Q4: 10-11	Q1: 11-12	Q2: 11-12	Q3: 11-12	Q4: 11-12	Q1: 12-13	Q2: 12-13	Q3: 12-13	Q4: 12-13	Q1: 13-14	Q2: 13-14	Q3: 13-14	Q4: 13-14	Q1: 14-15
CSI	116.7	112.2	116.3	115.0	116.2	114.6	106.7	106.2	105.5	99.6	99.3	88.0	89.9	99.9	100.4
CSI (Revised)								107.0	106.9	101.7	101.7	88.0	90.7	99.9	100.4
FEI	118.9	120.8	120.2	118.7	120.2	115.5	115.3	104.7	102.1	100.4	106.2	87.7	96.9	109.7	117.7
FEI (Revised)								107.7	105.6	103.9	109.8	90.5	100.3	114.9	122.9

Table 14: 99% Bootstrap Confidence Intervals (BCI) Based on 10,000 Resamples

Survey Round	Survey Quarter ended	CSI		FEI	
		99% BCI for Mean	Interval width	99% BCI for Mean	Interval width
14	**Q2:13-14**	(86.5,89.5)	3.0	(88.9,92.1)	3.2
15	**Q3:13-14**	(89.3,92.1)	2.8	(98.8,101.8)	3.0
16	**Q4:13-14**	(98.4,101.4)	3.0	(113.3,116.4)	3.1
18	**Q1:14-15**	(99.0,101.7)	2.7	(121.5,124.2)	2.7

Annex 2: Methodology
Current Situation Index & Future Expectations Index

In standard opinion surveys, respondents generally have three reply options such as up/same/down; or above-normal/normal/ below-normal; or increase/ remain-same/decrease. Because of the difficulty of interpreting all three per centages, the survey results are normally converted into a single quantitative number. One of the most common way of doing this is to use 'Net-Responses' (also called 'Balances' or 'Net Balances'). It is defined as the per centage of the respondents reporting a decrease (negative), subtracted from the per centage reporting an increase (positive). Net Responses can take values from –100 to +100. In this survey, Net Response is used to analyse the Consumer Confidence Survey results. To combine the consumer confidence perceptions on various parameters, two indices are worked out. These are Current Situation Index for reflecting current situation as compared to one year ago and Future Expectations Index to reflect the expectations one year ahead. For calculating the index, the following formula has been used.

Overall Index = 100 + Average (Net Response of selected factors)

Where Net Response = Positive perceptions (%) – Negative perception (%)

The average net responses on the current perception on various factors, *viz.* economic conditions, household circumstances, income, spending, price level and employment[@] are used for the calculation of the Current Situation Index.

The average net responses on the future perceptions on various factors, *viz.* economic conditions, household[@@], income, spending, price level and employment are used for the calculation of the Future Expectations Index.

[@ & @@] : Current employment perception and future household perception have been captured from September 2012. These have been included for calculating CSI and FEI from September 2012, onwards.

*Corporate Investment: Growth in 2013-14 and Prospects for 2014-15**

Capital expenditure (investment in fixed assets) intentions of the companies in private and joint business sector, as estimated based on their financing details, indicate further weakening of the business sentiment in 2013-14 compared with 2012-13. Investment plans made in 1,065 projects, receiving financial assistance from banks/FIs or through External Commercial Borrowings (ECB) and domestic equity issues in 2013-14, aggregated ₹2,148 billion as compared with the (revised) investment intentions in 958 such projects at an aggregate cost of ₹2,566 billion in 2012-13. Investment in 2013-14 was mainly envisaged in 'power', 'metal & metal products', 'textiles', 'cement' and 'construction' industries.

Based on time phasing details of the investment intentions of the companies which have raised funding through any of the above three routes, the estimate of capital investment likely to be incurred during 2013-14, has fallen by 18 per cent to ₹2,513 billion compared with the revised estimate for 2012-13. Further, based on the plans upto 2013-14, the capital expenditure already planned in 2014-15 aggregated ₹1,242 billion. For improving the level of aggregate capital expenditure in 2014-15 from that of 2013-14, a capital expenditure of more than ₹1,270 billion would need to come from new investment intentions of the private corporate sector in 2014-15, which seems to be attainable with the steps being taken to bolster investor confidence.

1. Introduction

Adequate capital expenditure is necessary to enhance the productive capacity of an economy. Technically, a capital expenditure (or CapEx) is incurred when a business entity either buys fixed assets or adds value to an existing fixed asset with a useful life that extends beyond an accounting year. Capital expenditure, for modernisation and expansion of productive capacity of an existing business or for the development of a new business, is a key indicator of economic growth. The private corporate sector together with the household sector is the major source of investment. Information on capital investment intentions of the companies in private and joint business sector helps to assess the likely short-term changes in business sentiment. The long and strong investment cycle which witnessed the peaking of fresh sanctioning of project assistance by banks and FIs in 2009-10, seems to have reversed since then and further weakened in 2013-14.

This article captures investment (*i.e.,* capital expenditure) intentions of the companies in private and joint business sector based on financing details of such investment. The phasing details indicated by the companies while raising funds were analysed to capture the capital expenditure that would have been made during 2013-14. Capital expenditure envisaged from pipeline projects are also estimated for 2014-15.

The article is organised in five sections. Section 2 presents the methodology, scope, coverage and the limitations, Section 3 outlines nature of new projects planned by the corporates in 2013-14. It covers all projects where funds have been raised through banks/ FIs/ capital markets/ external commercial borrowings (ECBs). However, analysis at disaggregated levels according to size-class, industrial sector, location/ State and purpose has been made only for institutionally assisted projects. Section 4 estimates capital expenditure of corporate sector likely to have incurred during 2013-14. Section 5 looks into trends in aggregate Private Placements of debts for financing corporate investment in projects. Section 6 presents an outlook for corporate investment during 2014-15 based on current economic scenario.

2. The Approach – Methodology, Coverage and Limitations

In the National Accounts Statistics, Gross Fixed Capital Formation (GFCF) comprises two main

* Prepared in the Corporate Studies Division of the Department of Statistics and Information Management, Reserve Bank of India. The previous study titled 'Corporate Investment: Growth in 2012-13 and Prospects for 2013-14' was published in the September 2013 issue of the Reserve Bank of India Bulletin.

components, (i) construction, and (ii) machinery and equipment. Under type of assets, these estimates are derived at the aggregate level through the commodity flow approach.The estimates of GFCF and change-in-stocks by industry of use, on the other hand, are prepared by expenditure approach, separately for each of the institutional sectors[1]. Though these are the standard and accepted methods of measuring capital formation in our economy, estimates under national accounts statistics are available with some time lag. As an alternative, looking at the financing of the large sized projects from the major suppliers of finance to such projects along with the phasing plan may indicate the likely level of capital expenditure (CapEx). The investment by the private corporate sector is estimated herefrom the financing side of the expenditure incurred in large projects and their phasing plan. The methodology followed has been discussed in detail in the previous study published in September 2013 issue of the RBI Bulletin.

The validity of the assessment on corporate investment in the various years of implementation heavily rests upon the assumption that companies would adhere to the expenditure patterns outlined in the initial proposals. The estimates of corporate investment presented in this article are *ex ante* and differ in scope and methodology from the *ex post* estimates of corporate fixed investment available in National Accounts Statistics (NAS)[2]. It may also be kept in view that the cancellation / modification of projects reported earlier, particularly of the large ones, necessitates revision of past data and limits comparability.

3. Projects Planned during 2013-14

During the year 2013-14, select banks/ FIs reported sanctioning of financial assistance for 481 projects with an aggregate project cost of ₹1,340 billion, each with project cost of ₹100 million and above. In addition, the study covers proposed investment of 563 companies contracting ECBs/ FCCBs in 2013-14 aggregating ₹803 billion and proposed investment of ₹5 billion intended by 21 companies by issue of domestic equity during 2013-14. All together, the new investment intentions of 1,065 companies covered in 2013-14 aggregated ₹2,148 billion as against the investment intentions of 969 companies at an aggregate cost of ₹2,634 billion captured in 2012-13.

3.1. Aggregate cost of Projects Funded/ Assisted by Banks/ Financial Institutions decreased

There were 481 projects, having an outlay of ₹1,340 billion, which were sanctioned institutional assistance by banks/FIs during 2013-14. During 2012-13, 425 projects with aggregate cost of ₹1,963 billion were sanctioned. However, 11such projects were cancelled and 6 were modified during the current year and, as such the cost of projects sanctioned during 2012-13 has been revised to ₹1,895 billion.

The phasing details of fresh sanctions in 2013-14 indicated that around 26.9 per cent (₹360 billion) of the total proposed expenditure was planned to be incurred in the year of sanction, and another 35.5 per cent (₹476 billion) was to be spent in the next year (2014-15). An amount of ₹319 billion was proposed to be spent during 2015-18. It may be noted that around 12.8 per cent of total project cost envisaged by these projects was already spent in the previous years, *i.e.,* 2012-13 and 2011-12 (Table 1).

3.1.1 Industrial Pattern of Projects – infrastructure projects lost some of its share

An analysis of the industrial pattern of projects reveals that investment intentions were prominent in the power sector at 33.4 per cent of the total cost of envisaged projects, though lower than 39.4 per cent observed in 2012-13. This has been followed by metal & metal products, textiles, cement, construction and hotels & restaurant industries. Power, metal and textile

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1 National Accounts Statistics-Sources and Methods, 2012

2 See also the technical note attached to "Growth of Corporate Investment: An attempt at projection for 1999-2000" published in the Monsoon 1999 issue of the Reserve Bank of India Occasional Papers for details.

Table 1: Spending Pattern of Projects Sanctioned in 2012-13 and 2013-14

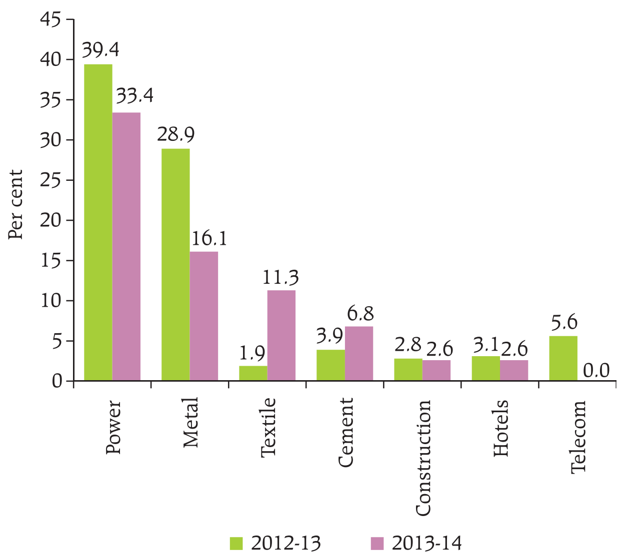
(₹ in billion)

Envisaged Capital expenditure in the Year →	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	Total
	1	2	3	4	5	6	7	8	9	10
Projects Sanctioned in 2012-13	Number of Projects : 414									
	1 -	367 (19.3)	567 (29.9)	490 (25.8)	273 (14.4)	112 (5.9)	64 (3.4)	20 (1.1)	- -	1,895 (100.0)
Projects Sanctioned in 2013-14	Number of Projects: 481									
	- -	11 (0.8)	160 (12.0)	360 (26.9)	476 (35.5)	212 (15.8)	71 (5.3)	21 (1.5)	16 (1.2)	1,340 (100)

- : Nil/Negligible.
Note: Figures in the brackets denote percentage share in the total.

industries together accounted for 60.8 per cent of the total investment intentions in the current year. Industries such as metal & metal products and telecom witnessed a sharp decline in new investment in the current year, whereas textiles recorded a steep rise at 11.3 per cent compared with 1.9 per cent of the previous year. The number of infrastructure projects receiving institutional assistance in 2013-14 remained the same as that in 2012-13 though their share, at 37.9 per cent has gone down at the level observed prior to 2006-07 (Chart 1 and Annex 1).

Chart 1: Share of Major Industries in Aggregate Cost of Institutionally Assisted Projects



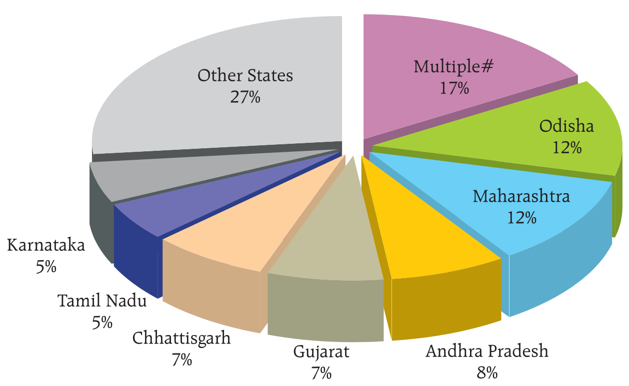
3.1.2 Size-wise Pattern of Projects – Share of high-value projects decreased

The size-wise distribution of institutionally assisted projects during 2013-14 indicated a sharp reduction in high value projects (with envisaged cost ₹10 billion & above). Such projects accounted for 58.1 per cent of the total project cost compared with 73.2 per cent recorded in the previous year. Out of the 481 institutionally assisted projects, 306 projects are small with project size of ₹1 billion or less (Annex 2).

3.1.3 State-wise Pattern of Projects – Reflecting industry preference

Spatial distribution of projects, which is available only for the projects receiving finance from banks / FIs, tends to vary considerably from year to year. Corporate preference for location of projects for a particular industry depends on many factors such as availability of raw material and skilled labour, adequacy of infrastructure, market size, growth prospects, etc. Over a five year period (2009-10 to 2013-14) projects spanning across multiple states covered nearly 17 per cent of the envisaged project cost, which received institutional financial assistance. The states having large share of projects are Odisha, Maharashtra, Andhra Pradesh, Gujarat and Chhattisgarh. These five states cover around 46 per cent of envisaged project cost in the five year period (Chart 2).

Chart 2: State-wise distribution of institutionally assisted projects during last 5 years



Maharashtra, Gujarat, Odisha and Chhattisgarh were the destinations receiving higher investment for industrial projects in 2013-14 and they together accounted for 55.7 per cent of the envisaged cost of institutionally assisted projects in the current year. Major textile projects along with ceramics and chemicals were taken up in Gujarat while, for industries like power, agricultural and food products, sugar and construction, Maharashtra became the favourite destination. Odisha bagged the maximum share in metal industries. Entertainment, electric equipments & electronics and hotel industry projects were well spread across a number of states resulting in an increase in the share of multiple-states based projects (Annex 3).

3.1.4 Purpose-wise Pattern of Projects: Fresh investments in new projects slowed down

The purpose of projects has been classified into four groups as new, expansion/ modernisation, diversification and others. Analysis of the purpose-wise pattern of projects indicated that 64.5 per cent of the aggregate investment intentions in 2013-14 were for new projects, whereas 21.4 per cent were proposed for expansion/ modernisation of existing business. The share of new projects in the total cost of projects declined in the current year in comparison with the last year (Annex 4).

3.2 Project funding through ECBs (including FCCBs) gained importance

In addition to projects to be financed by banks/ FIs, 563 private sector companies tied up funding through ECBs/ FCCBs in 2013-14. These companies mobilised funds amounting to ₹803 billion to be spent on their projects. The corresponding figure for 2012-13 was ₹660 billion mobilised by 519 companies (Table 3). Lower overseas rates might have prompted the corporate to take higher recourse to ECBs/ FCCBs route in 2013-14.

3.3 Contribution of IPOs/FPOs/ Right Issues

During 2013-14, 21 non-government companies raised ₹5 billion through public/ rights issues to fund their capital projects in comparison with ₹11 billion raised by 25 companies in 2012-13 (these companies, however, did not approach banks/ FIs or contract ECBs for part financing for the purpose of capital expenditure) (Table 4).

4. Envisaged Capital Expenditure during 2013-14

4.1 Envisaged capital expenditure on projects financed by banks/FIs went further down

The likely investment of private corporate sector in a given year may be broadly gauged by suitably aggregating envisaged capital expenditure intended by companies on projects that were sanctioned assistance in various years up to that year, which can be obtained from the time phasing details of these projects. To the extent possible, information on revisions/ cancellations of the projects sanctioned in earlier period was incorporated to update the database. In case, where a company approached more than one institution for project funding, care was taken to include it only once. The data consolidated on these lines, are presented in Table 2, where the envisaged spending in 2013-14 of the corporate on projects which were sanctioned assistance by banks/ FIs up to 2013-14 were combined to arrive at the estimated capital expenditure. When horizontally read, it shows the capital expenditure that was expected to take place in various years on the

Table 2: Phasing of Capital Expenditure of Institutionally Assisted Projects by Banks/FIs

Year of sanction ↓	Project Cost in the Year of Sanction	Project Cost due to Revision/ Cancellation@	Envisaged Capital expenditure in the Year ® (₹ billion)									
			2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	Beyond 2014-15
	1	2	3	4	5	6	7	8	9	10	11	12
upto 2004- 05			154	54	12	1						
2005-06	1,342	1,313 (2.2)	439	237	85	23	18					
2006-07	2,834	2,754(2.8)	946	942	496	148	31	20				
2007-08	2,844	2,297(19.2)	113	593	723	411	326	78	47			
2008-09	4,228	3,111(26.4)	1	263	1,013	829	529	346	84	46		
2009-10	5,560	4,095(26.3)		2	436	1,324	1,161	747	314	77	34	
2010-11	4,603	3,752(18.5)			3	286	1,071	1,046	788	464	85	10
2011-12	2,120	1,916(9.6)				57	230	669	554	282	95	29
2012-13	1,963	1,895 (3.5)					1	367	567	490	273	197
2013-14	1,340							11	160	360	476	319
Grand Total #			**1,653**	**2,091**	**2,768**	**3,079**	**3,367**	**3,284**	**2,514**	**1,719**	**963**	**555**
Percentage change				**26.5**	**32.4**	**11.2**	**9.4**	**-2.5**	**-23.4**	**-31.6**	*****	

: The estimate is *ex ante*, incorporating only envisaged investment, they are different from those actually realised/utilised.
* : Per cent change for 2014-15 is not worked out as CapEx from proposals that are likely to be sanctioned in 2014-15 is not available.
@ : Figures in bracket are percentage of cancellation.

projects sanctioned assistance in a particular year. Vertically read, it gives the capital expenditure that would be incurred in a year on projects, for which institutional assistance was sanctioned either in that year or in the previous years.

It is evident from Table 2 that capital expenditure of ₹1,359 billion would have been made during 2013-14 on the projects for which institutional assistance was sanctioned prior to 2013-14. The fresh projects sanctioned during 2013-14 envisaged capital expenditure of ₹360 billion in 2013-14. Thus, the total capital expenditure that would have been incurred during 2013-14 on projects which were financed by banks/ FIs amounted to ₹1,719 billion (Grand total under column 10) reflecting a decline by 31.6 per cent as compared with the last year.

4.2 Envisaged capital expenditure on projects funded through ECBs (including FCCBs) increased

Based on available information from drawal schedules of ECBs, it is estimated that during 2013-14 companies would have incurred capital expenditure of ₹789 billion (total under column 10 in Table 3). Compared with 2012-13, a growth of 47.5 per cent has been observed in 2013-14. This has compensated the fall in CapEx funded by domestic institutions to some extent.

4.3 Envisaged capital expenditure on projects funded through IPOs/FPOs/Rights Issues remained low

Based on data of companies that raised funds through IPOs/ FPOs/ Rights Issues to part finance their capital projects, it is estimated that a further amount of ₹5 billion would have been spent on capital expenditure in 2013-14 (total under column 8 of Table 4). Capital expenditure through this route has not received favour in recent years due to lack-lustre performance of the equity market.

4.4. Envisaged capital expenditure in aggregate declined

Aggregating the figures in para 4.1 to 4.3 above, it is estimated that during 2013-14 capital expenditure

Table 3: Phasing of Capital Expenditure of projects funded through ECBs/FCCBs*

Loans contracted in	No of Companies	Total loan contracted (₹ billion)	Envisaged drawal schedule of capital expenditure (₹ billion)									
			2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	Beyond 2014-15
	1	2	3	4	5	6	7	8	9	10	11	12
Upto 2005-06	921	583	109	18	10	2						
2006-07	480	513	350	95	44	7						
2007-08	302	331		259	143	9						
2008-09	272	312			220	121	1					
2009-10	255	324				148	143	22	2			
2010-11	302	316					174	109	27	5		
2011-12	438	379						252	128	19	1	
2012-13	519	660							378	203	63	13
2013-14	563	803								562	210	36
Total	**4,052**	**4,222**	**459**	**373**	**417**	**288**	**318**	**383**	**535**	**789**	**274**	**49**

*: Projects which did not receive assistance from banks/FIs/ IPOs.

of ₹2,513 billion would have been incurred by the companies covered in this study. Of this, ₹922 billion was envisaged by 1,065 new projects added in the database in 2013-14 itself, more than half of which has been financed by ECBs/FCCBs. Compared with 2012-13, this showed a decline of 17.9 per cent. It was the third year in succession when envisaged capital expenditure declined (Table 5).

5. Finances through Private Placement and other sources have slowed down

A look at the mobilisation of funds through debt private placement in 2013-14 indicates that debt private placements for funding projects increased from ₹320 billion in 2009-10 to ₹413 billion in 2010-11. However, it decreased to ₹424 billion in 2013-14 from ₹591 billion in 2012-13 reflecting a slowdown in project investment (Table 6).

The investment intentions of companies using their internal sources or raising funds *exclusively* through private placements of debenture/ bonds or through ADRs/ GDRs could not be captured due to inadequacy of information on the end-use and the spending pattern over the years. As per the available information, non-financial companies in private

Table 4: Phasing of Capital Expenditure of Projects Funded through Equity Issues*

Equity issued during	No. of Companies	CapEx Envisaged (₹ billion)	Implementation Schedule (₹ billion)							
			2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	Beyond 2014-15
	1	2	3	4	5	6	7	8	9	10
Upto 2007-08	158	205	200	5						
2008-09	21	9	8	1						
2009-10	19	17	2	8	7	1				
2010-11	30	21		1	12	6	2			
2011-12	21	10			2	5	3			
2012-13	25	11					5	5	1	
2013-14	21	5							4	1
Total	**295**	**278**	**210**	**15**	**21**	**12**	**10**	**5**	**5**	**1**

*: Projects which did not receive assistance from banks/FIs/ECBs/FCCBs.

Table 5 : Phasing of Capital Expenditure of Projects Funded Through Banks/IPOs/ECBs/FCCBs/IPOs

Year of sanction ↓	No. of Companies	Project Cost (₹ billion)	Envisaged Capital expenditure in the Year ® (₹ billion)							
	Banks/ FIs, ECBs/ FCCBs/ IPOs		2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	Beyond 2014-15
	1	2	3	4	5	6	7	8	9	10
Upto 2007-08	5,306	7,996	1,767	606	375	98	47	-	-	-
2008-09	1,001	3,432	1,241	951	530	346	84	46	-	-
2009-10	1,003	4,436	438	1,480	1,311	770	316	77	34	-
2010-11	1,029	4,089	3	287	1,257	1,161	817	469	85	10
2011-12	1,095	2,305	-	57	232	926	685	301	96	29
2012-13	958	2,566	-	-	1	367	950	698	337	210
2013-14	1,065	2,148	-	-	-	11	160	922	690	356
Total #			**3,449**	**3,381**	**3,706**	**3,679**	**3,058**	**2,513**	**1,242**	**605**
Percentage change				**-1.9**	**9.6**	**- 0.7**	**-16.9**	**-17.9**	*****	

#: The estimate is ex ante, incorporating only envisaged investment, they are different from those actually realised/utilised.
*: Per cent change for 2014-15 is not worked out as capex from proposals that are likely to be sanctioned in 2014-15 is not available.

corporate sector raised funds through ADRs/ GDRs to the tune of ₹1.16 billion in 2013-14 (₹10.35 billion in 2012-13).

6. Outlook on Investment for 2014-15 – Expectations of turn-around

As per the methodology indicated in this article, envisaged capital expenditure in 2014-15 would be the summation of pipeline investment intentions of the projects, which were taken up prior to 2014-15 and the new capital spending proposals expected to come up in the year 2014-15. As per the tables 2, 3 and 4, the capital expenditure already planned for 2014-15 aggregated to ₹1,242 billion (aggregate project cost receiving finance from banks/ FIs: ₹963 billion; drawal from ECBs/ FCCBs: ₹274 billion and funding through Domestic Equity Issues: ₹5 billion). If the companies stick to their investment plan, in order to reverse the shrinking of CapEx and match that envisaged in 2013-14, a capital expenditure exceeding ₹1,270 billion would have to come from new investment intentions of the private corporate sector in 2014-15.

Table 6: Debt Private Placements

Period	Issue Amount (in ₹ Billion)
2009-10	320
2010-11	413
2011-12	270
2012-13	591
2013-14	424

Source: PRIME Database

Lead indicators point to continuing sluggishness in domestic economic activity in the first quarter of 2014-15. Current climate forecasts indicate increased likelihood of a deficient monsoon that could affect agricultural production. However, decline of the consumption and investment demand could be arrested in the forthcoming years due to a decisive election mandate which has bolstered investor confidence and raised expectations of revival of economy. This has been evidenced in the considerable improvement in the Business Confidence Index compiled from the latest Investment Outlook Survey. Recent measures of the RBI to incentivise the banks to raise long term funds for financing infrastructure loans is also expected to make funds available for such projects. Fast paced decision making, economic reforms, improvement in business climate and fast tracking the projects already in pipeline, could revive sentiments, re-kindle investments and put the economy firmly on the path of recovery.

Annex 1: Industry-wise Distribution of Institutionally Assisted Projects: 2004-05 to 2013-14

Industry	2004-05		2005-06		2006-07		2007-08		2008-09		2009-10		2010-11		2011-12		2012-13		2013-14	
	Number of Projects	Per cent Share	Number of Projects	Per cent Share	Number of Projects	Per cent Share	Number of Projects	Per cent Share	Number of Projects	Per cent Share	Number of Projects	Per cent Share	Number of Projects	Per cent Share	Number of Projects	Per cent Share	Number of Projects	Per cent Share	Number of Projects	Per cent Share
Infrastructure	76	33.3	109	33.9	123	36.5	124	39.4	97	45.1	100	48.9	120	53.7	107	47.4	88	49.2	88	37.9
i) Power	60	13.2	66	26.9	62	18.3	60	29.4	54	27.9	75	30.7	104	46.2	82	42.4	71	39.4	71	33.4
ii) Telecom	4	16.9	5	2.0	9	6.5	7	1.6	6	10.9	6	16.4	2	5.7	1	0.0	2	5.6	1	-
iii) Ports & Airports	4	1.7	3	1.8	7	3.9	6	0.9	4	2.8	2	0.3	1	0.7	1	1.3	1	1.9	1	0.7
iv) Storage & Water Management	8	1.6	13	1.0	5	4.6	4	2.1	2	0.0	2	0.9	1	0.0	12	0.5	-	-	5	1.1
v) SEZ, Industrial, Biotech and IT Park	-	-	13	1.4	37	3.1	47	5.4	28	3.2	15	0.6	12	1.1	11	3.2	8	0.9	8	1.4
vi) Roads & Bridges	-	-	9	0.8	3	0.1	-	-	3	0.1	-	-	-	-	-	-	-	-	2	1.2
Food Products	47	1.9	31	0.9	38	0.9	41	0.7	50	1.0	41	0.5	39	0.7	41	1.5	36	0.9	43	1.7
Sugar	14	0.8	20	2.2	33	3.2	16	1.3	21	1.2	21	0.8	21	0.8	12	1.1	5	0.5	8	0.8
Textiles	126	7.9	158	10.8	255	9.2	116	4.5	45	1.2	77	2.2	77	2.9	94	7.0	31	1.9	60	11.3
Petroleum Products		0.0	2	0.8	10	14.3	5	7.5	4	0.1	2	1.3	3	2.6	3	1.2	-	-	1	0.5
Chemicals & Pesticides	16	1.9	26	2.3	35	1.5	25	1.0	27	1.7	28	0.8	27	1.3	17	3.5	19	1.1	15	1.0
Glass & Pottery	10	1.2	10	0.8	9	0.3	9	0.4	6	0.3	9	0.2	6	0.4	10	1.3	3	-	11	0.3
Cement	14	3.9	13	1.5	26	3.7	24	5.9	28	6.0	29	2.8	14	2.4	9	2.0	11	3.9	12	6.8
Metal & Metal Products	141	29.1	126	16.6	130	14.5	122	15.6	97	17.7	134	18.1	113	21.1	73	16.3	51	28.9	44	16.1
Electrical Equipment	12	1.1	17	0.6	22	0.4	26	0.9	17	1.3	16	0.2	24	2.0	12	0.3	10	1.9	10	2.2
Transport Equipment & Parts	25	1.4	13	0.8	29	1.9	38	3.5	30	3.0	25	1.3	28	0.8	26	2.6	17	0.9	16	1.1
Construction	8	0.3	33	3.6	33	3.2	38	3.9	30	10.8	20	11.5	18	3.3	22	1.7	20	2.8	29	2.6
Hotel & Restaurants	20	2.4	37	3.4	74	4.0	51	3.9	57	2.8	56	2.6	63	3.5	51	4.6	31	3.1	29	2.6
Transport Services	22	2.7	21	12.9	17	0.6	17	1.4	14	1.0	22	1.4	14	0.6	19	2.7	16	1.7	15	0.5
Hospitals	13	0.9	14	0.8	21	0.5	27	1.3	16	0.5	23	0.9	22	0.6	9	0.3	17	1.4	10	0.7
Entertainment	10	0.9	9	1.4	20	0.3	10	0.5	19	1.2	12	1.1	5	0.8	9	1.3	7	0.2	11	4.8
Others*	166	10.3	173	6.7	170	5.1	179	8.3	150	5.3	114	5.5	103	2.5	122	5.0	58	3.0	79	9.2
Total	**720**	**100.0**	**812**	**100.0**	**1045**	**100.0**	**868**	**100.0**	**708**	**100.0**	**729**	**100.0**	**697**	**100.0**	**636**	**100.0**	**414**	**100.0**	**481**	**100.0**
Total Cost of Projects (₹ in Billion)	**939**		**1,313**		**2,754**		**2,297**		**3,111**		**4,095**		**3,752**		**1,916**		**1,895**		**1,340**	

*: Comprise industries like Pharmaceuticals & Drugs, Agricultural, Mining, Paper, Printing, Rubber, IT Software, Communication, and Trading *etc.*
-: Nil/Negligible

Annex 2: Size-wise Distribution of Projects and their Envisaged Cost in 2004-05 to 2013-14

Period		Less than ₹1 billion	₹1 billion to ₹5 billion	₹5 billion to ₹10 billion	₹10 billion to ₹50 billion	₹50 billion & above	TOTAL
2004-05	No of Projects	573	113	17	15	2	**720**
	Per cent Share	18.3	23.8	11.4	33.4	13.0	**100.0 (939)***
2005-06	No of Projects	596	167	23	24	2	**812**
	Per cent Share	13.0	29.9	11.7	32.2	13.2	**100.0 (1,313)**
2006-07	No of Projects	714	245	37	41	8	**1,045**
	Per cent Share	9.5	19.4	9.1	31.4	30.6	**100.0 (2,754)**
2007-08	No of Projects	558	228	35	43	4	**868**
	Per cent Share	9.3	22.5	10.7	38.3	19.3	**100.0 (2,297)**
2008-09	No of Projects	420	194	35	48	11	**708**
	Per cent Share	5.1	14.1	7.5	29.7	43.7	**100.0 (3,111)**
2009-10	No of Projects	439	189	40	39	22	**729**
	Per cent Share	3.8	11.0	6.8	20.8	57.5	**100.0 (4,095)**
2010-11	No of Projects	412	172	42	51	20	**697**
	Per cent Share	4.4	10.2	8.6	29.3	47.5	**100.0 (3,752)**
2011-12	No of Projects	420	145	36	26	9	**636**
	Per cent Share	8.3	17.0	13.7	27.6	33.4	**100.0 (1,916)**
2012-13	No of Projects	245	119	20	23	7	**414**
	Per cent Share	4.8	14.6	7.3	26.8	46.4	**100.0 (1,895)**
2013-14	No of Projects	306	120	27	23	5	**481**
	Per cent Share	7.9	19.9	14.0	30.9	27.2	**100.0 (1,340)**

*: Figures in brackets are total cost of projects in ₹ billion. - : Nil/ Negligible

Annex 3: State-wise Distribution of Institutionally Assisted Projects: 2004-05 to 2013-14

State	2004-05		2005-06		2006-07		2007-08		2008-09		2009-10		2010-11		2011-12		2012-13		2013-14	
	Number of Projects	Per cent Share	Number of Projects	Per cent Share	Number of Projects	Per cent Share	Number of Projects	Per cent Share	Number of Projects	Per cent Share	Number of Projects	Per cent Share	Number of Projects	Per cent Share	Number of Projects	Per cent Share	Number of Projects	Per cent Share	Number of Projects	Per cent Share
Maharashtra	102	10.4	121	18.9	140	8.7	141	9.7	110	18.1	117	10.0	71	7.4	86	19.1	67	10.7	78	19.3
Gujarat	81	11.7	95	18.7	84	26.3	95	26.4	75	18.4	69	3.2	65	9.6	75	9.0	58	5.6	68	15.1
Odisha	30	9.9	20	3.4	23	5.4	21	13.1	15	9.0	25	13.9	25	7.4	15	6.3	10	26.8	10	11.1
Chhattisgarh	40	9.2	19	3.9	13	0.9	10	4.7	16	2.3	23	6.0	31	12.1	11	2.4	9	4.1	16	10.2
Karnataka	50	7.1	51	3.5	91	7.2	62	4.1	44	2.4	42	1.4	40	7.2	39	12.0	20	1.6	39	5.9
Madhya Pradesh	19	0.8	12	1.9	23	1.8	18	0.6	20	7.2	23	4.2	21	5.2	16	5.6	13	3.9	30	5.8
Tamil Nadu	110	10.6	124	9.3	156	6.9	94	5.1	63	2.3	66	5.5	93	6.1	58	5.7	22	1.8	34	5.5
Jammu & Kashmir	-	-	1	-	4	-	5	0.1	-	-	2	0.1	3	0.1	5	0.2	10	0.2	10	4.9
Andhra Pradesh	38	3.5	76	8.6	103	8.7	87	7.8	74	7.6	73	7.1	65	11.4	52	5.1	35	5.7	37	3.8
Himachal Pradesh	-	-	19	7.1	30	-	23	1.6	18	0.5	19	0.6	13	0.8	7	0.5	5	0.3	3	1.7
Punjab	32	2.8	27	1.6	48	2.1	29	0.7	23	0.7	23	0.4	38	1.1	37	1.7	12	10.9	28	1.4
Rajasthan	26	1.7	27	1.9	38	3.6	22	1.2	22	0.6	23	2.9	28	0.8	49	4.9	41	5.3	25	1.4
Haryana	21	1.5	29	1.4	42	1.4	28	1.2	24	1.1	29	2.6	35	0.8	45	1.4	18	1.2	16	1.3
Uttar Pradesh	23	1.4	50	7.9	60	3.6	41	4.2	32	3.1	27	0.4	32	4.6	42	7.8	26	4.4	21	1.1
West Bengal	40	2.5	27	1.9	37	1.2	41	2.6	43	3.0	33	2.6	29	3.3	19	4.9	13	1.0	12	1.1
Delhi	12	1.6	24	1.6	19	2.3	19	1.4	13	0.7	10	1.3	9	0.7	9	1.3	4	0.6	5	0.4
Jharkhand	9	0.3	8	0.3	13	2.6	15	2.9	9	1.7	11	2.7	9	3.5	12	1.3	8	1.2	4	0.3
Assam	-	-	5	0.3	7	-	2	-	4	-	3	-	6	0.3	3	0.2	1	0.5	4	0.3
Bihar	1	-	4	-	2	-	3	0.1	-	-	1	-	3	0.1	3	4.0	7	0.1	6	0.2
Uttrakhand	10	0.6	24	2.3	31	2.0	27	0.7	19	0.8	23	0.7	10	0.1	7	1.4	5	0.6	5	0.1
Arunachal Pradesh	-	-	-	-	-	-	-	-	1	0.1	3	3.3	1	0.2	1	0.5	1	0.2	-	-
Multiple#	33	20.1	29	4.4	46	9.2	61	10.3	55	19.0	45	29.0	48	16.2	34	4.5	15	7.7	23	9.0
Others@	43	4.3	20	1.1	35	6.1	24	1.5	28	1.4	39	2.1	22	1.0	11	0.2	14	5.6	7	0.1
Total*	**720**	**100.0**	**812**	**100.0**	**1045**	**100.0**	**868**	**100.0**	**708**	**100.0**	**729**	**100.0**	**697**	**100.0**	**636**	**100.0**	**414**	**100**	**481**	**100.0**
Total Cost of Projects (₹ in Billion)	**939**		**1,313**		**2,754**		**2,297**		**3,111**		**4,095**		**3,752**		**1,916**		**1,895**		**1,340**	

#: Comprise projects over several States @ :Comprise States/Union Territories - :Nil/ Negligible

Note: Per cent share is the share in total project cost

Annex 4: Purpose-wise Distribution of Institutionally Assisted Projects during 2004-05 to 2013-14

Period		New	Expansion & Modernisation	Diversification	Others	Total*
2004-05	No of Projects	343	330	7	40	**720**
	Per cent Share	42.1	55.3	0.7	1.9	**100.0 (939)**
2005-06	No of Projects	560	413	31	41	**1,045**
	Per cent Share	65.8	28.1	2.3	3.8	**100.0 (1,313)**
2006-07	No of Projects	393	379	6	34	**812**
	Per cent Share	58.4	37.7	0.5	3.4	**100.0 (2,756)**
2007-08	No of Projects	478	358	7	25	**868**
	Per cent Share	63.7	35.2	0.3	0.8	**100.0 (2,297)**
2008-09	No of Projects	445	240	13	10	**708**
	Per cent Share	68.0	31.0	1.0	-	**100.0 (3,111)**
2009-10	No of Projects	464	235	11	19	**729**
	Per cent Share	65.6	23.3	1.3	9.9	**100.0 (4,095)**
2010-11	No of Projects	454	224	6	13	**697**
	Per cent Share	67	31	2.0	-	**100.0 (3,756)**
2011-12	No of Projects	449	172	5	10	**636**
	Per cent Share	70.6	23.1	0.1	6.3	**100.0 (1,916)**
2012-13	No of Projects	303	107	-	4	**414**
	Per cent Share	84.3	14.7	-	1.1	**100.0 (1,895)**
2013-14	No of Projects	368	97	2	14	**481**
	Per cent Share	64.5	21.4	-	14.0	**100.0 (1340.2)**

*: Figure in brackets are total cost of Projects in ₹ billion.

- : Nil/ Negligible

CURRENT STATISTICS

Contents

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

No. 1: Select Economic Indicators

Item	2013-14	2012-13		2013-14	
		Q3	Q4	Q3	Q4
	1	2	3	4	5
1 Real Sector (% Change)					
1.1 GDP	4.7	4.4	4.4	4.6	4.6
1.1.1 Agriculture	4.7	0.8	1.6	3.7	6.3
1.1.2 Industry	-0.1	2.0	2.0	-0.9	-0.5
1.1.3 Services	6.2	6.1	5.8	6.4	5.8
1.1a Final Consumption Expenditure	4.7	5.0	4.6	2.9	6.8
1.1b Gross Fixed Capital Formation	-0.1	4.4	3.3	0.2	-0.9
	2013-14	2013		2014	
		Jun.	Jul.	Jun.	Jul.
	1	2	3	4	5
1.2 Index of Industrial Production	-0.1	-1.9	2.6	3.4	..
2 Money and Banking (% Change)					
2.1 Scheduled Commercial Banks					
2.1.1 Deposits	14.1	13.5	13.1	11.7	13.0
2.1.2 Credit	13.9	13.5	14.7	12.8	13.3
2.1.2.1 Non-food Credit	14.2	13.7	14.9	13.0	13.3
2.1.3 Investment in Govt. Securities	10.3	14.5	13.6	7.0	6.6
2.2 Money Stock Measures					
2.2.1 Reserve Money (M0)	14.4	7.1	6.6	9.8	11.5
2.2.2 Broad Money (M3)	13.2	12.7	12.4	12.2	12.7
3 Ratios (%)					
3.1 Cash Reserve Ratio	4.00	4.00	4.00	4.00	4.00
3.2 Statutory Liquidity Ratio	23.00	23.00	23.00	23.00	22.50
3.3 Cash-Deposit Ratio	4.7	5.3	5.1	4.9	4.8
3.4 Credit-Deposit Ratio	77.8	76.4	76.3	77.2	76.5
3.5 Incremental Credit-Deposit Ratio	76.8	44.8	42.6	52.0	42.3
3.6 Investment-Deposit Ratio	28.7	30.2	30.8	28.9	29.1
3.7 Incremental Investment-Deposit Ratio	21.6	39.8	54.7	36.2	39.4
4 Interest Rates (%)					
4.1 Policy Repo Rate	8.00	7.25	7.25	8.00	8.00
4.2 Reverse Repo Rate	7.00	6.25	6.25	7.00	7.00
4.3 Marginal Standing Facility (MSF) Rate	9.00	8.25	10.25	9.00	9.00
4.4 Bank Rate	9.00	8.25	10.25	9.00	9.00
4.5 Base Rate	10.00/10.25	9.70/10.25	9.70/10.25	10.00/10.25	10.00/10.25
4.6 Term Deposit Rate >1 Year	8.00/9.25	7.50/9.00	7.50/9.00	8.00/9.05	8.00/9.05
4.7 Savings Deposit Rate	4.00	4.00	4.00	4.00	4.00
4.8 Call Money Rate (Weighted Average)	8.59	7.19	8.33	8.11	8.67
4.9 91-Day Treasury Bill (Primary) Yield	8.86	7.48	11.26	8.56	8.65
4.10 182-Day Treasury Bill (Primary) Yield	8.86	7.40	10.73	8.66	8.71
4.11 364-Day Treasury Bill (Primary) Yield	8.96	7.50	10.46	8.70	8.70
4.12 10-Year Government Securities Yield	8.84	7.39	8.17	8.72	8.51
5 RBI Reference Rate and Forward Premia					
5.1 INR-US$ Spot Rate (₹ Per Foreign Currency)	60.10	59.70	61.12	60.09	60.25
5.2 INR-Euro Spot Rate (₹ Per Foreign Currency)	82.58	77.98	80.95	82.01	80.70
5.3 Forward Premia of US$ 1-month (%)	9.78	6.63	10.41	9.39	8.76
3-month (%)	8.79	6.23	9.69	9.25	8.63
6-month (%)	8.95	5.90	8.90	8.75	8.56
6 Inflation (%)					
6.1 All India Consumer Price Index	9.5	9.9	9.6	7.5	8.0
6.2 Consumer Price Index for Industrial Workers	9.7	11.1	10.8	6.5	2.4
6.3 Wholesale Price Index	6.0	5.2	5.9	5.4	5.2
6.3.1 Primary Articles	9.8	8.8	9.7	6.8	6.8
6.3.2 Fuel and Power	10.1	7.5	11.4	9.0	7.4
6.3.3 Manufactured Products	3.0	2.9	2.6	3.6	3.7
7 Foreign Trade (% Change)					
7.1 Imports	-8.2	-2.4	-5.7	7.8	4.3
7.2 Exports	4.5	-3.6	11.8	9.6	7.3

Reserve Bank of India

No. 2: RBI - Liabilities and Assets

(₹ Billion)

Item	As on the Last Friday/ Friday						
	2013-14	2013	2014				
		Aug.	Jul. 25	Aug. 8	Aug. 15	Aug. 22	Aug. 29
	1	2	3	4	5	6	7
1 Issue Department							
1.1 Liabilities							
1.1.1 Notes in Circulation	12,835.11	11,875.16	13,307.84	13,373.80	13,432.84	13,320.22	13,206.64
1.1.2 Notes held in Banking Department	0.17	0.11	0.12	0.13	0.13	0.13	0.12
1.1/1.2 Total Liabilities (Total Notes Issued) or Assets	**12,835.28**	**11,875.27**	**13,307.96**	**13,373.93**	**13,432.97**	**13,320.35**	**13,206.76**
1.2 Assets							
1.2.1 Gold Coin and Bullion	682.33	664.41	649.78	668.44	668.44	668.44	668.44
1.2.2 Foreign Securities	12,141.07	11,199.37	12,645.53	12,693.66	12,753.08	12,638.91	12,525.76
1.2.3 Rupee Coin	1.41	1.02	2.18	1.37	0.99	2.54	2.10
1.2.4 Government of India Rupee Securities	10.46	10.46	10.46	10.46	10.46	10.46	10.46
2 Banking Department							
2.1 Liabilities							
2.1.1 Deposits	4,721.36	3,659.86	3,977.03	3,737.85	4,164.40	4,007.21	4,141.41
2.1.1.1 Central Government	534.25	9.96	109.99	1.01	345.07	243.91	47.82
2.1.1.2 Market Stabilisation Scheme	–	–	–	–	–	–	–
2.1.1.3 State Governments	0.42	0.42	0.42	0.42	0.42	0.42	2.18
2.1.1.4 Scheduled Commercial Banks	3,805.71	3,266.90	3,371.31	3,260.64	3,353.02	3,284.43	3,595.39
2.1.1.5 Scheduled State Co-operative Banks	39.04	33.42	35.38	34.18	34.74	34.10	34.71
2.1.1.6 Non-Scheduled State Co-operative Banks	5.50	2.45	7.05	7.37	7.11	7.55	7.19
2.1.1.7 Other Banks	174.92	150.79	169.35	170.79	172.53	171.43	173.56
2.1.1.8 Others	161.52	195.93	283.53	263.45	251.51	265.36	280.55
2.1.2 Other Liabilities	8,567.95	9,612.09	8,853.52	9,188.11	8,539.07	8,323.26	8,336.12
2.1/2.2 Total Liabilities or Assets	**13,289.32**	**13,271.96**	**12,830.55**	**12,925.96**	**12,703.47**	**12,330.48**	**12,477.52**
2.2 Assets							
2.2.1 Notes and Coins	0.17	0.11	0.12	0.13	0.13	0.13	0.12
2.2.2 Balances held Abroad	4,588.34	5,336.89	5,215.64	5,429.70	5,243.90	5,148.93	5,276.47
2.2.3 Loans and Advances							
2.2.3.1 Central Government	–	–	–	–	–	–	–
2.2.3.2 State Governments	14.88	0.29	2.64	6.20	8.08	10.34	7.16
2.2.3.3 Scheduled Commercial Banks	421.78	433.98	1,254.73	1,006.94	1,116.50	840.32	871.85
2.2.3.4 Scheduled State Co-op.Banks	–	–	–	0.35	0.35	0.35	0.35
2.2.3.5 Industrial Dev. Bank of India	–	–	–	–	–	–	–
2.2.3.6 NABARD	–	–	–	–	–	–	–
2.2.3.7 EXIM Bank	–	–	–	–	–	–	–
2.2.3.8 Others	77.15	26.91	103.27	91.61	90.95	99.36	107.29
2.2.4 Bills Purchased and Discounted							
2.2.4.1 Internal	–	–	–	–	–	–	–
2.2.4.2 Government Treasury Bills	–	–	–	–	–	–	–
2.2.5 Investments	7,387.75	6,660.25	5,393.60	5,547.97	5,402.46	5,402.41	5,402.41
2.2.6 Other Assets	799.25	813.52	860.54	843.07	841.10	828.64	811.88
2.2.6.1 Gold	619.82	603.54	590.24	607.20	607.20	607.20	607.20

No. 3: Liquidity Operations by RBI

(₹ Billion)

Date	Liquidity Adjustment Facility				MSF	Standing Liquidity Facilities	OMO (Outright)		Net Injection (+)/ Absorption (-) (1+3+5+6+8-2-4-7)
	Repo	Reverse Repo	Term Repo	Term Reverse Repo			Sale	Purchase	
	1	2	3	4	5	6	7	8	9
Jul. 1, 2014	166.79	49.05	–	–	56.75	5.08	–	–	179.57
Jul. 2, 2014	198.67	372.34	–	–	–	–113.34	–	–	–287.01
Jul. 3, 2014	34.00	207.10	–	2.00	–	–59.82	–	–	–234.92
Jul. 4, 2014	20.25	61.84	–	–	8.50	–34.89	4.90	–	–72.88
Jul. 7, 2014	162.29	25.69	–	–	24.72	134.97	4.95	–	291.34
Jul. 8, 2014	208.54	21.06	–	–	44.30	53.66	0.55	–	284.89
Jul. 9, 2014	217.86	14.57	–	–	27.20	1.19	–	–	231.68
Jul. 10, 2014	219.65	30.38	–	–	5.10	5.63	–	–	200.00
Jul. 11, 2014	183.67	11.19	610.02	–	83.80	–34.71	–	–	831.59
Jul. 14, 2014	207.02	5.35	50.03	–	68.37	30.70	–	–	350.77
Jul. 15, 2014	203.88	64.20	100.03	–	3.29	–0.35	–	–	242.65
Jul. 16, 2014	213.13	65.91	–	–	–	4.00	–	–	151.22
Jul. 17, 2014	208.37	36.01	–	–	0.27	–83.15	–	–	89.48
Jul. 18, 2014	206.05	19.61	100.07	–	0.60	17.08	4.95	–	299.24
Jul. 21, 2014	216.77	5.18	–	–	78.40	67.67	1.55	–	356.11
Jul. 22, 2014	222.03	5.54	–	–	88.10	16.20	–	–	320.79
Jul. 23, 2014	221.78	7.25	100.01	–	28.85	–	–	–	343.39
Jul. 24, 2014	225.89	6.44	–	–	127.33	–2.47	–	–	344.32
Jul. 25, 2014	172.35	33.35	715.04	–	23.52	–24.53	–	–	853.03
Jul. 28, 2014	207.13	48.11	–	–	4.99	–0.31	–	–	163.70
Jul. 30, 2014	207.92	119.49	200.03	–	–	–11.01	–	–	277.46
Jul. 31, 2014	180.61	79.77	–	–	0.70	–51.53	–	–	50.01

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

Item	2013-14	2013	2014	
		Jul.	Jun.	Jul.
	1	2	3	4
1 Net Purchase/ Sale of Foreign Currency (US$ Million) (1.1–1.2)	8,992.00	–5,976.00	597.00	5,453.00
1.1 Purchase (+)	52,394.00	50.00	3332.00	9348.00
1.2 Sale (–)	43,402.00	6,026.00	2,735.00	3,895.00
2 ₹ equivalent at contract rate (₹ Billion)	586.19	–354.66	16.59	305.07
3 Cumulative (over end-March) (US $ Million)	8,992.00	–7,817.00	10,298.00	15,751.00
(₹ Billion)	586.19	–481.93	617.19	922.26
4 Outstanding Net Forward Sales (–)/ Purchase (+) at the end of month (US$ Million)	–31,030.00	–4,739.00	–154.00	5,397.00

No. 5: RBI's Standing Facilities

(₹ Billion)

Item	As on the Last Reporting Friday							
	2013-14	2013	2014					
		Jul. 26	Feb. 21	Mar. 21	Apr. 18	May 30	Jun. 27	Jul. 25
	1	2	3	4	5	6	7	8
1 MSF	176.3	228.5	56.0	176.3	15.7	0.4	88.8	23.5
2.1 Limit	568.0	393.8	542.8	568.0	572.4	549.5	339.6	326.9
2.2 Outstanding	410.4	218.6	400.2	410.4	312.9	308.2	230.8	276.3
3.1 Limit	28.0	28.0	28.0	28.0	28.0	28.0	28.0	28.0
3.2 Outstanding	22.2	21.9	15.7	22.2	26.7	19.7	17.9	73.8
4.1 Limit	–	–	–	–	–	–	–	–
4.2 Outstanding	–	–	–	–	–	–	–	–
5 Total Outstanding (1+2.2+3.2+4.2)	608.9	469.0	471.9	608.9	355.3	328.3	337.5	373.6

Money and Banking

No. 6: Money Stock Measures

(₹ Billion)

Item	Outstanding as on March 31/last reporting Fridays of the month/reporting Fridays				
	2013-14	2013	2014		
		Jul. 26	Jun. 27	Jul. 11	Jul. 25
	1	2	3	4	5
1 Currency with the Public (1.1 + 1.2 + 1.3 – 1.4)	12,483.4	11,579.4	13,017.4	13,128.0	12,928.7
1.1 Notes in Circulation	12,837.4	11,902.7	13,414.1	13,495.4	13,307.8
1.2 Circulation of Rupee Coin	166.0	153.0	169.6	169.6	169.6
1.3 Circulation of Small Coins	7.4	7.4	7.4	7.4	7.4
1.4 Cash on Hand with Banks	527.3	483.6	573.6	544.4	556.1
2 Deposit Money of the Public	8,063.5	7,496.0	8,793.7	8,207.6	8,242.1
2.1 Demand Deposits with Banks	8,043.9	7,474.1	8,778.8	8,124.8	8,128.1
2.2 ‘Other’ Deposits with Reserve Bank	19.7	21.8	14.9	82.9	114.0
3 M_1 (1 + 2)	20,547.0	19,075.4	21,811.1	21,335.6	21,170.8
4 Post Office Saving Bank Deposits	423.6	380.1	423.6	423.6	423.6
5 M_2 (3 + 4)	20,970.6	19,455.5	22,234.7	21,759.3	21,594.4
6 Time Deposits with Banks	74,426.3	68,253.7	76,249.6	77,347.7	77,261.6
7 M_3 (3 + 6)	94,973.3	87,329.1	98,060.7	98,683.4	98,432.4
8 Total Post Office Deposits	1,572.0	1,435.6	1,572.0	1,572.0	1,572.0
9 M_4 (7 + 8)	96,545.3	88,764.6	99,632.7	100,255.4	100,004.4

No. 7: Sources of Money Stock (M_3)

(₹ Billion)

Sources	Outstanding as on March 31/last reporting Fridays of the month/reporting Fridays				
	2013-14	2013	2014		
		Jul. 26	Jun. 27	Jul. 11	Jul. 25
	1	2	3	4	5
1 Net Bank Credit to Government	**30,386.0**	**29,691.1**	**30,911.5**	**30,121.3**	**29,847.9**
1.1 RBI's net credit to Government (1.1.1–1.1.2)	6,987.1	6,701.0	6,645.2	5,680.8	5,282.5
1.1.1 Claims on Government	7,855.2	6,702.4	6,646.7	5,682.2	5,392.9
1.1.1.1 Central Government	7,844.1	6,698.6	6,640.9	5,674.4	5,390.3
1.1.1.2 State Governments	11.1	3.8	5.8	7.8	2.6
1.1.2 Government deposits with RBI	868.1	1.4	1.4	1.4	110.4
1.1.2.1 Central Government	867.7	1.0	1.0	1.0	110.0
1.1.2.2 State Governments	0.4	0.4	0.4	0.4	0.4
1.2 Other Banks' Credit to Government	23,398.9	22,990.2	24,266.2	24,440.6	24,565.4
2 Bank Credit to Commercial Sector	**64,424.8**	**58,241.8**	**65,703.3**	**65,720.5**	**65,634.8**
2.1 RBI's credit to commercial sector	88.4	35.1	81.1	111.8	115.0
2.2 Other banks' credit to commercial sector	64,336.4	58,206.7	65,622.2	65,608.6	65,519.8
2.2.1 Bank credit by commercial banks	59,941.0	53,956.3	61,225.3	61,214.2	61,125.1
2.2.2 Bank credit by co-operative banks	4,357.8	4,202.3	4,353.1	4,350.7	4,350.8
2.2.3 Investments by commercial and co-operative banks in other securities	37.7	48.1	43.8	43.8	43.9
3 Net Foreign Exchange Assets of Banking Sector (3.1 + 3.2)	**19,239.5**	**16,399.9**	**19,917.9**	**20,111.4**	**20,317.9**
3.1 RBI's net foreign exchange assets (3.1.1–3.1.2)	18,025.3	16,197.1	18,703.7	18,897.2	19,103.6
3.1.1 Gross foreign assets	18,025.6	16,197.4	18,704.0	18,897.5	19,103.9
3.1.2 Foreign liabilities	0.3	0.3	0.3	0.3	0.3
3.2 Other banks' net foreign exchange assets	1,214.2	202.8	1,214.2	1,214.2	1,214.2
4 Government's Currency Liabilities to the Public	**173.4**	**160.4**	**177.0**	**177.0**	**177.0**
5 Banking Sector's Net Non-monetary Liabilities	**19,250.4**	**17,164.2**	**18,649.0**	**17,446.8**	**17,545.1**
5.1 Net non-monetary liabilities of RBI	8,433.2	8,026.4	8,639.5	8,708.9	8,718.8
5.2 Net non-monetary liabilities of other banks (residual)	10,817.2	9,137.8	10,009.5	8,737.9	8,826.3
M_3 (1+2+3+4–5)	**94,973.3**	**87,329.1**	**98,060.7**	**98,683.4**	**98,432.4**

No. 8: Monetary Survey

(₹ Billion)

Item	Outstanding as on March 31/last reporting Fridays of the month/reporting Fridays				
	2013-14	2013	2014		
		Jul. 26	Jun. 27	Jul. 11	Jul. 25
	1	2	3	4	5
Monetary Aggregates					
NM_1 (1.1 + 1.2.1+1.3)	20,420.5	18,954.8	21,672.2	21,197.2	21,033.1
NM_2 (NM_1+ 1.2.2.1)	51,967.6	48,529.6	53,989.2	53,990.6	53,779.3
NM_3 (NM_2 + 1.2.2.2 + 1.4 = 2.1 + 2.2 + 2.3 – 2.4 – 2.5)	92,735.6	87,235.2	95,523.6	96,072.6	95,820.7
1 Components					
1.1 Currency with the Public	12,497.4	11,592.8	13,032.0	13,142.9	12,943.7
1.2 Aggregate Deposits of Residents	78,008.2	73,061.8	80,440.7	80,845.5	80,744.7
1.2.1 Demand Deposits	7,903.4	7,340.1	8,625.3	7,971.4	7,975.4
1.2.2 Time Deposits of Residents	70,104.7	65,721.7	71,815.5	72,874.1	72,769.3
1.2.2.1 Short-term Time Deposits	31,547.1	29,574.8	32,317.0	32,793.3	32,746.2
1.2.2.1.1 Certificates of Deposit (CDs)	3,741.3	3,446.7	3,386.9	3,363.6	3,232.1
1.2.2.2 Long-term Time Deposits	38,557.6	36,146.9	39,498.5	40,080.7	40,023.1
1.3 'Other' Deposits with RBI	19.7	21.8	14.9	82.9	114.0
1.4 Call/Term Funding from Financial Institutions	2,210.4	2,558.7	2,036.0	2,001.2	2,018.4
2 Sources					
2.1 Domestic Credit	97,053.0	89,996.6	98,614.0	98,091.6	97,667.9
2.1.1 Net Bank Credit to the Government	29,782.8	29,127.6	30,269.7	29,477.6	29,196.9
2.1.1.1 Net RBI credit to the Government	6,987.1	6,701.0	6,645.2	5,680.8	5,282.5
2.1.1.2 Credit to the Government by the Banking System	22,795.8	22,426.7	23,624.5	23,796.9	23,914.3
2.1.2 Bank Credit to the Commercial Sector	67,270.2	60,869.0	68,344.3	68,614.0	68,471.1
2.1.2.1 RBI Credit to the Commercial Sector	88.4	35.1	81.1	111.8	115.0
2.1.2.2 Credit to the Commercial Sector by the Banking System	67,181.8	60,833.9	68,263.2	68,502.2	68,356.1
2.1.2.2.1 Other Investments (Non-SLR Securities)	4,120.9	3,790.1	3,895.6	4,138.2	4,073.7
2.2 Government's Currency Liabilities to the Public	173.4	160.4	177.0	177.0	177.0
2.3 Net Foreign Exchange Assets of the Banking Sector	16,009.8	14,896.3	16,803.8	17,219.1	17,290.4
2.3.1 Net Foreign Exchange Assets of the RBI	18,025.3	16,197.1	18,703.7	18,897.2	19,103.6
2.3.2 Net Foreign Currency Assets of the Banking System	–2,015.5	–1,300.8	–1,899.9	–1,678.1	–1,813.2
2.4 Capital Account	15,946.0	15,002.1	15,846.8	15,934.7	16,105.5
2.5 Other items (net)	4,554.6	2,815.9	4,224.4	3,480.3	3,209.1

No. 9: Liquidity Aggregates

(₹ Billion)

Aggregates	2013-14	2013	2014		
		Jul.	May	Jun.	Jul.
	1	2	3	4	5
1 NM_3	**92,735.6**	**87,235.2**	**95,428.5**	**95,523.6**	**95,820.7**
2 Postal Deposits	1,572.0	1,435.6	1,572.0	1,572.0	1,572.0
3 L_1 (1 + 2)	**94,307.6**	**88,670.7**	**97,000.5**	**97,095.6**	**97,392.7**
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)	**94,336.9**	**88,700.1**	**97,029.9**	**97,125.0**	**97,422.1**
6 Public Deposits with Non-Banking Financial Companies	140.8	..	..	140.8	..
7 L_3 (5 + 6)	**94,477.8**	..	..	**97,265.8**	..

No. 10: Reserve Bank of India Survey

(₹ Billion)

Item	Outstanding as on March 31/last reporting Fridays of the month/reporting Fridays				
	2013-14	2013	2014		
		Jul. 26	Jun. 27	Jul. 11	Jul. 25
	1	2	3	4	5
1 Components					
1.1 Currency in Circulation	13,010.7	12,063.0	13,591.0	13,672.4	13,484.8
1.2 Bankers' Deposits with the RBI	4,297.0	3,328.5	3,592.4	3,492.0	3,583.1
1.2.1 Scheduled Commercial Banks	4,070.8	3,151.0	3,384.9	3,282.7	3,371.3
1.3 'Other' Deposits with the RBI	19.7	21.8	14.9	82.9	114.0
Reserve Money (1.1 + 1.2 + 1.3 = 2.1 + 2.2 + 2.3 – 2.4 – 2.5)	17,327.4	15,413.4	17,198.3	17,247.2	17,181.9
2 Sources					
2.1 RBI's Domestic Credit	7,562.0	7,082.3	6,957.2	6,882.0	6,620.0
2.1.1 Net RBI credit to the Government	6,987.1	6,701.0	6,645.2	5,680.8	5,282.5
2.1.1.1 Net RBI credit to the Central Government (2.1.1.1.1 + 2.1.1.1.2 + 2.1.1.1.3 + 2.1.1.1.4 – 2.1.1.1.5)	6,976.4	6,697.6	6,639.9	5,673.4	5,280.3
2.1.1.1.1 Loans and Advances to the Central Government	–	186.5	–	–	–
2.1.1.1.2 Investments in Treasury Bills	–	–	–	–	–
2.1.1.1.3 Investments in dated Government Securities	7,842.9	6,511.2	6,639.0	5,673.3	5,388.1
2.1.1.1.3.1 Central Government Securities	7,832.4	6,500.7	6,628.5	5,662.8	5,377.7
2.1.1.1.4 Rupee Coins	1.3	0.9	1.9	1.1	2.2
2.1.1.1.5 Deposits of the Central Government	867.7	1.0	1.0	1.0	110.0
2.1.1.2 Net RBI credit to State Governments	10.6	3.4	5.4	7.4	2.2
2.1.2 RBI's Claims on Banks	486.5	346.3	230.8	1,089.4	1,222.5
2.1.2.1 Loans and Advances to Scheduled Commercial Banks	484.7	344.3	229.5	1,088.2	1,221.2
2.1.3 RBI's Credit to Commercial Sector	88.4	35.1	81.1	111.8	115.0
2.1.3.1 Loans and Advances to Primary Dealers	0.3	21.9	0.2	0.2	0.2
2.1.3.2 Loans and Advances to NABARD	–	–	–	–	–
2.2 Government's Currency Liabilities to the Public	173.4	160.4	177.0	177.0	177.0
2.3 Net Foreign Exchange Assets of the RBI	18,025.3	16,197.1	18,703.7	18,897.2	19,103.6
2.3.1 Gold	1,296.2	1,286.9	1,227.3	1,240.0	1,240.0
2.3.2 Foreign Currency Assets	16,729.3	14,910.4	17,476.5	17,657.3	17,863.8
2.4 Capital Account	8,315.7	7,612.6	7,778.3	7,778.3	7,778.3
2.5 Other Items (net)	117.5	413.8	861.2	930.6	940.5

No. 11: Reserve Money - Components and Sources

(₹ Billion)

Item	Outstanding as on March 31/ last Fridays of the month/ Fridays						
	2013-14	2013	2014				
		Jul. 26	Jun. 27	Jul. 4	Jul. 11	Jul. 18	Jul. 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)	17,327.4	15,413.4	17,198.3	17,133.4	17,247.2	17,205.5	17,181.9
1 Components							
1.1 Currency in Circulation	13,010.7	12,063.0	13,591.0	13,597.7	13,672.4	13,611.2	13,484.8
1.2 Bankers' Deposits with RBI	4,297.0	3,328.5	3,592.4	3,451.5	3,492.0	3,513.1	3,583.1
1.3 'Other' Deposits with RBI	19.7	21.8	14.9	84.2	82.9	81.2	114.0
2 Sources							
2.1 Net Reserve Bank Credit to Government	6,987.1	6,701.0	6,645.2	6,634.2	5,680.8	5,609.4	5,282.5
2.2 Reserve Bank Credit to Banks	486.5	346.3	230.8	90.9	1,089.4	1,088.0	1,222.5
2.3 Reserve Bank Credit to Commercial Sector	88.4	35.1	81.1	83.3	111.8	112.3	115.0
2.4 Net Foreign Exchange Assets of RBI	18,025.3	16,197.1	18,703.7	18,757.4	18,897.2	18,987.3	19,103.6
2.5 Government's Currency Liabilities to the Public	173.4	160.4	177.0	177.0	177.0	177.0	177.0
2.6 Net Non- Monetary Liabilities of RBI	8,433.2	8,026.4	8,639.5	8,609.4	8,708.9	8,768.6	8,718.8

No. 12: Commercial Bank Survey

(₹ Billion)

Item	Outstanding as on last reporting Fridays of the month/ reporting Fridays of the month				
	2013-14	2013	2014		
		Jul. 26	Jun. 27	Jul. 11	Jul. 25
	1	2	3	4	5
1 Components					
1.1 Aggregate Deposits of Residents	74,514.1	69,766.9	76,958.2	77,359.7	77,258.5
1.1.1 Demand Deposits	7,139.2	6,605.8	7,857.8	7,204.6	7,210.7
1.1.2 Time Deposits of Residents	67,374.9	63,161.1	69,100.4	70,155.1	70,047.8
1.1.2.1 Short-term Time Deposits	30,318.7	28,422.5	31,095.2	31,569.8	31,521.5
1.1.2.1.1 Certificates of Deposits (CDs)	3,741.3	3,446.7	3,386.9	3,363.6	3,232.1
1.1.2.2 Long-term Time Deposit	37,056.2	34,738.6	38,005.2	38,585.3	38,526.3
1.2 Call/Term Funding from Financial Institutions	2,210.4	2,558.7	2,036.0	2,001.2	2,018.4
2 Sources					
2.1 Domestic Credit	86,123.0	79,479.0	88,005.1	88,417.2	88,392.8
2.1.1 Credit to the Government	22,111.9	21,773.8	22,922.5	23,094.6	23,213.5
2.1.2 Credit to the Commercial Sector	64,011.1	57,705.2	65,082.6	65,322.6	65,179.3
2.1.2.1 Bank Credit	59,941.0	53,956.3	61,225.3	61,214.2	61,125.1
2.1.2.1.1 Non-food Credit	58,956.2	52,944.8	60,081.2	60,076.9	60,000.4
2.1.2.2 Net Credit to Primary Dealers	22.5	26.7	32.4	40.9	51.5
2.1.2.3 Investments in Other Approved Securities	16.3	21.8	20.0	19.9	19.6
2.1.2.4 Other Investments (in non-SLR Securities)	4,031.3	3,700.5	3,804.9	4,047.6	3,983.1
2.2 Net Foreign Currency Assets of Commercial Banks (2.2.1–2.2.2–2.2.3)	–1,977.9	–1,300.8	–1,899.9	–1,678.1	–1,813.2
2.2.1 Foreign Currency Assets	1,495.3	635.1	1,511.6	1,729.5	1,628.8
2.2.2 Non-resident Foreign Currency Repatriable Fixed Deposits	2,541.5	911.3	2,563.4	2,600.9	2,599.5
2.2.3 Overseas Foreign Currency Borrowings	931.7	1,024.5	848.1	806.7	842.5
2.3 Net Bank Reserves (2.3.1+2.3.2–2.3.3)	3,206.0	3,226.4	3,660.0	2,669.7	2,636.7
2.3.1 Balances with the RBI	3,163.4	3,151.0	3,384.9	3,282.7	3,371.3
2.3.2 Cash in Hand	458.7	419.8	504.6	475.1	486.6
2.3.3 Loans and Advances from the RBI	416.1	344.3	229.5	1,088.2	1,221.2
2.4 Capital Account	7,388.6	7,147.8	7,826.9	7,914.8	8,085.5
2.5 Other items (net) (2.1+2.2+2.3–2.4–1.1–1.2)	3,238.1	1,931.1	2,944.2	2,133.0	1,854.0
2.5.1 Other Demand and Time Liabilities (net of 2.2.3)	3,451.6	2,762.6	3,507.5	3,759.1	3,473.6
2.5.2 Net Inter-Bank Liabilities (other than to PDs)	–666.1	–824.4	–619.6	–538.4	–499.8

No. 13: Scheduled Commercial Banks' Investments

(₹ Billion)

Item	As on March 21, 2014	2013	2014		
		Jul. 26	Jun. 27	Jul. 11	Jul. 25
	1	2	3	4	5
1 SLR Securities	22,128.2	21,795.6	22,830.1	23,114.5	23,233.1
2 Commercial Paper	159.5	285.5	179.2	178.9	224.2
3 Shares issued by					
3.1 PSUs	82.9	84.8	76.7	76.0	75.1
3.2 Private Corporate Sector	334.2	335.3	333.9	333.4	332.6
3.3 Others	9.4	8.5	25.3	23.3	23.4
4 Bonds/Debentures issued by					
4.1 PSUs	831.5	504.5	766.3	729.5	722.0
4.2 Private Corporate Sector	1,159.1	1,029.9	1,206.2	1,207.4	1,187.7
4.3 Others	459.8	581.4	429.9	438.6	447.8
5 Instruments issued by					
5.1 Mutual funds	401.1	396.4	282.8	500.6	415.5
5.2 Financial institutions	593.8	474.2	569.8	560.0	554.8

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

(₹ Billion)

Item	As on the Last Reporting Friday (in case of March)/ Last Friday							
	All Scheduled Banks				All Scheduled Commercial Banks			
	2013-14	2013	2014		2013-14	2013	2014	
		Jul.	Jun.	Jul.		Jul.	Jun.	Jul.
	1	2	3	4	5	6	7	8
Number of Reporting Banks	213	217	213	213	146	150	146	146
1 Liabilities to the Banking System	1,308.7	1,064.3	1,287.4	1,329.3	1,261.9	1,026.3	1,239.6	1,279.7
1.1 Demand and Time Deposits from Banks	821.7	710.1	905.7	994.9	777.2	673.4	859.2	948.1
1.2 Borrowings from Banks	351.9	302.5	315.8	270.0	349.7	301.5	314.6	267.1
1.3 Other Demand and Time Liabilities	135.1	51.7	65.8	64.5	135.0	51.5	65.8	64.5
2 Liabilities to Others	85,878.6	79,097.8	87,682.2	88,540.1	83,649.3	77,024.1	85,364.5	86,192.5
2.1 Aggregate Deposits	79,200.8	72,676.5	81,224.6	82,124.0	77,055.6	70,678.3	78,993.4	79,858.0
2.1.1 Demand	7,312.5	6,768.4	7,677.0	7,397.3	7,139.2	6,605.8	7,496.1	7,210.7
2.1.2 Time	71,888.4	65,908.2	73,547.6	74,726.6	69,916.4	64,072.5	71,497.3	72,647.3
2.2 Borrowings	2,227.8	2,571.6	2,054.1	2,033.9	2,210.4	2,558.7	2,036.0	2,018.4
2.3 Other Demand and Time Liabilities	4,449.9	3,849.7	4,403.5	4,382.2	4,383.3	3,787.1	4,335.2	4,316.1
3 Borrowings from Reserve Bank	417.9	346.3	230.8	1,256.0	416.1	344.3	229.5	1,254.7
3.1 Against Usance Bills /Promissory Notes	–	–	–	–	–	–	–	–
3.2 Others	417.9	346.3	230.8	1,256.0	416.1	344.3	229.5	1,254.7
4 Cash in Hand and Balances with Reserve Bank	3,729.1	3,666.0	3,996.2	3,968.9	3,622.1	3,570.8	3,885.3	3,857.9
4.1 Cash in Hand	470.0	430.7	511.5	497.9	458.7	419.8	500.4	486.6
4.2 Balances with Reserve Bank	3,259.0	3,235.2	3,484.8	3,471.1	3,163.4	3,151.0	3,384.9	3,371.3
5 Assets with the Banking System	2,325.9	2,166.7	2,150.2	2,238.0	1,950.5	1,877.4	1,729.6	1,831.1
5.1 Balances with Other Banks	1,191.9	1,068.6	1,197.8	1,359.1	1,062.3	966.1	1,056.8	1,219.4
5.1.1 In Current Account	115.3	113.5	109.9	103.0	97.3	97.8	88.4	84.5
5.1.2 In Other Accounts	1,076.6	955.1	1,087.9	1,256.1	965.0	868.3	968.5	1,135.0
5.2 Money at Call and Short Notice	453.7	279.5	386.6	342.2	278.0	173.2	209.1	163.5
5.3 Advances to Banks	170.8	132.3	209.3	203.4	167.4	120.3	206.0	200.1
5.4 Other Assets	509.5	686.2	356.5	333.3	442.7	617.8	257.6	248.1
6 Investment	22,797.6	22,430.0	23,546.3	23,962.0	22,128.2	21,795.6	22,830.1	23,233.1
6.1 Government Securities	22,778.7	22,406.1	23,526.3	23,939.0	22,111.9	21,773.8	22,813.0	23,213.5
6.2 Other Approved Securities	18.9	23.9	20.0	23.0	16.3	21.8	17.1	19.6
7 Bank Credit	61,794.9	55,695.8	62,790.7	63,009.8	59,941.0	53,956.3	60,949.4	61,125.1
7a Food Credit	1,095.2	1,121.9	1,254.5	1,235.1	984.8	1,011.5	1,144.1	1,124.7
7.1 Loans, Cash-credits and Overdrafts	59,517.5	53,715.3	60,536.0	60,750.7	57,690.8	52,000.7	58,721.9	58,894.2
7.2 Inland Bills-Purchased	387.8	252.5	366.8	394.7	384.4	248.7	363.3	391.0
7.3 Inland Bills-Discounted	1,121.7	1,064.9	1,176.2	1,187.5	1,105.8	1,047.9	1,160.4	1,167.8
7.4 Foreign Bills-Purchased	266.9	215.3	243.2	235.9	262.9	214.2	241.4	234.6
7.5 Foreign Bills-Discounted	501.0	447.9	468.7	441.0	497.1	444.8	462.4	437.4

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

(₹ Billion)

Item	Outstanding as on				Growth (%)	
	Mar. 21, 2014	2013	2014		Financial year so far	Y-o-Y
		Jul. 26	Jun. 27	Jul. 25	2014-15	2014
	1	2	3	4	5	6
1 Gross Bank Credit	**56,572**	**50,883**	**57,548**	**57,309**	**1.3**	**12.6**
1.1 Food Credit	**912**	**988**	**1,158**	**1,134**	**24.3**	**14.8**
1.2 Non-food Credit	**55,660**	**49,894**	**56,390**	**56,175**	**0.9**	**12.6**
1.2.1 Agriculture & Allied Activities	**6,694**	**6,027**	**7,186**	**7,202**	**7.6**	**19.5**
1.2.2 Industry	**25,229**	**22,774**	**25,174**	**25,079**	**–0.6**	**10.1**
1.2.2.1 Micro & Small	3,517	2,910	3,565	3,543	0.7	21.8
1.2.2.2 Medium	1,274	1,318	1,253	1,279	0.4	–2.9
1.2.2.3 Large	20,438	18,546	20,357	20,257	–0.9	9.2
1.2.3 Services	**13,370**	**11,737**	**13,365**	**13,176**	**–1.5**	**12.3**
1.2.3.1 Transport Operators	904	816	891	891	–1.4	9.2
1.2.3.2 Computer Software	176	175	172	170	–3.2	–2.9
1.2.3.3 Tourism, Hotels & Restaurants	392	368	388	357	–8.9	–3.1
1.2.3.4 Shipping	99	88	93	96	–2.9	9.6
1.2.3.5 Professional Services	707	612	717	719	1.6	17.4
1.2.3.6 Trade	3,228	2,803	3,252	3,242	0.4	15.7
1.2.3.6.1 Wholesale Trade	1,701	1,478	1,674	1,644	–3.4	11.3
1.2.3.6.2 Retail Trade	1,527	1,325	1,578	1,598	4.7	20.6
1.2.3.7 Commercial Real Estate	1,544	1,338	1,549	1,582	2.5	18.2
1.2.3.8 Non-Banking Financial Companies (NBFCs)	2,946	2,631	3,058	2,933	–0.4	11.5
1.2.3.9 Other Services	3,375	2,906	3,246	3,187	–5.6	9.6
1.2.4 Personal Loans	**10,367**	**9,357**	**10,665**	**10,717**	**3.4**	**14.5**
1.2.4.1 Consumer Durables	128	92	140	141	10.0	53.0
1.2.4.2 Housing	5,408	4,844	5,631	5,680	5.0	17.3
1.2.4.3 Advances against Fixed Deposits	641	581	560	542	–15.4	–6.7
1.2.4.4 Advances to Individuals against share & bonds	38	31	35	36	–7.0	15.5
1.2.4.5 Credit Card Outstanding	249	231	268	273	9.8	18.0
1.2.4.6 Education	600	566	605	612	1.9	8.0
1.2.4.7 Vehicle Loans	1,304	1,168	1,377	1,377	5.6	17.9
1.2.4.8 Other Personal Loans	1,998	1,844	2,047	2,056	2.9	11.5
1.2A Priority Sector	**18,781**	**16,283**	**18,711**	**18,466**	**–1.7**	**13.4**
1.2A.1 Agriculture & Allied Activities	6,694	6,027	7,186	7,202	7.6	19.5
1.2A.2 Micro & Small Enterprises	7,511	6,078	7,300	7,382	–1.7	21.5
1.2A.2.1 Manufacturing	3,852	2,910	3,565	3,543	–8.0	21.8
1.2A.2.2 Services	3,659	3,168	3,735	3,839	4.9	21.2
1.2A.3 Housing	3,034	2,874	3,092	3,142	3.5	9.3
1.2A.4 Micro-Credit	174	168	174	179	2.5	6.5
1.2A.5 Education Loans	579	545	571	580	0.2	6.5
1.2A.6 State-Sponsored Orgs. for SC/ST	2	1	3	3	80.0	126.8
1.2A.7 Weaker Sections	3,862	3,037	3,697	3,735	–3.3	23.0
1.2A.8 Export Credit	483	440	463	471	–2.5	7.2

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

(₹ Billion)

Industry	Outstanding as on				Growth (%)	
	Mar. 21, 2014	2013	2014		Financial year so far	Y-o-Y
		Jul. 26	Jun. 27	Jul. 25	2014-15	2014
	1	2	3	4	5	6
1 Industry	**25,229**	**22,774**	**25,174**	**25,079**	**–0.6**	**10.1**
1.1 Mining & Quarrying (incl. Coal)	**353**	**320**	**368**	**391**	**10.7**	**22.2**
1.2 Food Processing	**1,480**	**1,232**	**1,505**	**1,476**	**–0.3**	**19.8**
1.2.1 Sugar	348	322	360	352	1.1	9.1
1.2.2 Edible Oils & Vanaspati	213	190	207	197	–7.3	3.5
1.2.3 Tea	32	29	29	28	–12.9	–4.0
1.2.4 Others	887	690	909	899	1.3	30.3
1.3 Beverage & Tobacco	**186**	**156**	**187**	**187**	**0.8**	**19.9**
1.4 Textiles	**2,040**	**1,834**	**1,997**	**1,962**	**–3.8**	**7.0**
1.4.1 Cotton Textiles	1,011	912	983	964	–4.7	5.7
1.4.2 Jute Textiles	20	21	21	21	5.1	2.5
1.4.3 Man-Made Textiles	216	192	202	194	–9.9	1.1
1.4.4 Other Textiles	793	709	792	782	–1.3	10.4
1.5 Leather & Leather Products	**103**	**90**	**100**	**101**	**–1.8**	**12.1**
1.6 Wood & Wood Products	**94**	**81**	**95**	**93**	**–0.9**	**15.0**
1.7 Paper & Paper Products	**331**	**300**	**336**	**334**	**0.7**	**11.4**
1.8 Petroleum, Coal Products & Nuclear Fuels	**635**	**535**	**550**	**567**	**–10.8**	**5.8**
1.9 Chemicals & Chemical Products	**1,677**	**1,445**	**1,619**	**1,583**	**–5.6**	**9.6**
1.9.1 Fertiliser	306	215	317	322	5.3	50.0
1.9.2 Drugs & Pharmaceuticals	492	519	494	482	–2.0	–7.0
1.9.3 Petro Chemicals	435	319	367	346	–20.4	8.7
1.9.4 Others	443	393	441	432	–2.5	10.1
1.10 Rubber, Plastic & their Products	**368**	**313**	**358**	**358**	**–2.8**	**14.4**
1.11 Glass & Glassware	**87**	**71**	**89**	**88**	**0.8**	**23.5**
1.12 Cement & Cement Products	**541**	**481**	**534**	**529**	**–2.2**	**10.1**
1.13 Basic Metal & Metal Product	**3,620**	**3,191**	**3,566**	**3,504**	**–3.2**	**9.8**
1.13.1 Iron & Steel	2,685	2,443	2,657	2,601	–3.1	6.4
1.13.2 Other Metal & Metal Product	934	747	909	904	–3.3	20.9
1.14 All Engineering	**1,456**	**1,319**	**1,461**	**1,441**	**–1.0**	**9.2**
1.14.1 Electronics	367	308	369	367	–0.2	19.2
1.14.2 Others	1,088	1,011	1,093	1,074	–1.3	6.2
1.15 Vehicles, Vehicle Parts & Transport Equipment	**677**	**603**	**661**	**665**	**–1.8**	**10.3**
1.16 Gems & Jewellery	**720**	**692**	**702**	**675**	**–6.2**	**–2.4**
1.17 Construction	**614**	**536**	**692**	**692**	**12.7**	**29.3**
1.18 Infrastructure	**8,398**	**7,840**	**8,580**	**8,696**	**3.6**	**10.9**
1.18.1 Power	4,883	4,552	5,080	5,163	5.7	13.4
1.18.2 Telecommunications	904	897	842	864	–4.5	–3.8
1.18.3 Roads	1,574	1,445	1,614	1,591	1.1	10.1
1.18.4 Other Infrastructure	1,036	945	1,044	1,078	4.0	14.0
1.19 Other Industries	**1,850**	**1,736**	**1,773**	**1,737**	**–6.1**	**0.0**

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					
	2013-14	2013	2014			
		Apr. 26	Mar. 28	Apr. 4	Apr. 18	Apr. 25
	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)	417.9	364.0	417.9	418.5	417.4	413.6
2 Demand and Time Liabilities						
2.1 Demand Liabilities	139.7	125.7	139.7	136.4	135.0	136.1
2.1.1 Deposits						
2.1.1.1 Inter-Bank	25.4	17.2	25.4	24.9	24.2	22.5
2.1.1.2 Others	76.2	73.0	76.2	75.8	75.6	74.5
2.1.2 Borrowings from Banks	7.2	9.9	7.2	7.2	7.0	7.0
2.1.3 Other Demand Liabilities	30.9	25.6	30.9	28.5	28.2	32.1
2.2 Time Liabilities	899.5	810.4	899.5	907.1	902.3	897.7
2.2.1 Deposits						
2.2.1.1 Inter-Bank	541.4	511.3	541.4	552.1	549.9	547.6
2.2.1.2 Others	341.7	291.0	341.7	342.7	341.8	339.1
2.2.2 Borrowings from Banks	5.9	–	5.9	2.1	0.5	0.5
2.2.3 Other Time Liabilities	10.2	8.1	10.2	10.2	10.2	10.5
3 Borrowing from Reserve Bank	–	0.4	–	–	–	–
4 Borrowings from a notified bank / State Government	337.9	321.9	337.9	388.1	387.1	287.6
4.1 Demand	162.6	133.9	162.6	157.8	157.9	157.8
4.2 Time	175.3	187.9	175.3	230.3	229.2	229.8
5 Cash in Hand and Balances with Reserve Bank	43.0	34.9	43.0	38.1	37.5	39.1
5.1 Cash in Hand	2.2	2.0	2.2	1.9	2.0	2.1
5.2 Balance with Reserve Bank	40.8	32.9	40.8	36.2	35.5	37.0
6 Balances with Other Banks in Current Account	8.3	6.5	8.3	7.9	8.7	7.1
7 Investments in Government Securities	289.4	271.5	289.4	288.9	298.7	299.6
8 Money at Call and Short Notice	213.9	153.1	213.9	219.9	214.8	216.9
9 Bank Credit (10.1+11)	388.2	363.4	388.2	388.6	392.2	391.8
10 Advances						
10.1 Loans, Cash-Credits and Overdrafts	388.2	363.4	388.2	388.5	392.1	391.7
10.2 Due from Banks	650.1	563.5	650.1	647.0	629.6	626.3
11 Bills Purchased and Discounted	–	0.1	–	0.1	0.1	0.1

Prices and Production

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

Group/Sub group	2013-14			Rural			Urban			Combined		
	Rural	Urban	Combined	Jul. 13	Jun. 14	Jul. 14	Jul. 13	Jun. 14	Jul. 14	Jul. 13	Jun. 14	Jul. 14
	1	2	3	4	5	6	7	8	9	10	11	12
1 Food, beverages and tobacco	**138.8**	**138.0**	**138.6**	**136.0**	**145.3**	**149.0**	**138.2**	**144.7**	**149.7**	**136.7**	**145.1**	**149.2**
1.1 Cereals and products	132.8	131.9	132.6	130.0	139.3	140.6	130.7	137.1	138.0	130.2	138.7	139.9
1.2 Pulses and products	118.2	115.2	117.3	117.0	122.8	123.9	114.4	120.6	120.8	116.2	122.1	123.0
1.3 Oils and fats	143.9	141.9	143.2	142.5	145.9	146.1	142.6	138.1	138.1	142.5	143.4	143.5
1.4 Egg, fish and meat	143.1	146.8	144.4	141.7	152.1	153.2	146.2	155.1	156.3	143.2	153.1	154.2
1.5 Milk and products	144.2	139.0	142.3	141.4	154.6	156.3	136.1	151.8	153.1	139.4	153.6	155.1
1.6 Condiments and spices	134.3	132.9	133.9	132.1	140.1	141.2	130.4	145.5	147.8	131.6	141.7	143.1
1.7 Vegetables	161.5	157.5	160.3	155.2	163.2	185.7	170.4	152.9	189.8	160.0	159.9	187.0
1.8 Fruits	155.8	147.2	152.1	148.9	179.0	183.7	149.1	177.4	181.0	149.0	178.3	182.5
1.9 Sugar etc	109.5	105.0	108.2	110.4	109.8	111.1	106.9	106.8	108.2	109.4	108.9	110.3
1.10 Non-alcoholic beverages	135.0	136.9	135.8	133.0	140.8	141.6	135.1	142.6	143.4	133.9	141.6	142.4
1.11 Prepared meals etc	135.0	137.9	136.4	132.6	141.7	142.6	135.3	145.1	146.1	133.9	143.3	144.3
1.12 Pan, tobacco and intoxicants	143.5	147.8	144.7	141.0	151.1	152.8	146.1	156.3	159.9	142.4	152.5	154.8
2 Fuel and light	**136.9**	**133.9**	**135.7**	**135.2**	**141.3**	**142.2**	**132.8**	**136.5**	**137.1**	**134.3**	**139.5**	**140.3**
3 Housing	**--**	**133.5**	**133.5**	**--**	**--**	**--**	**130.9**	**142.0**	**142.6**	**130.9**	**142.0**	**142.6**
4 Clothing, bedding and footwear	**144.1**	**144.2**	**144.1**	**140.6**	**152.6**	**154.0**	**141.5**	**151.0**	**151.7**	**140.9**	**152.0**	**153.2**
4.1 Clothing and bedding	144.8	146.0	145.2	141.1	153.4	154.8	143.2	153.0	153.8	141.9	153.3	154.4
4.2 Footwear	140.0	133.8	137.7	137.1	147.7	149.2	131.8	138.9	139.4	135.2	144.5	145.7
5 Miscellaneous	**128.8**	**125.0**	**127.1**	**126.4**	**134.0**	**135.0**	**123.4**	**129.6**	**131.0**	**125.0**	**132.0**	**133.2**
5.1 Medical care	124.0	122.6	123.6	122.1	129.3	129.9	121.4	126.8	127.1	121.9	128.5	129.0
5.2 Education, stationery etc	125.7	126.9	126.4	123.3	132.0	133.4	126.2	133.2	135.8	124.9	132.7	134.7
5.3 Recreation and amusement	121.2	113.3	116.4	119.9	125.3	125.7	111.9	116.9	117.8	115.1	120.2	120.9
5.4 Transport and communication	131.0	125.3	127.8	129.3	136.0	137.7	123.8	128.8	130.5	126.2	131.9	133.6
5.5 Personal care and effects	126.2	121.6	124.3	124.3	131.6	132.5	120.0	126.9	128.1	122.5	129.7	130.7
5.6 Household requisites	134.1	127.5	131.4	130.1	137.6	138.4	124.5	132.1	132.9	127.9	135.4	136.2
5.7 Others	145.8	148.4	146.9	142.1	155.5	156.7	145.4	157.6	159.2	143.4	156.3	157.7
General Index (All Groups)	**136.4**	**133.3**	**135.0**	**133.8**	**142.5**	**145.1**	**132.1**	**139.4**	**141.9**	**133.1**	**141.2**	**143.7**

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

No. 19: Other Consumer Price Indices

Item	Base Year	Linking Factor	2013-14	2013	2014	
				Jul.	Jun.	Jul.
	1	2	3	4	5	6
1 Consumer Price Index for Industrial Workers	2001	4.63	236	235	246	252
2 Consumer Price Index for Agricultural Labourers	1986-87	5.89	750	740	785	799
3 Consumer Price Index for Rural Labourers	1986-87	–	751	741	787	801

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

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

Item	2013-14	2013	2014	
		Jul.	Jun.	Jul.
	1	2	3	4
1 Standard Gold (₹ per 10 grams)	29,190	26,928	27,427	28,008
2 Silver (₹ per kilogram)	46,637	41,634	42,970	45,450

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

No. 21: Wholesale Price Index

(Base: 2004-05 = 100)

Commodities	Weight	2013-14	2013	2014		
			Jul.	May	Jun. (P)	Jul. (P)
	1	2	3	4	5	6
1 ALL COMMODITIES	**100.000**	**177.6**	**175.5**	**182.0**	**182.6**	**184.6**
1.1 PRIMARY ARTICLES	**20.118**	**241.6**	**240.3**	**246.8**	**249.9**	**256.6**
1.1.1 Food articles	**14.337**	**238.9**	**238.5**	**244.6**	**249.7**	**258.6**
1.1.1.1 Food Grains	4.090	226.0	224.4	230.5	231.8	234.1
1.1.1.1.1 Cereals	3.373	225.5	224.0	230.4	231.3	234.0
1.1.1.1.2 Pulses	0.717	228.0	226.6	231.2	233.8	234.1
1.1.1.2 Fruits & Vegetables	3.843	244.3	254.8	235.5	247.1	285.3
1.1.1.2.1 Vegetables	1.736	294.5	337.9	236.6	271.6	333.6
1.1.1.2.2 Fruits	2.107	202.9	186.4	234.6	226.9	245.5
1.1.1.3 Milk	3.238	220.6	215.2	233.6	237.6	237.7
1.1.1.4 Eggs, Meat & Fish	2.414	275.7	269.3	289.6	293.1	276.6
1.1.1.5 Condiments & Spices	0.569	245.6	231.5	275.3	279.3	296.9
1.1.1.6 Other Food Articles	0.183	229.1	237.3	256.9	255.0	256.7
1.1.2 Non-Food Articles	**4.258**	**213.2**	**211.1**	**218.8**	**216.4**	**218.1**
1.1.2.1 Fibres	0.877	239.7	240.3	237.6	234.7	232.7
1.1.2.2 Oil Seeds	1.781	202.6	201.3	217.6	212.2	214.1
1.1.2.3 Other Non-Food Articles	1.386	213.5	212.9	214.9	217.4	217.7
1.1.2.4 Flowers	0.213	190.8	160.8	177.3	171.1	194.4
1.1.3 Minerals	**1.524**	**346.5**	**338.1**	**346.0**	**345.6**	**346.1**
1.1.3.1 Metallic Minerals	0.489	387.3	392.5	379.2	378.3	379.4
1.1.3.2 Other Minerals	0.135	213.2	216.3	206.4	205.0	207.1
1.1.3.3 Crude Petroleum	0.900	344.3	326.9	348.8	348.8	348.8
1.2 FUEL & POWER	**14.910**	**205.4**	**199.9**	**212.1**	**212.3**	**214.7**
1.2.1 Coal	2.094	190.8	191.5	189.8	189.8	189.8
1.2.2 Mineral Oils	9.364	226.0	220.4	233.5	233.8	237.7
1.2.3 Electricity	3.452	158.7	149.6	167.6	167.6	167.6
1.3 MANUFACTURED PRODUCTS	**64.972**	**151.5**	**149.9**	**155.1**	**154.9**	**155.4**
1.3.1 Food Products	**9.974**	**168.8**	**167.7**	**172.8**	**171.6**	**174.6**
1.3.1.1 Dairy Products	0.568	180.4	177.4	189.5	188.6	191.9
1.3.1.2 Canning, Preserving & Processing of Food	0.358	164.9	158.2	166.8	170.5	165.8
1.3.1.3 Grain Mill Products	1.340	167.9	165.7	175.8	175.4	174.8
1.3.1.4 Bakery Products	0.444	139.2	138.5	150.2	151.4	152.8
1.3.1.5 Sugar, Khandsari & Gur	2.089	183.0	185.1	184.3	182.7	187.2
1.3.1.6 Edible Oils	3.043	147.0	144.9	145.9	145.1	145.4
1.3.1.7 Oil Cakes	0.494	223.5	225.7	227.7	225.5	233.3
1.3.1.8 Tea & Coffee Proccessing	0.711	182.1	181.3	190.6	183.9	199.7
1.3.1.9 Manufacture of Salt	0.048	186.0	185.0	191.4	191.9	196.8
1.3.1.10 Other Food Products	0.879	178.5	175.6	191.1	188.8	193.6
1.3.2 Beverages, Tobacco & Tobacco Products	**1.762**	**186.0**	**181.8**	**197.6**	**197.4**	**198.7**
1.3.2.1 Wine Industries	0.385	128.9	125.2	137.0	136.0	137.7
1.3.2.2 Malt Liquor	0.153	170.8	170.3	174.9	174.9	174.9
1.3.2.3 Soft Drinks & Carbonated Water	0.241	161.4	160.8	159.1	159.4	159.2
1.3.2.4 Manufacture of Bidi, Cigarettes, Tobacco & Zarda	0.983	216.8	210.8	234.3	234.2	236.0
1.3.3 Textiles	**7.326**	**139.0**	**137.1**	**144.0**	**143.9**	**144.1**
1.3.3.1 Cotton Textiles	2.605	158.0	155.8	167.3	166.8	167.3
1.3.3.1.1 Cotton Yarn	1.377	174.7	171.4	189.0	187.4	188.8
1.3.3.1.2 Cotton Fabric	1.228	139.3	138.2	143.0	143.6	143.2
1.3.3.2 Man-Made Textiles	2.206	131.7	129.6	135.1	135.3	135.5
1.3.3.2.1 Man-Made Fibre	1.672	131.3	129.2	134.4	134.3	135.1
1.3.3.2.2 Man-Made Fabric	0.533	132.9	130.9	137.2	138.3	136.7
1.3.3.3 Woollen Textiles	0.294	154.8	150.1	158.3	158.4	158.5
1.3.3.4 Jute, Hemp & Mesta Textiles	0.261	183.9	182.6	188.6	188.9	189.9
1.3.3.5 Other Misc. Textiles	1.960	113.5	112.6	114.7	114.8	114.8
1.3.4 Wood & Wood Products	**0.587**	**179.1**	**176.4**	**186.9**	**187.0**	**185.4**
1.3.4.1 Timber/Wooden Planks	0.181	144.9	142.0	156.3	156.3	156.3
1.3.4.2 Processed Wood	0.128	185.6	183.8	190.8	190.8	190.5
1.3.4.3 Plywood & Fibre Board	0.241	205.2	202.3	213.6	213.4	209.5
1.3.4.4 Others	0.038	154.7	150.3	150.4	153.3	153.1

No. 21: Wholesale Price Index (Concld.)

(Base: 2004-05 = 100)

Commodities	Weight	2013-14	2013	2014		
			Jul.	May	Jun. (P)	Jul. (P)
	1	2	3	4	5	6
1.3.5 Paper & Paper Products	**2.034**	**143.0**	**140.6**	**149.4**	**149.2**	**149.3**
1.3.5.1 Paper & Pulp	1.019	141.6	139.2	148.9	148.6	148.7
1.3.5.2 Manufacture of boards	0.550	131.2	130.0	131.5	131.5	132.1
1.3.5.3 Printing & Publishing	0.465	159.8	155.8	171.4	171.6	171.0
1.3.6 Leather & Leather Products	**0.835**	**143.1**	**142.7**	**144.3**	**145.6**	**144.3**
1.3.6.1 Leathers	0.223	114.3	112.0	116.7	116.2	116.3
1.3.6.2 Leather Footwear	0.409	159.8	159.7	159.8	161.4	161.4
1.3.6.3 Other Leather Products	0.203	141.3	142.2	143.2	146.0	140.5
1.3.7 Rubber & Plastic Products	**2.987**	**146.0**	**144.0**	**149.8**	**150.2**	**150.6**
1.3.7.1 Tyres & Tubes	0.541	174.1	173.9	176.2	176.2	177.9
1.3.7.1.1 Tyres	0.488	174.4	174.4	176.2	176.2	178.1
1.3.7.1.2 Tubes	0.053	171.4	169.4	176.1	176.5	176.6
1.3.7.2 Plastic Products	1.861	136.3	133.9	140.6	141.2	141.2
1.3.7.3 Rubber Products	0.584	151.1	148.7	155.0	155.0	155.4
1.3.8 Chemicals & Chemical Products	**12.018**	**148.9**	**147.4**	**153.1**	**153.3**	**153.3**
1.3.8.1 Basic Inorganic Chemicals	1.187	150.6	149.7	155.8	156.2	155.8
1.3.8.2 Basic Organic Chemicals	1.952	147.5	143.2	153.8	153.7	155.3
1.3.8.3 Fertilisers & Pesticides	3.145	148.2	147.2	150.8	151.1	150.9
1.3.8.3.1 Fertilisers	2.661	152.3	151.5	154.3	154.5	154.1
1.3.8.3.2 Pesticides	0.483	125.9	123.6	131.7	132.5	132.6
1.3.8.4 Paints, Varnishes & Lacquers	0.529	147.6	147.4	149.9	149.4	149.8
1.3.8.5 Dyestuffs & Indigo	0.563	132.6	129.4	144.8	144.9	142.3
1.3.8.6 Drugs & Medicines	0.456	126.8	126.4	129.2	129.1	128.8
1.3.8.7 Perfumes, Cosmetics, Toiletries etc.	1.130	157.3	156.3	160.4	160.6	160.8
1.3.8.8 Turpentine, Plastic Chemicals	0.586	147.6	145.7	155.6	155.6	155.7
1.3.8.9 Polymers including Synthetic Rubber	0.970	142.8	143.0	153.1	152.8	153.4
1.3.8.10 Petrochemical Intermediates	0.869	170.4	169.9	166.9	167.4	165.6
1.3.8.11 Matches, Explosives & other Chemicals	0.629	149.8	150.0	151.1	152.4	152.8
1.3.9 Non-Metallic Mineral Products	**2.556**	**166.2**	**167.1**	**167.9**	**167.3**	**168.1**
1.3.9.1 Structural Clay Products	0.658	176.1	171.7	186.9	185.4	188.6
1.3.9.2 Glass, Earthenware, Chinaware & their Products	0.256	131.7	130.0	133.1	132.8	133.1
1.3.9.3 Cement & Lime	1.386	167.0	171.6	163.8	163.1	162.6
1.3.9.4 Cement, Slate & Graphite Products	0.256	171.3	168.2	176.1	177.8	180.0
1.3.10 Basic Metals, Alloys & Metal Products	**10.748**	**164.5**	**162.2**	**166.9**	**167.1**	**166.8**
1.3.10.1 Ferrous Metals	8.064	154.9	153.3	157.2	157.4	157.3
1.3.10.1.1 Iron & Semis	1.563	154.1	151.6	160.5	161.1	160.8
1.3.10.1.2 Steel: Long	1.630	165.6	165.2	165.8	166.2	166.9
1.3.10.1.3 Steel: Flat	2.611	153.9	152.5	153.5	153.3	152.1
1.3.10.1.4 Steel: Pipes & Tubes	0.314	129.8	128.2	132.4	132.8	132.4
1.3.10.1.5 Stainless Steel & alloys	0.938	159.8	156.2	166.6	166.8	168.1
1.3.10.1.6 Castings & Forgings	0.871	142.6	143.2	144.4	144.8	145.3
1.3.10.1.7 Ferro alloys	0.137	155.6	149.8	160.4	160.4	159.9
1.3.10.2 Non-Ferrous Metals	1.004	164.0	163.0	166.8	167.3	167.1
1.3.10.2.1 Aluminium	0.489	137.9	136.1	140.9	141.6	141.3
1.3.10.2.2 Other Non-Ferrous Metals	0.515	188.9	188.6	191.4	191.6	191.7
1.3.10.3 Metal Products	1.680	211.2	204.3	213.2	213.6	212.6
1.3.11 Machinery & Machine Tools	**8.931**	**131.6**	**130.8**	**133.8**	**133.8**	**133.9**
1.3.11.1 Agricultural Machinery & Implements	0.139	141.6	137.9	146.0	145.9	149.2
1.3.11.2 Industrial Machinery	1.838	150.1	149.4	152.0	152.5	152.5
1.3.11.3 Construction Machinery	0.045	137.0	137.0	141.0	141.2	141.0
1.3.11.4 Machine Tools	0.367	160.4	158.7	164.4	164.4	164.5
1.3.11.5 Air Conditioner & Refrigerators	0.429	115.6	113.9	120.3	120.3	120.3
1.3.11.6 Non-Electrical Machinery	1.026	123.8	123.1	124.5	124.5	124.8
1.3.11.7 Electrical Machinery, Equipment & Batteries	2.343	136.6	135.6	138.6	138.2	138.3
1.3.11.8 Electrical Accessories, Wires, Cables etc.	1.063	150.3	149.9	152.4	152.6	152.6
1.3.11.9 Electrical Apparatus & Appliances	0.337	117.6	117.8	118.4	118.2	118.5
1.3.11.10 Electronics Items	0.961	87.9	86.5	90.0	89.8	89.6
1.3.11.11 IT Hardware	0.267	88.4	88.0	91.5	91.5	91.5
1.3.11.12 Communication Equipments	0.118	95.9	96.3	98.2	99.5	99.5
1.3.12 Transport, Equipment & Parts	**5.213**	**134.5**	**133.3**	**135.8**	**135.8**	**135.8**
1.3.12.1 Automotives	4.231	134.0	132.7	135.1	135.1	134.9
1.3.12.2 Auto Parts	0.804	133.6	133.5	136.4	136.2	137.0
1.3.12.3 Other Transport Equipments	0.178	150.1	148.7	150.6	150.9	149.7

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

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

Industry	Weight	2012-13	2013-14	April-June		June	
				2013-14	2014-15	2013	2014
	1	2	3	4	5	6	7
General Index	**100.00**	**172.2**	**172.0**	**165.8**	**172.3**	**164.9**	**170.5**
1 Sectoral Classification							
1.1 Mining and Quarrying	14.16	125.5	124.7	119.8	123.6	116.5	121.5
1.2 Manufacturing	75.53	183.3	181.9	174.8	180.3	175.0	178.2
1.3 Electricity	10.32	155.2	164.7	162.8	181.2	157.0	181.6
2 Use-Based Classification							
2.1 Basic Goods	45.68	153.6	156.9	151.3	162.8	148.4	161.7
2.2 Capital Goods	8.83	251.6	242.6	215.2	245.1	219.6	270.2
2.3 Intermediate Goods	15.69	146.7	151.3	147.6	152.2	147.3	151.3
2.4 Consumer Goods	29.81	190.6	185.3	182.8	176.2	183.1	164.8
2.4.1 Consumer Durables	8.46	301.1	264.2	268.8	243.0	276.1	211.5
2.4.2 Consumer Non-Durables	21.35	146.9	154.0	148.7	149.7	146.2	146.3

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

Government Accounts and Treasury Bills

No. 23: Union Government Accounts at a Glance

(Amount in ₹ Billion)

Item	Financial Year	April–July			
	2014-15 (Budget Estimates)	2013-14 (Actuals)	2014-15 (Actuals)	Percentage to Budget Estimates	
				2013-14	2014-15
	1	2	3	4	5
1 Revenue Receipts	11,897.6	1,761.6	1,756.3	16.7	14.8
1.1 Tax Revenue (Net)	9,772.6	1,451.1	1,468.7	16.4	15.0
1.2 Non-Tax Revenue	2,125.1	310.5	287.7	18.0	13.5
2 Capital Receipts	6,051.3	3,450.1	3,283.1	56.7	54.3
2.1 Recovery of Loans	105.3	34.6	32.6	32.5	31.0
2.2 Other Receipts	634.3	9.4	1.2	1.7	0.2
2.3 Borrowings and Other Liabilities	5,311.8	3,406.1	3,249.2	62.8	61.2
3 Total Receipts (1+2)	17,948.9	5,211.7	5,039.4	31.3	28.1
4 Non-Plan Expenditure	12,198.9	3,714.3	3,718.9	33.5	30.5
4.1 On Revenue Account	11,146.1	3,319.2	3,380.5	33.4	30.3
4.1.1 Interest Payments	4,270.1	863.1	1,186.2	23.3	27.8
4.2 On Capital Account	1,052.8	395.1	338.4	33.8	32.1
5 Plan Expenditure	5,750.0	1,497.4	1,320.5	27.0	23.0
5.1 On Revenue Account	4,535.0	1,216.2	1,040.0	27.4	22.9
5.2 On Capital Account	1,215.0	281.2	280.5	25.1	23.1
6 Total Expenditure (4+5)	17,948.9	5,211.7	5,039.4	31.3	28.1
7 Revenue Expenditure (4.1+5.1)	15,681.1	4,535.3	4,420.5	31.6	28.2
8 Capital Expenditure (4.2+5.2)	2,267.8	676.3	618.9	29.5	27.3
9 Revenue Deficit (7-1)	3,783.5	2,773.8	2,664.2	73.0	70.4
10 Fiscal Deficit {6-(1+2.1+2.2)}	5,311.8	3,406.1	3,249.2	62.8	61.2
11 Gross Primary Deficit [10-4.1.1]	1,041.7	2,543.0	2,063.1	148.0	198.1

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

No. 24: Treasury Bills – Ownership Pattern

(₹ Billion)

Item	2013-14	2013	2014					
		Jul. 26	Jun. 20	Jun. 27	Jul. 4	Jul. 11	Jul. 18	Jul. 25
	1	2	3	4	5	6	7	8
1 14-day								
1.1 Banks	–	–	–	–	–	–	–	–
1.2 Primary Dealers	–	–	–	–	–	–	–	–
1.3 State Governments	1,101.8	622.3	796.1	870.7	865.0	745.2	698.3	933.7
1.4 Others	6.6	5.1	7.0	4.5	6.0	6.6	8.5	6.6
2 91-day								
2.1 Banks	286.0	358.3	407.2	389.9	339.1	346.7	344.9	333.4
2.2 Primary Dealers	286.9	258.7	356.8	350.3	349.2	323.5	333.5	299.9
2.3 State Governments	381.9	702.9	429.8	499.8	504.5	521.5	556.5	489.0
2.4 Others	300.3	197.9	434.4	454.8	507.6	528.2	520.1	565.0
3 182-day								
3.1 Banks	270.0	236.7	194.1	191.9	202.7	232.8	202.9	213.9
3.2 Primary Dealers	255.3	251.5	297.0	280.9	300.0	265.3	283.0	270.9
3.3 State Governments	74.1	–	74.1	74.1	74.5	74.5	74.5	74.5
3.4 Others	164.6	103.8	198.1	216.0	212.4	216.4	226.7	227.8
4 364-day								
4.1 Banks	356.1	282.9	385.6	395.8	437.6	451.0	436.9	488.9
4.2 Primary Dealers	480.7	528.9	569.1	562.5	509.6	488.4	540.3	519.0
4.3 State Governments	6.9	9.7	7.5	12.7	12.7	12.7	12.7	12.7
4.4 Others	523.6	486.5	465.1	430.1	440.6	457.4	420.2	398.4
5 Total	4,494.7	4,045.3	4,621.9	4,734.0	4,761.7	4,670.3	4,659.0	4,833.8

No. 25: Auctions of Treasury Bills

(Amount in ₹ Billion)

Date of Auction	Notified Amount	Bids Received			Bids Accepted			Total Issue (6+7)	Cut-off Price	Implicit Yield at Cut-off Price (per cent)
		Number	Total Face Value		Number	Total Face Value				
			Competitive	Non-Competitive		Competitive	Non-Competitive			
	1	2	3	4	5	6	7	8	9	10
91-day Treasury Bills										
2014-15										
Jul. 2	90	92	391.97	43.53	30	90.00	43.53	133.53	97.92	8.5201
Jul. 9	90	91	261.10	68.20	61	90.00	68.20	158.20	97.91	8.5619
Jul. 16	90	75	216.01	35.20	51	90.00	35.20	125.20	97.90	8.6038
Jul. 23	90	82	251.98	49.15	37	90.00	49.15	139.15	97.90	8.6038
Jul. 30	90	66	174.46	105.50	50	90.00	105.50	195.50	97.89	8.6456
182-day Treasury Bills										
2014-15										
Jul. 2	60	66	171.27	–	34	60.00	–	60.00	95.87	8.6395
Jul. 16	60	78	182.59	–	21	28.09	–	28.09	95.87	8.6395
Jul. 30	60	54	123.65	–	30	60.00	–	60.00	95.84	8.7050
364-day Treasury Bills										
2014-15										
Jun. 11	60	93	215.28	–	18	60.00	–	60.00	92.10	8.6012
Jun. 25	60	97	166.26	12.04	30	18.75	12.04	30.79	92.02	8.6959
Jul. 9	60	103	224.40	–	37	60.00	–	60.00	92.04	8.6722
Jul. 23	60	119	238.74	0.04	56	60.00	0.04	60.04	92.02	8.6959

Financial Markets

No. 26: Daily Call Money Rates

(Per cent per annum)

As on		Range of Rates	Weighted Average Rates
		Borrowings/ Lendings	Borrowings/ Lendings
		1	2
July	1, 2014	6.50-9.00	8.10
July	2, 2014	6.50-8.60	8.03
July	3, 2014	6.00-8.15	7.65
July	4, 2014	6.00-9.00	7.72
July	5, 2014	6.00-7.80	6.68
July	7, 2014	6.10-9.00	8.22
July	8, 2014	6.50-9.00	8.32
July	9, 2014	6.50-9.00	8.68
July	10, 2014	6.50-9.20	8.55
July	11, 2014	6.00-9.00	8.52
July	12, 2014	5.50-9.00	7.57
July	14, 2014	6.50-8.95	8.44
July	15, 2014	6.50-8.85	8.22
July	16, 2014	6.40-8.75	7.80
July	17, 2014	6.40-8.35	7.83
July	18, 2014	6.00-8.50	7.90
July	19, 2014	5.00-7.60	6.63
July	21, 2014	6.50-9.30	8.39
July	22, 2014	6.50-9.05	8.77
July	23, 2014	6.30-9.20	8.70
July	24, 2014	6.50-9.25	8.74
July	25, 2014	6.50-9.05	8.71
July	26, 2014	5.00-8.06	6.23
July	28, 2014	6.40-9.05	8.76
July	30, 2014	6.10-9.20	7.89
July	31, 2014	6.00-8.20	8.00
August	1, 2014	6.00-9.00	7.68
August	2, 2014	1.00-8.00	5.87
August	4, 2014	5.00-8.20	7.75
August	5, 2014	6.00-8.25	7.67
August	6, 2014	6.25-9.05	8.33
August	7, 2014	6.25-8.45	7.99
August	8, 2014	6.50-9.05	8.31
August	9, 2014	5.50-8.25	6.51
August	11, 2014	6.50-8.80	8.55
August	12, 2014	6.50-8.80	8.33
August	13, 2014	6.50-8.22	7.77
August	14, 2014	5.00-9.00	8.33

No. 27: Certificates of Deposit

Item	2013	2014			
	Jul. 26	Jun. 13	Jun. 27	Jul. 11	Jul. 25
	1	2	3	4	5
1 Amount Outstanding (₹ Billion)	3,361.8	3,227.3	3,375.9	3,212.3	3,032.5
1.1 Issued during the fortnight (₹ Billion)	32.4	512.3	448.8	122.0	84.8
2 Rate of Interest (per cent)	7.90-9.85	8.08-9.11	8.48-9.29	8.33-8.96	8.38-9.41

No. 28: Commercial Paper

Item	2013	2014			
	Jul. 31	Jun. 15	Jun. 30	Jul. 15	Jul. 31
	1	2	3	4	5
1 Amount Outstanding (₹ Billion)	1,495.8	1,969.2	1,705.7	2,024.2	2,015.0
1.1 Reported during the fortnight (₹ Billion)	66.0	485.2	504.6	464.6	397.4
2 Rate of Interest (per cent)	7.43-12.36	8.14-12.54	8.29-14.02	8.16-12.42	8.12-11.77

No. 29: Average Daily Turnover in Select Financial Markets

(₹ Billion)

Item	2013-14	2013	2014					
		Jul. 26	Jun. 20	Jun. 27	Jul. 4	Jul. 11	Jul. 18	Jul. 25
	1	2	3	4	5	6	7	8
1 Call Money	230.7	180.9	228.4	243.0	186.2	167.0	115.4	119.4
2 Notice Money	71.6	50.8	57.3	62.7	48.4	55.8	32.7	53.0
3 Term Money	5.4	2.2	4.5	2.0	2.4	2.0	2.0	4.9
4 CBLO	1,196.3	1,475.2	1,152.5	1,157.6	1,312.1	1,065.7	1,060.5	961.6
5 Market Repo	986.8	1,073.3	1,010.6	1,087.7	847.0	1,096.6	932.3	1,022.3
6 Repo in Corporate Bond	0.3	–	–	0.1	–	–	0.6	–
7 Forex (US $ million)	50,568	43,229	57,119	51,973	57,997	54,097	48,201	49,599
8 Govt. of India Dated Securities	662.5	363.3	734.7	663.7	611.4	645.3	648.7	753.6
9 State Govt. Securities	12.8	5.0	7.1	9.0	9.7	13.3	4.4	12.7
10 Treasury Bills								
10.1 91-Day	26.7	27.4	20.8	36.3	45.9	33.3	36.7	24.7
10.2 182-Day	12.9	4.9	19.3	11.9	16.9	17.3	12.2	6.1
10.3 364-Day	25.4	26.8	13.2	24.5	21.6	18.4	11.6	18.7
10.4 Cash Management Bills	7.3	2.2	–	–	–	–	–	–
11 Total Govt. Securities (8+9+10)	740.3	429.6	795.1	745.5	705.6	727.6	713.6	815.7
11.1 RBI	–	2.0	0.2	0.8	7.0	2.5	1.5	0.3

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

(Amount in ₹ Billion)

Security & Type of Issue	2013-14		2013-14 (Apr.-Jul.)		2014-15 (Apr.-Jul.)		Jul. 2013		Jul. 2014	
	No. of Issues	Amount	No. of Issues	Amount	No. of Issues	Amount	No. of Issues	Amount	No. of Issues	Amount
	1	2	3	4	5	6	7	8	9	10
1 Equity Shares	53	58.1	7	13.7	15	10.0	2	0.1	3	0.3
1A Premium	43	53.2	6	12.7	13	8.8	2	–	3	0.2
1.1 Prospectus	38	12.4	6	9.5	10	2.7	2	0.1	3	0.3
1.1.1 Premium	30	10.7	5	9.1	9	2.3	2	–	3	0.2
1.2 Rights	15	45.8	1	4.2	5	7.3	–	–	–	–
1.2.1 Premium	13	42.5	1	3.5	4	6.5	–	–	–	–
2 Preference Shares	–	–	–	–	–	–	–	–	–	–
2.1 Prospectus	–	–	–	–	–	–	–	–	–	–
2.2 Rights	–	–	–	–	–	–	–	–	–	–
3 Debentures	17	58.7	2	8.7	10	39.1	1	7.4	4	25.7
3.1 Convertible	–	–	–	–	–	–	–	–	–	–
3.1.1 Prospectus	–	–	–	–	–	–	–	–	–	–
3.1.2 Rights	–	–	–	–	–	–	–	–	–	–
3.2 Non-Convertible	17	58.7	2	8.7	10	39.1	1	7.4	4	25.7
3.2.1 Prospectus	17	58.7	2	8.7	10	39.1	1	7.4	4	25.7
3.2.2 Rights	–	–	–	–	–	–	–	–	–	–
4 Bonds	–	–	–	–	–	–	–	–	–	–
4.1 Prospectus	–	–	–	–	–	–	–	–	–	–
4.2 Rights	–	–	–	–	–	–	–	–	–	–
5 Total (1+2+3+4)	70	116.8	9	22.4	25	49.1	3	7.5	7	26.0
5.1 Prospectus	55	71.0	8	18.2	20	41.8	3	7.5	7	26.0
5.2 Rights	15	45.8	1	4.2	5	7.3	–	–	–	–

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

External Sector

No. 31: Foreign Trade

Item	Unit	2013-14	2013	2014				
			Jul.	Mar.	Apr.	May	Jun.	Jul.
		1	2	3	4	5	6	7
1 Exports	₹ Billion	18,941.8	1,544.3	1,774.0	1,485.9	1,642.4	1,572.9	1,665.3
	US $ Million	312,620.7	25,835.1	29,075.8	24,617.9	27,694.6	26,332.8	27,727.6
1.1 Oil	₹ Billion	3,802.5	336.9	336.5	247.0	333.4	365.4	..
	US $ Million	62,687.2	5,636.3	5,515.4	4,092.4	5,622.2	6,116.7	..
1.2 Non-oil	₹ Billion	15,139.3	1,207.4	1,437.5	1,238.9	1,309.0	1,207.5	..
	US $ Million	249,933.5	20,198.8	23,560.3	20,525.5	22,072.4	20,216.0	..
2 Imports	₹ Billion	27,141.8	2,291.0	2,412.7	2,162.5	2,326.3	2,272.8	2,399.7
	US $ Million	450,082.2	38,326.5	39,543.8	35,827.9	39,226.6	38,050.4	39,956.2
2.1 Oil	₹ Billion	10,000.6	762.2	962.7	782.2	857.7	796.9	862.1
	US $ Million	165,153.7	12,731.7	15,779.0	12,959.0	14,462.4	13,341.9	14,354.8
2.2 Non-oil	₹ Billion	17,141.2	1,528.8	1,450.0	1,380.3	1,468.6	1,475.9	1,537.6
	US $ Million	284,928.5	25,594.8	23,764.8	22,868.9	24,764.2	24,708.5	25,601.4
3 Trade Balance	₹ Billion	–8,200.0	–746.7	–638.7	–676.6	–683.9	–699.9	–734.4
	US $ Million	–137,461.5	–12,491.4	–10,468.0	–11,210.0	–11,532.0	–11,717.6	–12,228.6
3.1 Oil	₹ Billion	–6,198.1	–425.3	–626.2	–535.2	–524.3	–431.6	..
	US $ Million	–102,466.6	–7,095.4	–10,263.5	–8,866.7	–8,840.1	–7,225.2	..
3.2 Non-oil	₹ Billion	–2,001.8	–321.4	–12.5	–141.4	–159.6	–268.3	..
	US $ Million	–34,994.9	–5,396.0	–204.5	–2,343.4	–2,691.8	–4,492.4	..

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

No. 32: Foreign Exchange Reserves

Item	Unit	2013	2014					
		Aug. 23	Jul. 18	Jul. 25	Aug. 1	Aug. 8	Aug. 15	Aug. 22
		1	2	3	4	5	6	7
1 Total Reseves	**₹ Billion**	**17,891**	**19,239**	**19,353**	**19,509**	**19,656**	**19,527**	**19,314**
	US $ Million	**277,722**	**317,850**	**320,564**	**319,991**	**319,347**	**319,391**	**318,580**
1.1 Foreign Currency Assets	₹ Billion	16,203	17,627	17,744	17,861	18,003	17,878	17,670
	US $ Million	250,483	291,051	293,784	292,693	292,047	292,101	291,318
1.2 Gold	₹ Billion	1,268	1,240	1,240	1,276	1,276	1,276	1,276
	US $ Million	20,747	20,635	20,635	21,174	21,174	21,174	21,174
1.3 SDRs	SDRs Million	2,887	2,888	2,888	2,888	2,888	2,888	2,889
	₹ Billion	284	269	267	269	272	270	266
	US $ Million	4,390	4,451	4,438	4,422	4,425	4,416	4,397
1.4 Reserve Tranche Position in IMF	₹ Billion	136	103	103	104	105	104	102
	US $ Million	2,103	1,713	1,707	1,701	1,702	1,699	1,691

No. 33: NRI Deposits

(US$ Million)

Scheme	Outstanding				Flows	
	2013-14	2013	2014		2013-14	2014-15
		Jul.	Jun.	Jul.	Apr.-Jul.	Apr.-Jul.
	1	2	3	4	5	6
1 NRI Deposits	**103,844**	**73,057**	**106,251**	**108,449**	**6,716**	**4,661**
1.1 FCNR(B)	41,823	15,408	42,590	43,131	220	1,309
1.2 NR(E)RA	52,908	48,692	54,676	56,177	6,511	3,319
1.3 NRO	9,114	8,957	8,985	9,141	–15	34

No. 34: Foreign Investment Inflows

(US$ Million)

Item	2013-14	2013-14	2014-15	2013	2014	
		Apr.-Jul.	Apr.-Jul.	Jul.	Jun.	Jul.
	1	2	3	4	5	6
1.1 Net Foreign Direct Investment (1.1.1–1.1.2)	**21,564**	**8,419**	**11,544**	**1,930**	**2,197**	**3,377**
1.1.1 Direct Investment to India (1.1.1.1–1. 1.1.2)	**30,762**	**8,644**	**11,883**	**2,167**	**2,278**	**3,592**
1.1.1.1 Gross Inflows/Gross Investments	**36,046**	**10,649**	**14,610**	**2,519**	**2,930**	**4,363**
1.1.1.1.1 Equity	25,274	7,352	11,035	1,732	2,001	3,576
1.1.1.1.1.1 Government (SIA/FIPB)	1,185	499	801	69	459	210
1.1.1.1.1.2 RBI	14,869	4,119	6,183	1,213	1,202	2,241
1.1.1.1.1.3 Acquisition of shares	8,245	2,436	3,752	374	266	1,049
1.1.1.1.1.4 Equity capital of unincorporated bodies	975	299	299	76	74	76
1.1.1.1.2 Reinvested earnings	8,978	2,755	2,755	696	686	696
1.1.1.1.3 Other capital	1,794	542	820	91	243	91
1.1.1.2 Repatriation/Disinvestment	**5,284**	**2,005**	**2,728**	**353**	**652**	**771**
1.1.1.2.1 Equity	4,786	1,810	2,646	284	635	742
1.1.1.2.2 Other capital	498	195	81	68	18	29
1.1.2 Foreign Direct Investment by India (1.1.2.1+1.1.2.2+1.1.2.3–1.1.2.4)	**9,199**	**225**	**339**	**237**	**81**	**215**
1.1.2.1 Equity capital	12,420	1,333	1,013	241	275	318
1.1.2.2 Reinvested Earnings	1,167	375	375	99	92	99
1.1.2.3 Other Capital	3,148	1,287	1,031	309	235	317
1.1.2.4 Repatriation/Disinvestment	7,535	2,769	2,081	412	521	518
1.2 Net Portfolio Investment (1.2.1+1.2.2+1.2.3–1.2.4)	**4,822**	**–4,940**	**17,882**	**–4,716**	**4,816**	**5,442**
1.2.1 GDRs/ADRs	20	20	–	–	–	–
1.2.2 FIIs	5,009	–5,185	17,882	–4,703	4,824	5,417
1.2.3 Offshore funds and others	–	–	–	–	–	–
1.2.4 Portfolio investment by India	207	–225	–0	13	8	–25
1 Foreign Investment Inflows	**26,385**	**3,479**	**29,426**	**–2,785**	**7,013**	**8,819**

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

(US$ Million)

Item	2013-14	2013	2014		
		Jun.	Apr.	May	Jun.
	1	2	3	4	5
1 Outward Remittances under the LRS	**1,093.9**	**92.1**	**94.2**	**114.0**	**76.0**
1.1 Deposit	31.6	1.3	4.5	2.5	3.2
1.2 Purchase of immovable property	58.7	8.6	1.6	0.6	0.5
1.3 Investment in equity/debt	165.5	12.5	17.2	16.5	11.7
1.4 Gift	267.1	22.5	32.4	35.8	27.6
1.5 Donations	2.0	0.1	0.4	0.3	0.2
1.6 Travel	15.9	1.1	1.1	1.6	0.8
1.7 Maintenance of close relatives	173.9	9.3	11.3	25.6	9.7
1.8 Medical Treatment	4.7	0.2	0.5	0.8	0.6
1.9 Studies Abroad	159.3	7.1	11.9	20.4	12.6
1.10 Others	215.3	29.4	13.2	9.8	9.2

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

Item	2012-13	2013-14	2013	2014	
			August	July	August
	1	2	3	4	5
36-Currency Export and Trade Based Weights (Base: 2004-05=100)					
1 Trade-Based Weights					
1.1 NEER	78.32	72.32	69.60	73.31	72.81
1.2 REER	105.57	103.27	99.47	106.49	105.75
2 Export-Based Weights					
2.1 NEER	80.05	73.56	70.64	74.38	73.89
2.2 REER	108.71	105.48	101.43	108.62	107.91
6-Currency Trade Based Weights					
1 Base: 2004-05 (April-March) =100					
1.1 NEER	75.54	67.72	64.77	67.81	67.24
1.2 REER	117.08	112.71	107.76	117.92	116.94
2 Base: 2013-14 (April-March) =100					
2.1 NEER	111.56	100.00	95.65	100.12	99.29
2.2 REER	103.88	100.00	95.60	104.62	103.75

No. 37: External Commercial Borrowings (ECBs)

(Amount in US$ Million)

Item	2013-14	2013	2014	
		Jul.	Jun.	Jul.
	1	2	3	4
1 Automatic Route				
1.1 Number	573	72	55	58
1.2 Amount	12,340	1,386	1,303	2,560
2 Approval Route				
2.1 Number	140	11	14	8
2.2 Amount	20,892	2,320	584	1,162
3 Total (1+2)				
3.1 Number	713	83	69	66
3.2 Amount	33,232	3,706	1,887	3,722
4 Weighted Average Maturity (in years)	4.88	6.65	4.86	6.28
5 Interest Rate (per cent)				
5.1 Weighted Average Margin over 6-month LIBOR or reference rate for Floating Rate Loans	1.98	1.51	2.19	1.93
5.2 Interest rate range for Fixed Rate Loans	0.00-12.79	0.00-11.00	0.00-10.50	1.25-9.00

No. 38: India's Overall Balance of Payments

(US $ Million)

Item	Apr-Jun 2013 (PR)			Apr-Jun 2014 (P)		
	Credit	Debit	Net	Credit	Debit	Net
	1	2	3	4	5	6
Overall Balance of Payments(1+2+3)	**266,538**	**266,884**	**–346**	**286,376**	**275,197**	**11,179**
1 CURRENT ACCOUNT (1.1+ 1.2)	**130,958**	**152,747**	**–21,789**	**139,186**	**147,046**	**–7,860**
1.1 MERCHANDISE	**73,909**	**124,393**	**–50,484**	**81,712**	**116,360**	**–34,648**
1.2 INVISIBLES (1.2.1+1.2.2+1.2.3)	**57,049**	**28,354**	**28,695**	**57,474**	**30,686**	**26,788**
1.2.1 Services	36,522	19,655	16,868	37,568	20,499	17,069
1.2.1.1 Travel	3,825	2,999	826	4,232	3,838	394
1.2.1.2 Transportation	4,134	3,696	438	4,452	3,931	521
1.2.1.3 Insurance	503	263	240	537	304	234
1.2.1.4 G.n.i.e.	130	300	–169	132	248	–115
1.2.1.5 Miscellaneous	27,930	12,397	15,533	28,213	12,178	16,035
1.2.1.5.1 Software Services	16,484	350	16,134	17,533	519	17,014
1.2.1.5.2 Business Services	7,263	6,696	567	7,066	6,306	761
1.2.1.5.3 Financial Services	1,799	2,390	–591	1,581	1,415	166
1.2.1.5.4 Communication Services	635	426	209	450	262	188
1.2.2 Transfers	18,001	1,343	16,658	17,561	1,149	16,413
1.2.2.1 Official	131	265	–134	50	263	–213
1.2.2.2 Private	17,870	1,078	16,792	17,512	885	16,626
1.2.3 Income	2,526	7,357	–4,830	2,345	9,039	–6,694
1.2.3.1 Investment Income	1,777	6,784	–5,007	1,501	8,350	–6,849
1.2.3.2 Compensation of Employees	750	573	177	844	689	155
2 CAPITAL ACCOUNT (2.1+2.2+2.3+2.4+2.5)	**134,692**	**114,136**	**20,556**	**147,190**	**127,360**	**19,830**
2.1 Foreign Investment (2.1.1+2.1.2)	**65,201**	**58,938**	**6,263**	**80,837**	**60,229**	**20,607**
2.1.1 Foreign Direct Investment	10,486	3,998	6,488	11,810	3,642	8,168
2.1.1.1 In India	8,129	1,653	6,476	10,247	1,957	8,291
2.1.1.1.1 Equity	5,619	1,526	4,093	7,459	1,904	5,555
2.1.1.1.2 Reinvested Earnings	2,059	–	2,059	2,059	–	2,059
2.1.1.1.3 Other Capital	451	127	324	729	53	677
2.1.1.2 Abroad	2,357	2,346	11	1,562	1,685	–123
2.1.1.2.1 Equity	2,357	1,091	1,266	1,562	695	867
2.1.1.2.2 Reinvested Earnings	–	276	–276	–	276	–276
2.1.1.2.3 Other Capital	–	978	–978	–	714	–714
2.1.2 Portfolio Investment	54,715	54,939	–225	69,027	56,587	12,440
2.1.2.1 In India	54,203	54,665	–462	68,858	56,393	12,465
2.1.2.1.1 FIIs	54,183	54,665	–482	68,858	56,393	12,465
2.1.2.1.1.1 Equity	40,759	35,887	4,872	52,715	45,224	7,491
2.1.2.1.1.2 Debt	13,424	18,778	–5,354	16,143	11,169	4,974
2.1.2.1.2 ADR/GDRs	20	–	20	–	–	–
2.1.2.2 Abroad	512	274	237	169	194	–25
2.2 Loans (2.2.1+2.2.2+2.2.3)	**37,577**	**33,931**	**3,647**	**34,134**	**32,271**	**1,863**
2.2.1 External Assistance	1,043	751	292	1,215	1,265	–50
2.2.1.1 By India	12	62	–50	16	129	–113
2.2.1.2 To India	1,031	689	342	1,200	1,136	63
2.2.2 Commercial Borrowings	5,834	4,931	903	8,819	7,129	1,690
2.2.2.1 By India	537	56	481	446	164	282
2.2.2.2 To India	5,297	4,875	422	8,374	6,965	1,409
2.2.3 Short Term to India	30,700	28,249	2,451	24,099	23,877	222
2.2.3.1 Suppliers' Credit > 180 days & Buyers' Credit	30,415	28,249	2,166	23,428	23,877	–448
2.2.3.2 Suppliers' Credit up to 180 days	285	–	285	671	–	671
2.3 Banking Capital (2.3.1+2.3.2)	**25,989**	**15,664**	**10,325**	**24,064**	**24,179**	**–115**
2.3.1 Commercial Banks	25,877	15,664	10,212	23,969	24,179	–210
2.3.1.1 Assets	6,539	461	6,078	8,279	8,234	45
2.3.1.2 Liabilities	19,337	15,204	4,134	15,690	15,945	–255
2.3.1.2.1 Non-Resident Deposits	18,380	12,837	5,542	15,117	12,708	2,409
2.3.2 Others	113	–	113	95	–	95
2.4 Rupee Debt Service	–	25	–25	–	56	–56
2.5 Other Capital	5,924	5,578	346	8,156	10,626	–2,470
3 Errors & Omissions	**887**	–	**887**	–	**791**	**–791**
4 Monetary Movements (4.1+ 4.2)	**346**	–	**346**	–	**11,179**	**–11,179**
4.1 I.M.F.	–	–	–	–	–	–
4.2 Foreign Exchange Reserves (Increase - / Decrease +)	346	–	346	–	11,179	–11,179

No. 39: India's Overall Balance of Payments

(₹ Billion)

Item	Apr-Jun 2013 (PR)			Apr-Jun 2014 (P)		
	Credit	Debit	Net	Credit	Debit	Net
	1	2	3	4	5	6
Overall Balance of Payments(1+2+3)	**14,907**	**14,926**	**–19**	**17,125**	**16,456**	**668**
1 CURRENT ACCOUNT (1.1+ 1.2)	**7,324**	**8,543**	**–1,219**	**8,323**	**8,793**	**–470**
1.1 MERCHANDISE	**4,134**	**6,957**	**–2,823**	**4,886**	**6,958**	**–2,072**
1.2 INVISIBLES (1.2.1+1.2.2+1.2.3)	**3,191**	**1,586**	**1,605**	**3,437**	**1,835**	**1,602**
1.2.1 Services	2,043	1,099	943	2,246	1,226	1,021
1.2.1.1 Travel	214	168	46	253	230	24
1.2.1.2 Transportation	231	207	24	266	235	31
1.2.1.3 Insurance	28	15	13	32	18	14
1.2.1.4 G.n.i.e.	7	17	–9	8	15	–7
1.2.1.5 Miscellaneous	1,562	693	869	1,687	728	959
1.2.1.5.1 Software Services	922	20	902	1,048	31	1,017
1.2.1.5.2 Business Services	406	375	32	423	377	45
1.2.1.5.3 Financial Services	101	134	–33	95	85	10
1.2.1.5.4 Communication Services	36	24	12	27	16	11
1.2.2 Transfers	1,007	75	932	1,050	69	981
1.2.2.1 Official	7	15	–7	3	16	–13
1.2.2.2 Private	999	60	939	1,047	53	994
1.2.3 Income	141	411	–270	140	540	–400
1.2.3.1 Investment Income	99	379	–280	90	499	–410
1.2.3.2 Compensation of Employees	42	32	10	50	41	9
2 CAPITAL ACCOUNT (2.1+2.2+2.3+2.4+2.5)	**7,533**	**6,383**	**1,150**	**8,802**	**7,616**	**1,186**
2.1 Foreign Investment (2.1.1+2.1.2)	3,647	3,296	350	4,834	3,602	1,232
2.1.1 Foreign Direct Investment	586	224	363	706	218	488
2.1.1.1 In India	455	92	362	613	117	496
2.1.1.1.1 Equity	314	85	229	446	114	332
2.1.1.1.2 Reinvested Earnings	115	–	115	123	–	123
2.1.1.1.3 Other Capital	25	7	18	44	3	40
2.1.1.2 Abroad	132	131	1	93	101	–7
2.1.1.2.1 Equity	132	61	71	93	42	52
2.1.1.2.2 Reinvested Earnings	–	15	–15	–	17	–17
2.1.1.2.3 Other Capital	–	55	–55	–	43	–43
2.1.2 Portfolio Investment	3,060	3,073	–13	4,128	3,384	744
2.1.2.1 In India	3,031	3,057	–26	4,118	3,372	745
2.1.2.1.1 FIIs	3,030	3,057	–27	4,118	3,372	745
2.1.2.1.1.1 Equity	2,280	2,007	273	3,152	2,704	448
2.1.2.1.1.2 Debt	751	1,050	–299	965	668	297
2.1.2.1.2 ADR/GDRs	1	–	1	–	–	–
2.1.2.2 Abroad	29	15	13	10	12	–1
2.2 Loans (2.2.1+2.2.2+2.2.3)	**2,102**	**1,898**	**204**	**2,041**	**1,930**	**111**
2.2.1 External Assistance	58	42	16	73	76	–3
2.2.1.1 By India	1	3	–3	1	8	–7
2.2.1.2 To India	58	39	19	72	68	4
2.2.2 Commercial Borrowings	326	276	51	527	426	101
2.2.2.1 By India	30	3	27	27	10	17
2.2.2.2 To India	296	273	24	501	416	84
2.2.3 Short Term to India	1,717	1,580	137	1,441	1,428	13
2.2.3.1 Suppliers' Credit > 180 days & Buyers' Credit	1,701	1,580	121	1,401	1,428	–27
2.2.3.2 Suppliers' Credit up to 180 days	16	–	16	40	–	40
2.3 Banking Capital (2.3.1+2.3.2)	**1,454**	**876**	**577**	**1,439**	**1,446**	**–7**
2.3.1 Commercial Banks	1,447	876	571	1,433	1,446	–13
2.3.1.1 Assets	366	26	340	495	492	3
2.3.1.2 Liabilities	1,081	850	231	938	953	–15
2.3.1.2.1 Non-Resident Deposits	1,028	718	310	904	760	144
2.3.2 Others	6	–	6	6	–	6
2.4 Rupee Debt Service	–	1	–1	–	3	–3
2.5 Other Capital	331	312	19	488	635	–148
3 Errors & Omissions	**50**	–	**50**	–	**47**	**–47**
4 Monetary Movements (4.1+ 4.2)	**19**	–	**19**	–	**668**	**–668**
4.1 I.M.F.	–	–	–	–	–	–
4.2 Foreign Exchange Reserves (Increase - / Decrease +)	19	–	19	–	668	–668

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

(US $ Million)

Item	Apr-Jun 2013 (PR)			Apr-Jun 2014 (P)		
	Credit	Debit	Net	Credit	Debit	Net
	1	2	3	4	5	6
1 Current Account (1.A+1.B+1.C)	**130,950**	**152,722**	**–21,772**	**139,184**	**147,021**	**–7,837**
1.A Goods and Services (1.A.a+1.A.b)	**110,431**	**144,047**	**–33,616**	**119,280**	**136,859**	**–17,580**
1.A.a Goods (1.A.a.1 to 1.A.a.3)	**73,909**	**124,393**	**–50,484**	**81,712**	**116,360**	**–34,648**
1.A.a.1 General merchandise on a BOP basis	73,909	107,907	–33,998	81,712	109,312	–27,600
1.A.a.2 Net exports of goods under merchanting	–	–	–	–	–	–
1.A.a.3 Nonmonetary gold	–	16,486	–16,486	–	7,049	–7,049
1.A.b Services (1.A.b.1 to 1.A.b.13)	**36,522**	**19,654**	**16,868**	**37,568**	**20,499**	**17,069**
1.A.b.1 Manufacturing services on physical inputs owned by others	10	9	1	34	10	24
1.A.b.2 Maintenance and repair services n.i.e.	63	94	–30	31	59	–28
1.A.b.3 Transport	4,134	3,696	438	4,452	3,931	521
1.A.b.4 Travel	3,825	2,999	826	4,232	3,838	394
1.A.b.5 Construction	341	334	7	504	289	215
1.A.b.6 Insurance and pension services	503	263	240	537	304	234
1.A.b.7 Financial services	1,799	2,390	–591	1,581	1,415	166
1.A.b.8 Charges for the use of intellectual property n.i.e.	94	1,071	–977	198	1,392	–1,194
1.A.b.9 Telecommunications, computer, and information services	17,140	896	16,244	18,072	880	17,192
1.A.b.10 Other business services	7,263	6,696	567	7,066	6,306	761
1.A.b.11 Personal, cultural, and recreational services	362	141	221	301	317	–16
1.A.b.12 Government goods and services n.i.e.	130	300	–169	132	248	–115
1.A.b.13 Others n.i.e.	857	766	91	427	1,511	–1,084
1.B Primary Income (1.B.1 to 1.B.3)	**2,526**	**7,357**	**–4,830**	**2,345**	**9,039**	**–6,694**
1.B.1 Compensation of employees	750	573	177	844	689	155
1.B.2 Investment income	1,559	6,678	–5,119	1,253	8,210	–6,958
1.B.2.1 Direct investment	463	2,840	–2,377	445	3,675	–3,230
1.B.2.2 Portfolio investment	309	1,314	–1,005	14	1,594	–1,580
1.B.2.3 Other investment	58	2,523	–2,465	125	2,940	–2,815
1.B.2.4 Reserve assets	729	1	728	669	2	667
1.B.3 Other primary income	217	105	112	248	140	109
1.C Secondary Income (1.C.1+1.C.2)	**17,992**	**1,318**	**16,675**	**17,559**	**1,123**	**16,436**
1.C.1 Financial corporations, nonfinancial corporations, households, and NPISHs	17,870	1,078	16,792	17,512	885	16,626
1.C.1.1 Personal transfers (Current transfers between resident and/ non-resident households)	17,210	997	16,213	16,842	798	16,044
1.C.1.2 Other current transfers	660	81	579	670	88	582
1.C.2 General government	123	239	–117	48	237	–190
2 Capital Account (2.1+2.2)	**1,043**	**276**	**767**	**138**	**121**	**18**
2.1 Gross acquisitions (DR.)/disposals (CR.) of non-produced nonfinancial assets	8	9	–2	76	72	4
2.2 Capital transfers	1,036	267	769	63	49	13
3 Financial Account (3.1 to 3.5)	**134,012**	**113,895**	**20,118**	**147,126**	**138,515**	**8,610**
3.1 Direct Investment (3.1A+3.1B)	**10,486**	**3,998**	**6,488**	**11,810**	**3,642**	**8,168**
3.1.A Direct Investment in India	8,129	1,653	6,476	10,247	1,957	8,291
3.1.A.1 Equity and investment fund shares	7,678	1,526	6,152	9,518	1,904	7,614
3.1.A.1.1 Equity other than reinvestment of earnings	5,619	1,526	4,093	7,459	1,904	5,555
3.1.A.1.2 Reinvestment of earnings	2,059	–	2,059	2,059	–	2,059
3.1.A.2 Debt instruments	451	127	324	729	53	677
3.1.A.2.1 Direct investor in direct investment enterprises	451	127	324	729	53	677
3.1.B Direct Investment by India	2,357	2,346	11	1,562	1,685	–123
3.1.B.1 Equity and investment fund shares	2,357	1,367	990	1,562	971	591
3.1.B.1.1 Equity other than reinvestment of earnings	2,357	1,091	1,266	1,562	695	867
3.1.B.1.2 Reinvestment of earnings	–	276	–276	–	276	–276
3.1.B.2 Debt instruments	–	978	–978	–	714	–714
3.1.B.2.1 Direct investor in direct investment enterprises	–	978	–978	–	714	–714
3.2 Portfolio Investment	**54,695**	**54,939**	**–245**	**69,027**	**56,587**	**12,440**
3.2.A Portfolio Investment in India	54,183	54,665	–482	68,858	56,393	12,465
3.2.1 Equity and investment fund shares	40,759	35,887	4,872	52,715	45,224	7,491
3.2.2 Debt securities	13,424	18,778	–5,354	16,143	11,169	4,974
3.2.B Portfolio Investment by India	512	274	237	169	194	–25
3.3 Financial derivatives (other than reserves) and employee stock options	**1,735**	**2,280**	**–545**	**6,008**	**3,996**	**2,012**
3.4 Other investment	**66,750**	**52,677**	**14,073**	**60,281**	**63,111**	**–2,830**
3.4.1 Other equity (ADRs/GDRs)	20	–	20	–	–	–
3.4.2 Currency and deposits	18,492	12,837	5,655	15,212	12,708	2,504
3.4.2.1 Central bank (Rupee Debt Movements; NRG)	113	–	113	95	–	95
3.4.2.2 Deposit-taking corporations, except the central bank (NRI Deposits)	18,380	12,837	5,542	15,117	12,708	2,409
3.4.2.3 General government	–	–	–	–	–	–
3.4.2.4 Other sectors	–	–	–	–	–	–
3.4.3 Loans (External Assistance, ECBs and Banking Capital)	14,374	8,509	5,865	18,887	19,865	–978
3.4.3.A Loans to India	13,825	8,391	5,434	18,425	19,572	–1,147
3.4.3.B Loans by India	549	118	431	462	293	169
3.4.4 Insurance, pension, and standardized guarantee schemes	15	99	–84	29	32	–3
3.4.5 Trade credit and advances	30,700	28,249	2,451	24,099	23,877	222
3.4.6 Other accounts receivable/payable - other	3,149	2,983	166	2,054	6,630	–4,575
3.4.7 Special drawing rights	–	–	–	–	–	–
3.5 Reserve assets	**346**	–	**346**	–	**11,179**	**–11,179**
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)	346	–	346	–	11,179	–11,179
4 Total assets/liabilities	**134,012**	**113,895**	**20,118**	**147,126**	**138,515**	**8,610**
4.1 Equity and investment fund shares	53,056	41,433	11,623	70,001	52,321	17,680
4.2 Debt instruments	77,442	69,479	7,963	75,070	68,385	6,685
4.3 Other financial assets and liabilities	3,515	2,983	532	2,054	17,809	–15,754
5 Net errors and omissions	**887**	–	**887**	–	**791**	**–791**

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

(₹ Billion)

Item	Apr-Jun 2013 (PR)			Apr-Jun 2014 (P)		
	Credit	Debit	Net	Credit	Debit	Net
	1	2	3	4	5	6
1 Current Account (1.A+1.B+1.C)	**7,324**	**8,541**	**–1,218**	**8,323**	**8,791**	**–469**
1.A Goods and Services (1.A.a+1.A.b)	**6,176**	**8,056**	**–1,880**	**7,133**	**8,184**	**–1,051**
1.A.a Goods (1.A.a.1 to 1.A.a.3)	**4,134**	**6,957**	**–2,823**	**4,886**	**6,958**	**–2,072**
1.A.a.1 General merchandise on a BOP basis	4,134	6,035	–1,901	4,886	6,537	–1,650
1.A.a.2 Net exports of goods under merchanting	–	–	–	–	–	–
1.A.a.3 Nonmonetary gold	–	922	–922	–	421	–421
1.A.b Services (1.A.b.1 to 1.A.b.13)	**2,043**	**1,099**	**943**	**2,246**	**1,226**	**1,021**
1.A.b.1 Manufacturing services on physical inputs owned by others	1	1	–	2	1	1
1.A.b.2 Maintenance and repair services n.i.e.	4	5	–2	2	4	–2
1.A.b.3 Transport	231	207	24	266	235	31
1.A.b.4 Travel	214	168	46	253	230	24
1.A.b.5 Construction	19	19	–	30	17	13
1.A.b.6 Insurance and pension services	28	15	13	32	18	14
1.A.b.7 Financial services	101	134	–33	95	85	10
1.A.b.8 Charges for the use of intellectual property n.i.e.	5	60	–55	12	83	–71
1.A.b.9 Telecommunications, computer, and information services	959	50	908	1,081	53	1,028
1.A.b.10 Other business services	406	375	32	423	377	45
1.A.b.11 Personal, cultural, and recreational services	20	8	12	18	19	–1
1.A.b.12 Government goods and services n.i.e.	7	17	–9	8	15	–7
1.A.b.13 Others n.i.e.	48	43	5	26	90	–65
1.B Primary Income (1.B.1 to 1.B.3)	**141**	**411**	**–270**	**140**	**540**	**–400**
1.B.1 Compensation of employees	42	32	10	50	41	9
1.B.2 Investment income	87	374	–286	75	491	–416
1.B.2.1 Direct investment	26	159	–133	27	220	–193
1.B.2.2 Portfolio investment	17	73	–56	1	95	–94
1.B.2.3 Other investment	3	141	–138	7	176	–168
1.B.2.4 Reserve assets	41	–	41	40	–	40
1.B.3 Other primary income	12	6	6	15	8	7
1.C Secondary Income (1.C.1+1.C.2)	**1,006**	**74**	**933**	**1,050**	**67**	**983**
1.C.1 Financial corporations, nonfinancial corporations, households, and NPISHs	999	60	939	1,047	53	994
1.C.1.1 Personal transfers (Current transfers between resident and/ non-resident households)	962	56	907	1,007	48	959
1.C.1.2 Other current transfers	37	5	32	40	5	35
1.C.2 General government	7	13	–7	3	14	–11
2 Capital Account (2.1+2.2)	**58**	**15**	**43**	**8**	**7**	**1**
2.1 Gross acquisitions (DR.)/disposals (CR.) of non-produced nonfinancial assets	–	1	–	5	4	–
2.2 Capital transfers	58	15	43	4	3	1
3 Financial Account (3.1 to 3.5)	**7,495**	**6,370**	**1,125**	**8,798**	**8,283**	**515**
3.1 Direct Investment (3.1A+3.1B)	**586**	**224**	**363**	**706**	**218**	**488**
3.1.A Direct Investment in India	455	92	362	613	117	496
3.1.A.1 Equity and investment fund shares	429	85	344	569	114	455
3.1.A.1.1 Equity other than reinvestment of earnings	314	85	229	446	114	332
3.1.A.1.2 Reinvestment of earnings	115	–	115	123	–	123
3.1.A.2 Debt instruments	25	7	18	44	3	40
3.1.A.2.1 Direct investor in direct investment enterprises	25	7	18	44	3	40
3.1.B Direct Investment by India	132	131	1	93	101	–7
3.1.B.1 Equity and investment fund shares	132	76	55	93	58	35
3.1.B.1.1 Equity other than reinvestment of earnings	132	61	71	93	42	52
3.1.B.1.2 Reinvestment of earnings	–	15	–15	–	17	–17
3.1.B.2 Debt instruments	–	55	–55	–	43	–43
3.1.B.2.1 Direct investor in direct investment enterprises	–	55	–55	–	43	–43
3.2 Portfolio Investment	**3,059**	**3,073**	**–14**	**4,128**	**3,384**	**744**
3.2.A Portfolio Investment in India	3,030	3,057	–27	4,118	3,372	745
3.2.1 Equity and investment fund shares	2,280	2,007	273	3,152	2,704	448
3.2.2 Debt securities	751	1,050	–299	965	668	297
3.2.B Portfolio Investment by India	29	15	13	10	12	–1
3.3 Financial derivatives (other than reserves) and employee stock options	**97**	**128**	**–30**	**359**	**239**	**120**
3.4 Other investment	**3,733**	**2,946**	**787**	**3,605**	**3,774**	**–169**
3.4.1 Other equity (ADRs/GDRs)	1	–	1	–	–	–
3.4.2 Currency and deposits	1,034	718	316	910	760	150
3.4.2.1 Central bank (Rupee Debt Movements; NRG)	6	–	6	6	–	6
3.4.2.2 Deposit-taking corporations, except the central bank (NRI Deposits)	1,028	718	310	904	760	144
3.4.2.3 General government	–	–	–	–	–	–
3.4.2.4 Other sectors	–	–	–	–	–	–
3.4.3 Loans (External Assistance, ECBs and Banking Capital)	804	476	328	1,129	1,188	–59
3.4.3.A Loans to India	773	469	304	1,102	1,170	–69
3.4.3.B Loans by India	31	7	24	28	18	10
3.4.4 Insurance, pension, and standardized guarantee schemes	1	6	–5	2	2	–
3.4.5 Trade credit and advances	1,717	1,580	137	1,441	1,428	13
3.4.6 Other accounts receivable/payable - other	176	167	9	123	396	–274
3.4.7 Special drawing rights	–	–	–	–	–	–
3.5 Reserve assets	**19**	–	**19**	–	**668**	**–668**
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)	19	–	19	–	668	–668
4 Total assets/liabilities	**7,495**	**6,370**	**1,125**	**8,798**	**8,283**	**515**
4.1 Equity and investment fund shares	2,967	2,317	650	4,186	3,129	1,057
4.2 Debt instruments	4,331	3,886	445	4,489	4,089	400
4.3 Other financial assets and liabilities	197	167	30	123	1,065	–942
5 Net errors and omissions	**50**	–	**50**	–	**47**	**–47**

No. 42: International Investment Position

(US$ Million)

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

Payment and Settlement Systems

No. 43: Payment System Indicators

System	Volume (Million)				Value (₹ Billion)			
	2013-14	2014			2013-14	2014		
		May	Jun.	Jul.		May	Jun.	Jul.
	1	2	3	4	5	6	7	8
1 RTGS	**81.11**	**7.80**	**7.47**	**7.55**	**904,968.04**	**72,092.04**	**80,264.24**	**72,568.83**
1.1 Customer Transactions	76.35	7.41	7.10	7.17	573,614.03	47,312.39	54,092.02	48,376.16
1.2 Interbank Transactions	4.75	0.39	0.37	0.38	160,638.37	11,069.24	12,150.96	9,002.71
1.3 Interbank Clearing	0.011	0.001	0.001	0.001	170,715.64	13,710.41	14,021.27	15,189.97
2 CCIL Operated Systems	**2.56**	**0.27**	**0.27**	**0.26**	**621,569.63**	**61,740.06**	**68,567.05**	**64,303.13**
2.1 CBLO	0.18	0.02	0.02	0.02	175,261.92	11,495.40	13,657.55	14,587.50
2.2 Govt. Securities Clearing	0.87	0.10	0.11	0.09	161,848.24	23,275.02	24,523.19	20,805.51
2.2.1 Outright	0.82	0.09	0.10	0.08	89,566.99	9,957.37	10,479.58	8,031.79
2.2.2 Repo	0.046	0.008	0.010	0.010	72,281.26	13,317.65	14,043.61	12,773.72
2.3 Forex Clearing	1.51	0.15	0.14	0.15	284,459.46	26,969.64	30,386.31	28,910.13
3 Paper Clearing	**1,257.31**	**99.92**	**95.84**	**105.18**	**93,438.17**	**5,110.25**	**7,266.08**	**7,528.59**
3.1 Cheque Truncation System (CTS)	591.38	78.26	75.64	84.69	44,691.39	3,174.57	5,487.67	5,949.74
3.2 MICR Clearing	440.07	6.24	3.97	2.09	31,064.94	476.76	352.65	166.62
3.2.1 RBI Centres	215.50	2.30	1.46	0.61	15,246.84	177.50	128.58	58.83
3.2.2 Other Centres	224.57	3.94	2.51	1.48	15,818.10	299.26	224.07	107.80
3.3 Non-MICR Clearing	225.86	16.20	15.54	18.40	17,681.84	1,524.68	1,430.96	1,412.23
4 Retail Electronic Clearing	**1,108.32**	**107.04**	**105.25**	**111.37**	**47,856.29**	**4,751.99**	**4,889.01**	**4,995.00**
4.1 ECS DR	192.91	17.88	17.21	18.29	1,267.96	130.77	130.83	134.68
4.2 ECS CR (includes NECS)	152.54	11.52	10.10	8.04	2,492.19	170.33	155.77	147.79
4.3 EFT/NEFT	661.01	69.11	67.86	71.67	43,785.52	4,307.38	4,509.52	4,577.83
4.4 Immediate Payment Service (IMPS)	15.36	3.30	3.71	4.26	95.81	24.16	26.10	30.19
4.5 National Automated Clearing House (NACH)	86.50	5.24	6.38	9.11	214.81	119.34	66.79	104.50
5 Cards	**7,219.13**	**674.90**	**663.94**	**698.84**	**22,159.58**	**2,121.70**	**2,035.86**	**2,107.71**
5.1 Credit Cards	512.03	47.55	48.57	51.24	1,556.72	152.13	150.27	153.80
5.1.1 Usage at ATMs	2.96	0.31	0.31	0.32	16.87	1.67	1.67	1.72
5.1.2 Usage at POS	509.08	47.24	48.26	50.92	1,539.85	150.46	148.61	152.09
5.2 Debit Cards	6,707.10	627.35	615.37	647.60	20,602.86	1,969.57	1,885.59	1,953.90
5.2.1 Usage at ATMs	6,088.02	568.13	555.81	582.96	19,648.35	1,873.75	1,792.85	1,854.87
5.2.2 Usage at POS	619.08	59.22	59.56	64.64	954.51	95.82	92.73	99.03
6 Prepaid Payment Instruments (PPIs)	**133.63**	**16.25**	**16.58**	**15.74**	**80.87**	**10.19**	**11.04**	**12.89**
6.1 m-Wallet	107.51	13.57	13.71	12.56	29.05	4.37	4.66	5.52
6.2 PPI Cards	25.60	2.64	2.82	3.15	28.18	4.11	4.01	5.46
6.3 Paper Vouchers	0.53	0.04	0.05	0.04	23.63	1.71	2.36	1.91
7 Mobile Banking	**94.71**	**10.89**	**10.73**	**11.54**	**224.18**	**38.82**	**39.85**	**44.22**
8 Cards Outstanding	**413.60**	**421.11**	**428.51**	**433.53**	–	–	–	–
8.1 Credit Card	19.18	19.39	19.48	19.61	–	–	–	–
8.2 Debit Card	394.42	401.72	409.03	413.92	–	–	–	–
9 Number of ATMs (in actuals)	**160055**	**164491**	**166894**	**168815**	–	–	–	–
10 Number of POS (in actuals)	**1065984**	**1081466**	**1088708**	**1095901**	–	–	–	–
11 Grand Total (1.1+1.2+2+3+4+5+6)	**9,802.05**	**906.17**	**889.36**	**938.94**	**1,519,356.93**	**132,115.82**	**149,012.00**	**136,326.20**

Occasional Series

No. 44: Small Savings

(₹ Billion)

Scheme		2012-13	2013		2014	
			Feb.	Dec.	Jan.	Feb.
		1	2	3	4	5
1 Small Savings	**Receipts**	**1,947.58**	**159.51**	**173.49**	**202.94**	**184.55**
	Outstanding	**6,049.47**	**6,020.72**	**6,149.54**	**6,159.68**	**6,176.78**
1.1 Total Deposits	**Receipts**	**1,684.08**	**134.38**	**154.63**	**177.59**	**156.17**
	Outstanding	**3,679.39**	**3,668.84**	**3,823.06**	**3,831.87**	**3,843.38**
1.1.1 Post Office Saving Bank Deposits	Receipts	839.00	67.32	81.93	97.32	83.97
	Outstanding	378.50	380.23	400.05	411.21	418.09
1.1.2 MGNREG	Receipts	82.89	4.60	–	–	–
	Outstanding	–10.73	–10.14	–	–	–
1.1.3 National Saving Scheme, 1987	Receipts	1.41	0.04	–	0.20	0.29
	Outstanding	39.63	38.90	38.43	38.46	38.46
1.1.4 National Saving Scheme, 1992	Receipts	–0.01	–0.09	–	0.04	–
	Outstanding	3.26	3.26	2.67	2.67	2.63
1.1.5 Monthly Income Scheme	Receipts	190.49	14.33	15.34	18.76	16.92
	Outstanding	2,017.87	2,016.16	2,026.96	2,025.19	2,023.31
1.1.6 Senior Citizen Scheme	Receipts	19.78	1.76	1.28	1.93	1.37
	Outstanding	240.93	241.58	228.10	225.63	225.21
1.1.7 Post Office Time Deposits	Receipts	191.53	16.60	23.48	24.92	21.83
	Outstanding	330.09	324.96	383.46	391.95	399.85
1.1.7.1 1 year Time Deposits	Outstanding	213.36	209.45	255.58	262.08	267.99
1.1.7.2 2 year Time Deposits	Outstanding	14.75	14.51	17.11	17.19	17.44
1.1.7.3 3 year Time Deposits	Outstanding	39.89	40.18	38.38	38.63	38.95
1.1.7.4 5 year Time Deposits	Outstanding	62.09	60.82	72.39	74.05	75.47
1.1.8 Post Office Recurring Deposits	Receipts	358.99	29.82	32.60	34.42	31.79
	Outstanding	679.62	673.62	743.23	736.54	735.61
1.1.9 Post Office Cumulative Time Deposits	Outstanding	–	0.05	–0.06	–	–
1.1.10 Other Deposits	Outstanding	0.22	0.22	0.22	0.22	0.22
1.2 Saving Certificates	**Receipts**	**191.29**	**18.21**	**14.28**	**17.81**	**17.91**
	Outstanding	**1,958.87**	**1,963.67**	**1,896.36**	**1,891.45**	**1,887.49**
1.2.1 National Savings Certificate VIII issue	Receipts	191.02	18.07	14.26	17.76	17.91
	Outstanding	647.19	633.59	709.49	721.78	733.67
1.2.2 Indira Vikas Patras	Receipts	–	–	–	–	0.02
	Outstanding	9.07	8.79	8.98	8.96	8.96
1.2.3 Kisan Vikas Patras	Receipts	0.27	0.14	0.02	0.05	–0.02
	Outstanding	1,283.75	1,305.22	1,132.98	1,111.30	1,091.70
1.2.4 National Saving Certificate VI issue	Outstanding	–0.75	–0.76	–0.76	–0.76	–0.77
1.2.5 National Saving Certificate VII issue	Outstanding	–0.64	–0.64	–0.57	–0.51	–0.49
1.2.6 Other Certificates	Outstanding	20.25	17.47	46.24	50.68	54.42
1.3 Public Provident Fund	**Receipts**	**72.21**	**6.92**	**4.58**	**7.54**	**10.47**
	Outstanding	**411.21**	**388.21**	**430.12**	**436.36**	**445.91**

Source: Accountant General, Post and Telegraphs.

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

(Per cent)

Category	2013			2014	
	Jun.	Sep.	Dec.	Mar.	Jun.
	1	2	3	4	5
1 Commercial Banks	34.47	36.34	35.55	35.42	34.43
2 Bank-Primary Dealers	9.38	8.36	9.18	9.04	9.00
3 Non-Bank PDs	0.08	0.04	0.15	0.11	0.28
4 Insurance Companies	19.20	19.27	19.27	19.54	20.21
5 Mutual Funds	1.24	1.61	1.56	0.78	1.29
6 Co-operative Banks	2.78	2.73	2.69	2.76	2.76
7 Financial Institutions	0.63	0.71	0.67	0.72	1.51
8 Corporates	1.20	1.19	1.27	0.79	0.89
9 FIIs	1.59	1.40	1.38	1.68	2.45
10 Provident Funds	7.19	7.20	7.37	7.18	7.21
11 RBI	18.22	16.83	16.01	16.05	15.03
12 Others	4.02	4.32	4.89	5.92	4.94

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

(₹ Billion)

Item	2009-10	2010-11	2011-12	2012-13 RE	2013-14 BE	2014-15 BE
	1	2	3	4	5	6
1 Total Disbursements	**18,521.19**	**21,451.45**	**24,217.68**	**26,831.97**	**31,781.64**	**35,399.85**
1.1 Developmental	10,628.08	12,676.97	14,209.38	15,653.71	18,592.86	20,470.90
1.1.1 Revenue	8,513.03	10,260.24	11,394.64	12,741.47	14,954.70	16,055.92
1.1.2 Capital	1,868.38	1,935.80	2,163.39	2,424.64	3,153.31	4,008.43
1.1.3 Loans	246.67	480.93	651.35	487.59	484.85	406.55
1.2 Non-Developmental	7,687.34	8,520.46	9,695.88	10,821.01	12,703.69	14,400.08
1.2.1 Revenue	7,086.94	7,765.94	8,923.61	9,962.96	11,627.57	13,129.74
1.2.1.1 Interest Payments	3,145.70	3,485.61	4,000.03	4,538.21	5,496.20	6,129.79
1.2.2 Capital	594.08	747.48	754.79	835.87	1,054.03	1,230.48
1.2.3 Loans	6.32	7.04	17.48	22.18	22.09	39.86
1.3 Others	205.77	254.02	312.42	357.24	485.09	528.87
2 Total Receipts	**18,458.08**	**21,535.61**	**24,540.62**	**27,570.24**	**31,287.38**	**35,036.27**
2.1 Revenue Receipts	12,105.59	15,788.20	16,926.79	19,613.20	23,404.45	26,430.40
2.1.1 Tax Receipts	9,846.11	12,500.67	14,427.52	16,856.75	19,192.24	22,099.13
2.1.1.1 Taxes on commodities and services	5,580.66	7,393.66	8,745.55	10,383.46	11,770.70	13,615.58
2.1.1.2 Taxes on Income and Property	4,249.31	5,087.19	5,654.12	6,442.35	7,390.87	8,449.54
2.1.1.3 Taxes of Union Territories (Without Legislature)	16.14	19.82	27.85	30.94	30.67	34.01
2.1.2 Non-Tax Receipts	2,259.48	3,287.53	2,499.27	2,756.45	4,212.21	4,331.27
2.1.2.1 Interest Receipts	257.48	250.78	288.70	354.85	359.61	358.67
2.2 Non-debt Capital Receipts	368.92	322.93	441.23	388.85	375.94	711.50
2.2.1 Recovery of Loans & Advances	114.99	82.06	253.70	128.95	112.92	63.91
2.2.2 Disinvestment proceeds	253.93	240.87	187.53	259.91	263.01	647.59
3 Gross Fiscal Deficit [1 - (2.1 + 2.2)]	**6,046.68**	**5,340.32**	**6,849.66**	**6,829.91**	**8,001.25**	**8,257.95**
3A Sources of Financing: Institution-wise						
3A.1 Domestic Financing	5,936.30	5,104.76	6,725.18	6,757.90	7,946.85	8,200.61
3A.1.1 Net Bank Credit to Government	3,918.53	3,147.10	3,898.30	3,352.80	3,295.90	..
3A.1.1.1 Net RBI Credit to Government	1,500.10	1,849.70	1,391.80	548.40	1,081.30	..
3A.1.2 Non-Bank Credit to Government	2,017.77	1,957.66	2,826.88	3,405.10	4,650.95	..
3A.2 External Financing	110.38	235.56	124.48	72.01	54.40	57.34
3B Sources of Financing: Instrument-wise						
3B.1 Domestic Financing	5,936.30	5,104.76	6,725.18	6,757.90	7,946.85	8,200.61
3B.1.1 Market Borrowings (net)	5,070.19	4,151.75	6,195.07	6,383.48	6,401.64	6,898.36
3B.1.2 Small Savings (net)	–374.62	–545.34	190.88	–85.70	–121.35	–34.31
3B.1.3 State Provident Funds (net)	355.35	362.36	334.33	312.31	253.77	353.00
3B.1.4 Reserve Funds	–155.71	35.62	178.51	–4.12	58.28	–153.49
3B.1.5 Deposits and Advances	175.68	342.92	122.10	27.22	78.92	61.28
3B.1.6 Cash Balances	63.12	–84.16	–322.94	–738.27	494.27	363.58
3B.1.7 Others	802.30	841.61	27.23	862.98	781.32	712.19
3B.2 External Financing	110.38	235.56	124.48	72.01	54.40	57.34
4 Total Disbursements as per cent of GDP	*28.6*	*27.5*	*26.9*	*26.5*	*28.0*	*27.5*
5 Total Receipts as per cent of GDP	*28.5*	*27.6*	*27.2*	*27.3*	*27.6*	*27.2*
6 Revenue Receipts as per cent of GDP	*18.7*	*20.3*	*18.8*	*19.4*	*20.6*	*20.5*
7 Tax Receipts as per cent of GDP	*15.2*	*16.0*	*16.0*	*16.7*	*16.9*	*17.2*
8 Gross Fiscal Deficit as per cent of GDP	*9.3*	*6.9*	*7.6*	*6.8*	*7.0*	*6.4*

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. 4
Maturity-wise position of outstanding forward contracts is available at http://nsdp.rbi.org.in under ''Reserves Template''.

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

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

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

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

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

Table No. 15
Data are provisional and relate to select banks which cover 95 per cent of total non-food credit extended by all scheduled commercial banks.
1.2A.2.1 : Manufacturing include ₹335 billion and item 1.2A.2.2 : Services includes ₹34 billion credit to medium enterprises for the month of March 2014 only.

Table No. 17
2.1.1: Exclude reserve fund maintained by co-operative societies with State Co-operative Banks
2.1.2: Exclude borrowings from RBI, SBI, IDBI, NABARD, notified banks and State Governments.
4: Include borrowings from IDBI and NABARD.

Table No. 24
Primary Dealers (PDs) include banks undertaking PD business.

Table No. 30
Exclude private placement and offer for sale.
1: Exclude bonus shares.
2: Include cumulative convertible preference shares and equi-preference shares.

Table No. 32
Exclude investment in foreign currency denominated bonds issued by IIFC (UK), SDRs transferred by Government of India to RBI and foreign currency received under SAARC SWAP arrangement. Foreign currency assets in US dollar take into account appreciation/depreciation of non-US currencies (such as Euro, Sterling, Yen and Australian Dollar) held in reserves. Foreign exchange holdings are converted into rupees at rupee-US dollar RBI holding rates.

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

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

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

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

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

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

Table No. 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
(-): Indicates surplus/net outflow.
Data from 2011-12 onwards pertains to budgets of 27 state governments.
Total receipts and total expenditure exclude National Calamity Contingency Fund expenditure.
1 & 2: Data are net of repayments of the Central Government (including repayments to the NSSF) and State Governments.
1.3: Represents compensation and assignments by States to local bodies and Panchayati Raj institutions.
2: Data are net of variation in cash balances of the Central and State Governments and includes borrowing receipts of the Central and State Governments.
3A.1.1: Data as per RBI records.
3B.1.1: Includes borrowings through 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.

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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Notes

1. Many of the above publications are available at the RBI website (www.rbi.org.in).
2. Time Series data are available at the Database on Indian Economy (http://dbie.rbi.org.in).
3. The Reserve Bank of India History 1935-1981 (3 Volumes), Challenges to Central Banking in the Context of Financial Crisis and the Regional Economy of India: Growth and Finance are available at leading book stores in India.

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