

Report
of
The Working Group
on
Functioning of Regional Offices
of
Department of
Economic Analysis and Policy (DEAP)

June 2002

Foreword

With the metamorphic changes taking place in the Indian economy, the role of the Reserve Bank is also getting redefined with a shift in focus from developmental role to that of promotion and supervision for a healthy and vibrant financial system. Department of Economic Analysis and Policy (DEAP) in its endeavour to provide support through research and analysis on various policy issues has also restructured its role, as highlighted in Bank's publications such as Annual Report and Report on Currency and Finance.

In this emerging scenario, the need to focus on developments at the regional level has assumed special importance with the reform process percolating to the State level in the last decade. The functioning of Regional Offices of DEAP, evolved over the last few decades, has no structured mandate at present. Accordingly, the need for re-orienting the role of the Regional Offices of DEAP has been raised on several occasions. The recent observations made by the Governor and the Deputy Governor (Dr. Y. V. Reddy) on the need to redefine the role of the Regional Offices culminated into the constitution of the Working Group on functioning of the Regional Offices of DEAP in April 2002.

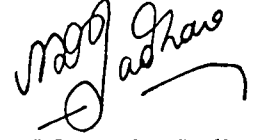
The Working Group deliberated on the terms of reference in the meetings held on May 8 and May 18, 2002. The final draft of the Report was placed before the Working Group in the meeting held on May 30, 2002. The recommendations of the Working Group include discontinuance of certain reports prepared at present by the Regional Offices of DEAP that have become irrelevant for policy purposes, focus on

developments in financial sector and streamlining their responsibilities to the Central Office of DEAP, Regional Directors and Local Boards.

The Working Group acknowledges the support and co-operation received from those with whom it interacted on the terms of reference. The Group received useful observations and suggestions from the Regional Directors on the terms of reference. The Working Group was also benefited by its interactions with the Directors of the Divisions of DEAP, Central Office. It had the opportunity of obtaining suggestions from the Financial Markets Committee. Moreover, the Group had an interface with the In-charges of the 14 Regional Offices of DEAP on various issues relating to the functioning of the Regional Offices. Above all, the Working Group was enriched by a detailed discussion with Deputy Governor (Dr. Y. V. Reddy) in the meeting of the In-charges of the Regional Offices held at the Central Office.

I thank the members of the Working Group, particularly Shri H. N. Prasad, CGM & Secretary, Secretary's Department, Central Office and Shri Ramesh Chander, Regional Director, New Delhi for their strong and consistent support in deliberations of the Group. I would like to place on record the Group's sincere appreciation for the outstanding work done by Shri S. J. S. Swamidoss, Director, DEAP, Chennai Office, who was responsible for preparing the mainframe of the Report of the Working Group. The utmost care and varied responsibilities ably shouldered by Shri Partha Ray, Director, DEAP, Central Office in organising the meetings and all the related work deserves a special mention. The assistance provided by Shri P. S. S Vidyasagar, Research Officer, DEAP, Central Office and Shri J. B. Singh, Research Officer, DEAP, Patna, is acknowledged. Excellent secretarial assistance provided by

Shri S. G. Potdar, Assistant Manager and the staff of Financial Market Monitoring Unit (FMMU), DEAP, Central Office is also gratefully acknowledged.

A handwritten signature in black ink, appearing to read 'Narendra Jadhav', with a stylized flourish at the end.

(Narendra Jadhav)
Chairman

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Chapter 1

Regional Offices of Department of Economic Analysis and Policy (DEAP) - Historical Background and Broad Functions

1.1 With the advent of liberalisation process in the early 1990s, the role of Reserve Bank is being redefined. The earlier emphasis on its developmental role and associated thrust on real sector is being shifted towards market economy, development of financial and payments systems and financial stability. In the current decade the shift is towards reforms in sub-national economies and, therefore, a clear need is perceived to reorient the functioning of Regional Offices of DEAP in the context of the following important developments:

- The reform process introduced in the beginning of the 1990s at the macro level has entered into the second phase where there is a shift in the focus of reforms from the Centre to the State level.
- In the area of financial sector reforms, the impact of policy measures on financial institutions and markets is manifested at the micro-level.
- In the market development process, distortions and vulnerabilities are witnessed surfacing at the micro-level from time to time.

1.2 These factors call for Regional Offices of DEAP to focus attention on constantly eliciting financial sector developments at the micro-level for reinforcing the information base of the top management of the Bank for policy purposes. This would be useful for undertaking appropriate measures by the Bank in its continued endeavour to develop a sound financial system.

1.3 In the context of changes in the operation of monetary policy with emphasis on influence of market on economic process, the role of Regional Offices of DEAP needs to be attuned to this changed policy environment. Earlier the dissemination of information on the developments in the real sector at the regional level was the focus of the role of Regional Offices of DEAP for policy purposes at the Central Office. Now, because of the shift in the tools employed in the operation of monetary policy *i.e.*, indirect instruments, a constructive role for Regional Offices of DEAP in this changed atmosphere needs to be enunciated.

1.4 In this context, observations made by the Governor and the Deputy Governor (Dr. Y. V. Reddy) on the need for reorienting the functioning of Regional Offices of DEAP in the changed economic environment culminated into the constitution of the Working Group on Functioning of Regional Offices of DEAP with certain terms of reference.¹

Origin of Department of Economic Analysis and Policy

1.5 In order to deliberate upon various issues involved in the functioning of Regional Offices, it would be helpful to have a perspective on the origin and evolution of the DEAP in the Bank. This can be well captured in the following extract from the publication, *History of the Reserve Bank of India (1935-51)*, highlighting the objective with which the Department of Research and Statistics was originally established in the Bank:

¹ The terms of reference are reproduced below in paragraph 1.22.

"With the establishment of a full-fledged Department of Research and Statistics at the close of the war, the comprehensive collection of a wide variety of data on a systematic basis and the organisation of financial and economic research gathered momentum. Among the important items of work carried out by the Department may be mentioned the periodical surveys of the ownership of demand deposits of scheduled banks and of their investments in Government securities; studies on the working of stock exchanges abroad and in India"

1.6 Subsequently the Department of Research and Statistics was bifurcated into Economic Department and Statistics Department in 1959. The Economic Department was again reconstituted in 1981 and named as Department of Economic Analysis and Policy (DEAP), with the objective of providing a dominant mandate to the Department to focus its functioning on study and analysis of policy matters and research.

1.7 Over the years, while the philosophy and mandate for the Department has remained unchanged, with changes in economic policy and contours of economic development, the scope and structure has changed to respond effectively to the needs and requirements of policy-making.

Core Functions of DEAP

1.8 Core functions of DEAP include advising the Bank on monetary and financial policy and the Government on fiscal policy matters and issues relating to international financial institutions, undertaking research on various economic policy issues, generating primary data on various financial variables, disseminating the results of its research and data generation activities and bringing out the Bank's statutory reports and a range of other publications.

Core Activities of Regional Offices of DEAP

1.9 In order to buttress the data/information flow to DEAP Central Office, Regional Offices of DEAP were established in the Offices and Branches of RBI over a period of time spanning the last four decades. Regional Offices of DEAP have been assigned the following core activities:

- Functioning as ‘observation and listening post’ for the purpose of ensuring continuous flow of information and data to the Central Office of DEAP on developments in the real and financial sectors of the States;
- Maintaining liaison with the State Government/Central Government offices, banks, financial institutions, developmental agencies, stock exchanges, chambers of commerce and industry, export promotion councils and commodity markets with a view to meet the requirements of the Central Office of DEAP;
- Meeting the periodical requirements of Central Office of DEAP relating to region-specific issues and trends in economic development;
- Providing market research and intelligence information on essential commodities and financial markets on regular basis for the information of Central Office of DEAP;
- Preparing research / analytical reports on topics of regional economic interest and on subjects assigned by the Central Office of DEAP;
- Maintaining data base on State economies; and
- Attending to work assigned by the Regional Director.

Evolution of Regional Offices of DEAP

1.10 Regional Offices of DEAP started functioning around early 1960s in Chennai, Kolkata, and New Delhi, constituted as small Cells, under the charge of Research Officers (Grade B). In the 1960s, the work of these Offices was mainly confined to sending various data on prices of essential commodities, Government finances, and call money market rates, *etc.*, on a regular basis to the Central Office. These Cells were upgraded into Departments; and the posts of In-charge of these Departments were also upgraded to Assistant Adviser (then Deputy Director – Grade C) in 1972 and further to Director (Grade D/E) from 1977.

1.11 The nature of work assigned to the Regional Offices has evolved considerably over a period of time. From 1972 onwards the work of preparing materials on market intelligence in respect of essential commodities on a monthly basis was assigned to the Regional Offices. For the purpose, the Regional Offices were strengthened by creation of the post of a Research Officer in 1977.

1.12 The expansion of Regional Offices to other places was influenced by the Central Office's requirement of intelligence information and data on prices from regional level commodity markets for credit policy purposes.

1.13 In the 1980s, the work of preparation of reports under Annual Work Plan and study of the trend in finances of State Governments on a quarterly basis was added. Considering the fact that most Regional Offices of DEAP being a one-person office, it was found difficult by them to prepare the time framed studies under Annual Work Plan, which was subsequently withdrawn. The Regional Offices also started

preparing studies on area-specific industries, agricultural commodities, etc., at the instance of the Bank's Local Boards.

1.14 At present, the Department has 14 Regional Offices located at the RBI Offices at Chennai, Kolkata and New Delhi, and at RBI Branches at Ahmedabad, Bangalore, Bhopal, Bhubaneswar, Chandigarh, Guwahati, Hyderabad, Jaipur, Kochi, Lucknow and Patna. The Financial Markets Monitoring Unit (erstwhile Regional Offices Cell) in the Central Office of DEAP performs, *inter alia*, the functions as regional office for Maharashtra and Goa.

1.15 The Regional Offices of DEAP prepare periodical reviews/study notes, etc., on regional trends in economic development. Some of the analytical reports prepared by the Regional Offices are: Monthly Market Intelligence Report, Monthly Report on Important Economic Developments, Background material for the monthly D.O. letter of Regional Director to the Governor, Review of Developments in the Financial Market, Profile of State Economy, and notes for Local Boards.

1.16 The Regional Offices of DEAP are also entrusted with the task of preparing reports on specific topics, whenever required. The Regional Offices are also preparing market intelligence notes on financial sector and related areas highlighting the emerging issues of concern for the region, after the formation of Financial Markets Monitoring Unit (FMMU) at Central Office of DEAP in March 2001.

1.17 Apart from these assigned functions, the three Regional Offices at Chennai, Kolkata and New Delhi also have the additional responsibility of preparation of certain studies on the respective regions as a whole, encompassing the States falling under such regions. These studies are either on area specific topics for the information of DEAP, Central Office or prepared at the instance of the Local Board. The

studies and notes prepared for Local Boards are prepared with the approval of DEAP, Central Office.

1.18 Amongst the Regional Offices, the scope and functional responsibility of New Delhi Office is different from other Regional Offices by virtue of its location in the capital of the nation. Even though all Regional Offices have the responsibility of liaison work, in New Delhi Office this work is dominant with the responsibility of maintaining close liaison with the Central Government Organisations, particularly Ministry of Finance, Ministry of Commerce, and Planning Commission. The Office also has to coordinate and attend to the needs of Central Office with the foreign missions/embassies having offices in New Delhi. The office also provides liaison support in respect of delegations from IMF, World Bank, ADB and other International Development Agencies. Moreover, the Director of DEAP, New Delhi Office attends Planning Commission Meeting as representative of the Division of State and Local Finances, DEAP, Central Office whenever need arises.

Working Group on Functioning of Regional Offices of DEAP

1.19 As mentioned earlier, the need for reviewing functioning of the Regional Offices of DEAP and for reorientation of the role of these offices in the context of the changing economic environment was emphasised recently by the Governor.² Deputy Governor (Dr.Y.V.Reddy), in a meeting with various Heads of the Department at Reserve Bank of India, Hyderabad (February 14, 2002), also stressed

² Governor made this observation on the Note titled "Meeting of the Local Board (Southern Area) on March 22, 2002 at Chennai", dated April 2, 2002 put up by Smt. R. M. Vasanthakumari, Adviser, DEAP.

the need to review the role and functioning of Regional Offices of DEAP.

1.20 As a sequel to these concerns, the present Working Group on the Functioning of Regional Offices of DEAP was constituted with a mandate to examine the functioning of the Regional Offices of DEAP and recommend measures to reorient their role from the standpoint of the needs of the Central Office as well as the Regional Directors.

1.21 The Working Group was constituted on April 23, 2002 with the following members:

1. Dr. Narendra Jadhav, Officer-in-Charge, DEAP, Central Office (Chairman).
2. Shri H. N. Prasad, CGM and Secretary, Secretary's Department, Central Office (Member).
3. Smt. R.M. Vasanthakumari, Adviser, DEAP, Central Office (Permanent invitee).
4. Shri Ramesh Chander, Regional Director, New Delhi Office (Member).
5. Shri S. J. S. Swamidoss, Director, DEAP, Chennai Office (Member).
6. Shri P. S. S. Vidyasagar, Research Officer, DEAP, Central Office (Member).
7. Shri J. B. Singh, Research Officer, DEAP, Patna Office (Co-opted Member).
8. Shri Partha Ray, Director, DEAP, Central Office (Member Secretary).

1.22 The terms of reference for the Working Group are as follows:

1. To review the functioning of DEAP Regional Offices *vis-à-vis* requirements of the Regional Directors on the one hand and Central Office on the other.
2. To also examine the utility / relevance of different market intelligence reports prepared by the Regional Offices of DEAP.
3. To identify the modalities of re-orienting the focus of the Regional Offices of DEAP towards monitoring / analysing activities of banking and non-banking financial sector.
4. To refocus the work of regional offices of DEAP in relation to the contemplated changes in the functioning of the Local Boards.
5. Other related issues (including staffing matters).

1.23 The Working Group deliberated on these issues in three meetings held on May 8, May 18, and May 30, 2002. The Working Group sought a structured reply to the various terms of reference from the Regional Directors and all the Regional Offices of DEAP. The Working Group also had the feedback from some members of the Financial Markets Committee. A conference of the In-charges of all the 14 Regional Offices of DEAP was organised specially to interact with the members of the Working Group. Above all, the Group had the benefit of a detailed discussion with the Deputy Governor (Dr. Y. V. Reddy) on the role of Regional Offices of DEAP.

1.24 The rest of the Report (*i.e.*, Chapters 2 to 6) is organised in terms of the above-mentioned five terms of reference of the Working Group.

Chapter 7 gives a summary of the recommendations of the Working Group.

1.25 Annexures I and II are devoted to a summary of the structured replies from Regional Directors and the 14 Regional Offices of DEAP, respectively. Comments received from the user Divisions of DEAP on Regular Reviews prepared by the Regional Offices of DEAP is given in Annexure III. Annexure IV gives the list of In-charges of Regional Offices of DEAP with whom the Working Group had interaction.

Chapter 2

Review of the Functions of Regional Offices of DEAP

2.1 At present, the functioning of Regional Offices of DEAP basically encompasses provision of information / data that are of interest to the Central Office of DEAP, Regional Directors and Local Boards.³

Responsibilities to the Regional Directors

2.2 The responsibilities of Regional Offices of DEAP towards Regional Directors are primarily in terms of providing the following materials / services:

- Survey of developments in the real and financial sectors at the State level is utilised by the Regional Director as background material for his / her monthly D.O letter to the Governor. The material consists of latest developments in real and financial sectors in the State economy. Regional Directors have found this material very useful and it is used extensively in their monthly D.O letter to Governor.
- DEAP Regional Offices also prepare certain analytical notes of topical interest in collaboration with officers attached to other Departments (such as RPCD), at the instance of Regional Directors.
- Regional Directors involve DEAP Regional Offices, *inter alia*, in the preparation of keynote addresses / speeches delivered by them in various fora.

³ The Financial Markets Monitoring Unit (FMMU) in Central Office of DEAP co-ordinates and monitors, *inter alia*, the preparation of reports on developments in the financial markets / institutions at the regional level.

- Regional Offices of DEAP also advise the Regional Directors on trends in regional issues in the real and financial sectors.
- In-charges of DEAP Regional Offices are sometimes required to attend important meetings in which Regional Directors participate. Such meetings include those organised by Government Departments, banks and other financial institutions, trade and industry associations, *etc.*
- Analysis of the implications of various policy initiatives of Government or the Bank for regional economies are prepared for the information of Regional Directors.

2.3 The Working Group deliberated upon these factors and felt that Regional Offices of DEAP might continue their role of giving materials and service to the Regional Directors as per directions and priorities of the Regional Directors. In fact, the In-charges of Regional Offices of DEAP should function as Economic and Statistical adviser to the Regional Director. In other words, the Regional Offices should work as an R&D establishment for the Regional Director and would provide technical support and suggestions. Accordingly, the In-charges of Regional Offices of DEAP need to constantly equip themselves for effective functioning.

Responsibilities to Central Office of DEAP

2.4 Routine work done by Regional Offices of DEAP for Central Office, DEAP, can be broadly categorised into following items of output:

- Routine and periodical reports;

- Special reports on subjects assigned by Central Office of DEAP from time to time;
- Notes to the Local Boards;
- Data on State-level economic indicators;
- Collecting publications of State Governments, *etc.*;
- Attending meetings conducted by Government and other organisations that are relevant to the working of Regional Offices;
- Supply of material and data for the publications of the Bank;
- Liaison work; and
- Report on economic impact of natural calamities.

2.5 Dissemination of data on regional economies to Central Office of DEAP include weekly / monthly reports on arrivals of foodgrains and wholesale and retail prices of essential and other agricultural commodities. Routine reports comprise: Report on major economic developments in the State; Report on rainfall/weather and crop prospects; Quarterly review of the financial position of State Government; Report on developments in the local financial markets; and Reviews on commodities of regional importance. Additionally, Regional Offices of DEAP also prepare background material for the Local Board Meetings as and when required. While the relevance and usefulness of these regular reviews are taken up in the next chapter, the present chapter is devoted to evolving certain administrative and technical modalities for the smooth functioning of the Regional Offices of DEAP.

Recommendations

2.6 The Working Group, after due deliberations on the evolving role of Regional Offices of DEAP *vis-à-vis* the responsibilities of these Offices to Regional Directors and Central Office of DEAP, recommends the following measures:

2.7 Officers in Regional Offices of DEAP should act as “Economic and Statistical Advisers” to the Regional Directors.

2.8 Regional Offices of DEAP should inform the Regional Directors about any analytical work pertaining to the regional economies assigned to them by the DEAP Central Office. It is advisable that the Regional Offices of DEAP consult the DEAP Central Office for guidance on any analytical study undertaken by them.

2.9 For effective and uniform functioning, periodical meetings among Regional Offices of DEAP for exchanging views and ideas on their respective regions would be useful.

2.10 Regional Offices of DEAP should be involved more actively in making regular presentations on current subjects/issues for the benefit of staff members of the Offices of RBI.

2.11 Monthly Surveys on the Regional Economy prepared by Regional Offices of DEAP for inclusion in the Regional Director’s monthly D.O. letter to the Governor should also include Market Intelligence Reports prepared by DBOD, DBS, DNBS, RPCD and UBD.

2.12 In-charges of Regional Offices of DEAP may attend meetings organised by State Government, banks, other financial institutions and industry associations so as to keep themselves abreast of the thinking and perceptions of people on the policies of the Bank and the Central Government.

2.13 Whenever Regional Offices of DEAP undertake any study at the instance of the Local Boards, they should seek the approval of Central Office of DEAP before taking up such work.⁴

⁴ This aspect is dealt more fully in Chapter 5 of the Report.

Chapter 3

Market Intelligence and Other Reports – A Review of their Relevance

3.1 As mentioned earlier, the Regional Offices routinely send a variety of information to various Divisions of Central Office DEAP, of which the Market Intelligence Reports (MIRs) form a major part. Some of the material sent by the Regional Offices to the Central Office include the following items:

- Weekly Market Intelligence Reports on the prices (both wholesale and retail) of essential commodities to the Division of Rural Economics.
- Monthly Progress Reports of the South-West Monsoon to Division of Rural Economics.
- Monthly survey on Major Economic Developments in the Region to various Divisions of the Central Office including the Market Intelligence Report on the trends in wholesale and retail prices of essential agricultural commodities. This is similar to what is prepared for the Regional Director as inputs to his / her D.O letter to the Governor.
- Analysis of the developments in region-specific industries to the Division of Industrial and Services Studies and Division of Rural Economics. For instance, developments in Jute Industry are sent to the Division of Rural Economics by Kolkata office, monthly review on Performance of Iron and Coal Industries is sent to Division of Industrial and Services Studies by New Delhi Office.

Quarterly analytical notes on Financial Sector Developments, including call money interest rates *etc.*, are also sent by some Regional Offices to the concerned Divisions.

3.2 The Group felt that many of these reviews need to be restructured with reorientation in their focus so as to make them more useful for policy purposes. Further, these reviews/reports have been devised during the heydays of the selective credit control and may have lost their relevance in the present liberalised atmosphere. Against this background, the present chapter is devoted to examination of the relevance and usefulness in the present circumstances.

Market Intelligence Reports

3.3 Regional Offices of DEAP prepare from 1978 onwards Market Intelligence Reports on essential commodities on monthly / weekly basis. This apart, select Regional Offices prepare intelligence reports on financial markets at regional level for information of top management of the Bank.

Market Intelligence Reports on Essential Commodities

3.4 Regional Offices of DEAP prepare monthly / weekly Market Intelligence Reports (MIRs) on essential commodities pertaining to the States in their respective areas of jurisdiction for the information of Division of Rural Economics (DRE) in DEAP, Central Office. This report covers progress of monsoon, water supply for irrigation, area covered under various agricultural crops, conditions of the crops, prospects of production of selected important commodities (such as paddy, cotton, sugarcane, oilseeds, coarse grains, pulses and spices), and supply and demand situation. Moreover, trends in the wholesale and

retail prices in selected markets in the respective essential commodities are also furnished. Data and information used for the preparation of the report are collected from the State Agriculture Department, Department of Statistics and market sources. However, there is no uniformity in these MIRs sent to the Central Office. The Regional Offices of DEAP also send weekly data on wholesale and retail prices of agricultural commodities to DRE, which are used in the preparation of a Weekly Review on Wholesale and Retail Prices of Agricultural Commodities by DRE in the Central Office of DEAP.

3.5 The preparation of Market Intelligence Reports on essential commodities by the Regional Offices was introduced in the late 1970s when selective credit control was an active monetary policy instrument. In the 1990s, when supply-demand constraints eased and movement restrictions across States were removed, these selective credit control measures lost their relevance. Furthermore, most of the agricultural commodities have been removed from the purview of the Essential Commodities Act in a phased manner. Thus, in the present liberalised economic situation, monitoring wholesale and retail prices of essential commodities is probably of little policy relevance to the Bank.

3.6 It needs to be noted that if Regional Offices discontinue the present practice of sending Market Intelligence Reports to DRE, DEAP, then the Weekly Data on Prices of Essential Commodities put up by DRE to the Bank's Executives may need to be discontinued / restructured to contain only data on agricultural prices in Mumbai market. Further, since some of these prices data are sent to Division of Reports, Reviews and Publications (DRRP) by DRE in connection with the Weekly Financial and Commercial Report (WFCR), the WFCR also needs to be restructured to that extent.

3.7 All the Regional Offices as well as DRE in DEAP, Central Office are of the opinion that the Market Intelligence Reports lack relevance to the Central Office for policy purposes.

Recommendation

3.8 The Regional Offices of DEAP may discontinue the practice of forwarding Monthly Market Intelligence Report on essential commodities to DEAP, Central Office. It is recommended that the Weekly Financial and Commercial Review could be prepared on basis of WPI, rather than actual prices of select varieties of selected commodities at a few *mandis*. However, the Regional Offices may continue to collect data on retail / wholesale prices of a few commodities on a highly selective basis for use in case of necessity.

Other Reviews / Reports

3.9 Apart from the Market Intelligence Reports, the Regional Offices of DEAP prepare a number of other reviews / reports, which have also been looked into from the point of view of restructuring.

Monthly Survey of Economic Developments in the State

3.10 The Monthly Survey on major economic developments in the economy of the region is quite useful and hence should be continued. However, as pointed out in the earlier section, it was felt that the coverage of this review needs to be expanded to include analysis on financial markets as well. In this connection, it was felt by most of the Regional Offices that they may be allowed to attend the meetings of the State Level Bankers' Committee (SLBC) / State Level Inter-Institutional Committee (SLIIC), based on which, they could provide

information on financial sector in these monthly reviews on major economic developments in the region.

Recommendation

3.11 The Working Group recommends that each Regional Office could prepare a crisp and short review on the major economic developments (in both financial and real sectors) in the State at a monthly frequency in place of the present Report on Major Economic Developments. The report needs to be short and informative with a half to one page executive summary, so that a consolidated monthly review on the regional economy of India could be put up by Financial Markets Monitoring Unit to the Executives. The timeliness of the report is also an imperative. The Report could reach the Central Office within a month of the lapse of the reference month (*e.g.*, the Report for April 2002 could reach the Central Office by May 31, 2002 so that the consolidated review can be put up by June 7, 2002). The format for such a report could be worked out at the Central Office of DEAP in consultation with the Regional Offices of DEAP and Regional Directors.

Review on Progress of South-West Monsoon

3.12 As far as the monthly review on the progress of South-West Monsoon is concerned, it was felt by most Regional Offices that this information is also contained in the section on agricultural production of the Monthly Review on Major Economic Developments in the Region.

Recommendation

3.13 The Working Group recommends that reporting of this to the DEAP, Central Office should be discontinued. However, the Regional Offices of DEAP would continue to watch the situation at their level.

Region-specific industrial Reviews

3.14 Some of the Regional Offices of DEAP prepare notes on region-specific industries. Many of the periodic reviews on industries of region-specific nature owe their origin to specific requirements of the Local Boards. While necessity of these reports from the standpoint on requirement of the Local Boards is taken up in Chapter 5, their usefulness has been adjudged from the standpoint of the user Divisions *viz.*, Division of Industrial and Services Studies and Division of Rural Economics of DEAP. As per the feedback of these user Divisions, these reports are of limited relevance.

Recommendation

3.15 Preparation of region-specific industrial reviews may be need-based and as required by the Regional Directors.

Studies on Finances of State Governments

3.16 Regarding State Finances, it may be necessary for the Regional Offices to work in close collaboration with the Division of State and Local Finances (DSLFL), Central Office, DEAP and put up timely reviews on the position of State finances. Interactions with In-charges of the DEAP Regional Offices revealed that there is a delay in providing the quarterly data by several State Governments.

Recommendation

3.17 All efforts should be made to improve the timely submission of the Studies on Finances of State Government to Division of State and Local Finances (DSLFL) of DEAP.

3.18 For prompt compliance DEAP Regional Offices may be permitted to participate as observers in the State Finance Secretaries' Meetings conducted by the Internal Debt Management Cell, Central

Office at the Reserve Bank. This would help Officers at the DEAP Regional Offices to meet respective Finance Secretaries and also to have a better understanding of the critical issues at the operational level in their Region in respect of the finances of State Government. In case of a space constraint for accommodating the Officers from the Regional Offices of DEAP the feasibility of activating an over-flow room may be explored.

Research Work

3.19 The nature of work that is done by Officers attached to Regional Offices of DEAP does not provide scope for analytical research work as is undertaken by their counterparts, working in the Central Office of DEAP. This situation should not prove to be detrimental to these officers when they go back to Central Office after working for a few years in the Regional Offices.

Recommendation

3.20 It is recommended that Officers in DEAP Regional Offices in consultation with Central Office of DEAP may prepare research notes / papers for publishing in RBI Occasional Papers or in any other journal. Central Office may consider involving officers in Regional Offices of DEAP in DRG studies.

Survey of Economic Literature on Regional economies:

3.21 The Regional Offices of DEAP are well-placed in respect of interacting with various research and other organisations, which publish various material and data on the trends in the State economies. Building up an exhaustive information base on various aspects of the economic developments of State economies (including poverty and

unemployment) would strengthen the quality and utility of the notes and reports prepared by the Regional Offices for the information of Central Office of DEAP.

Recommendation

3.22 It is recommended that the Regional Offices of DEAP can build up on an ongoing basis economic literature on various aspects of economic developments at the regional level. In order to develop this information on uniform basis among all Regional Offices, the Financial Markets Monitoring Unit (FMMU) may provide the Regional Offices with necessary guidelines in the matter.

Development of a Regional Data Base

3.23 Regional offices of DEAP, in the course of discharging the duties assigned to them, collect on an ongoing basis statistics on real and financial sectors of the State economies. The statistics so collected contain certain data at disaggregated levels (*e.g.* district level economic indicators). It has been suggested that important indicators on economic and social development of the States can be built up so that these resources can be utilised by Regional Director or the Central Office of DEAP.

Recommendation

3.24 It is recommended that the Regional Offices of DEAP should develop database on regional economies by utilising all the data available. In this context, a standardised software package can be developed and provided by the DEAP, Central Office to all the Regional Offices so that the data base developed by the Regional Offices would be uniform and become an effective tool for analysis.

3.25 Each Regional Office of DEAP may obtain a copy of the *Report of the National Statistical Commission* and explore, in consultation with FMMU, the feasibility of collection of additional regional data as a part of building up of regional database.

Chapter 4

Studies on State-level Banking and Non-banking Financial Sectors and Financial Markets

Market Intelligence on Financial Markets

4.1 Preparation of report on developments in various financial markets at the regional level *viz.*, call money market, forex market, Government securities market, debt market, capital market, *etc.*, was originally introduced in 1998 as a measure to enlarge the scope of market research information generated at regional level for information of top Executives of the Bank. Subsequently, in 2001, Regional Offices Cell (ROC) of the Central Office, DEAP was reconstituted as Financial Markets Monitoring Unit (FMMU) to place greater accent in the functioning of Regional Offices on studying the developments in financial markets at the regional level. Presently, Regional Offices of DEAP are preparing special reports on developments in financial markets for the information of top management. While such reports have been found to be useful by the top management, the need for redesigning these reviews has been felt.

4.2 The on-going reform process has accorded various dimensions to the necessity and efficacy of regional financial markets. In fact, if the liberalisation process of the Indian economy paves the way for financial markets integration, then one would expect that the regional dimensions of financial markets could undergo transformation. With the operationalisation of terminals of BSE and NSE in various centres, the regional stock exchanges have lost their positions of importance to a great extent. On the other hand, the turnover of terminals of BSE and NSE at the regional centres have far exceeded that of Mumbai in recent

years. Besides, as the various experiences of irregularities at stock exchanges have revealed, the regional centres could be a source of financial instability. Hence, monitoring of regional financial markets becomes imperative for providing the necessary inputs to the policy process.

4.3 While reorienting the functions of Regional Offices, emphasis has to be placed on the developments in the financial markets, progress of reform process at the State level such as fiscal reforms, restructuring public sector undertakings and real sector reforms. Moreover, economic impact of natural calamities-floods and droughts-also has to be assessed by Regional Offices for the information of the top management of the Bank.

Views of Financial Markets Committee (FMC)

4.4 In connection with evaluating the utility of present market intelligence reports and redesigning them, the Working Group sought the viewpoints of the Financial Markets Committee (FMC) of the Bank. Accordingly, discussion was held with the FMC on their requirements of the relevant information. Feedback from FMC revealed the following:

- Financial Markets Committee reviews various interest rates prevailing in the markets that are located in Mumbai. Though they cover 95 per cent of the market rates, such markets also exist at State level. The Regional Offices of DEAP may devise a suitable format to collect such information on a daily basis and communicate to the FMC for their use. Further, cash balances maintained with the respective DAD on daily basis may also be of some use in this regard.

- As the non-food credit extended by banks is a good indicator of the credit off-take in a region, the deployment of credit by these banks could be highly informative. Further, the credit demand of various sectors can be ascertained through consultative meetings.
- The third and most important issue is to get information from various market players on price expectations and expectations on some macro-economic parameters.
- Inputs from Regional Offices of DEAP should act as some sort of a leading indicator / early warning signal on market distortions and vulnerabilities.

Recommendations

4.5 *Ad hoc* pro-active Intelligence Reports on distortions and vulnerabilities noticed in various segments of financial markets could be prepared. These reports could be qualitative in nature and should be sent to the DEAP, Central Office without any loss of time. While it is appreciated that such reviews are currently being undertaken by some Regional Offices, consistent improvement in terms of analysis, timeliness and coverage needs to be ensured. Regional Offices of DEAP would continue to prepare these special notes for the information of DEAP Central Office and Regional Directors. Apart from this, intelligence on developments in the financial sector at regional level, gathered by operational departments such as UBD, DBS, DBOD, DNBS etc. could be summarised by the Regional Offices of DEAP in the form of an Information Dossier for the use of Regional Directors. In particular, these reviews could look into issues such as credit absorption, non-availability of credit at regional level. Central Office of DEAP may consider sharing it with Financial Markets Committee.

4.6 Regional Offices of DEAP could prepare reviews / reports on the trend in functioning of the financial institutions, such as banking development, Non-Banking Financial Companies, local finances, State-wise export processing zones and functioning of WTO cells.

4.7 A bi-annual review of expectations from regional financial circles could be prepared before each of the Monetary Policy / Review in April / October. These reviews need to be short and crisp, so that a consolidated review of all such regional expectations survey can be put up for the Executives.

4.8 Suitable formats need to be worked out in consultation with Financial Markets Committee (FMC) for collection of relevant information as per their requirements.

4.9 The regular monthly review on economic developments in the State / Region could be suitably modified so as to incorporate a separate section on financial sector, with specific emphasis on banking.

4.10 In the line of monthly consolidated review of the major economic developments in the State, a comprehensive and timely (within a month of the reference Quarter) Quarterly Review of Regional Financial Sector could be prepared. If the *Banking Statistics - Quarterly Handout*, published by DESACS is used as an input to these Quarterly Reviews, then there could be some more time-lag (say a quarter from the reference quarter) in preparation of this review. In fact, once the patterns and timeliness of these reviews are standardised, these Quarterly Regional Financial Reviews could be considered for publication in the RBI Bulletin. This will be in line with the international practices like publishing regional reviews in Beige Book of the Federal Reserve System.

Chapter 5

Responsibilities to the Local Boards

5.1 The Regional Offices of DEAP prepare notes and reports on various aspects of the regional economy at the instance of Local Boards. In order to appreciate the functions of Regional Offices of DEAP in the context of Local Boards, mention may be made of Section 9(4) of the Reserve Bank of India Act, 1934 which specifies that "*a Local Board shall advise the Central Board on such matters as may be generally or specifically referred to it and shall perform such duties as the Central Board may delegate to it*". Regulation 14 of the Reserve Bank of India General Regulations, 1949 also provides that "*a Local Board shall have powers to transact such business as may be delegated to it from time to time by the Central Board*" Thus, statutorily, the role of Local Boards is basically advisory in nature and they can perform only such functions as may be delegated to them by the Central Board from time to time.

5.2 While delegating certain functions to the Local Boards from time to time, the Central Board has also specified certain reports / reviews, which the Regional Offices of DEAP are required to submit to the Local Boards. The present position in this regard is as under:

- The Regional Offices of DEAP are required periodically to prepare notes for the concerned Local Boards as indicated below:

Reports on	For submission to Local Board
Leather, Spices	Southern Area
Tea, Jute	Eastern Area
Sugar	Western Area
Sugar	Northern Area

- The Regional Offices of the Department are also required to prepare periodically notes on industry-wise developments within the area and the notes on the general economic situation in the area for review by the Local Board. From among other notes prepared by the Regional Offices, the Central Office of DEAP is required, from time to time, to select and forward such notes as would be useful to the Local Boards.
- The scope of the functions of Local Boards was widened in 1997. In order to strengthen the information base of the Local Boards, it was decided, *inter alia*, that the Bank would provide a Research Fund to the Local Boards so that they could get any study commissioned by outside agencies on regional matters of interest to the Bank, if Regional Office of the DEAP is unable to take up the study identified by the Local Board, due to shortage of manpower, *etc.*

5.3 The functions of Local Boards are once again being reviewed by the Central Board. Two / three rounds of discussion have already taken place and a final decision in this regard is to be taken shortly. Ultimately, the role of Regional Offices of DEAP, insofar as providing support to the Local Boards is concerned, will depend upon the final decision taken by the Central Board in the matter. The Group felt that it would not be desirable for the Working Group to speculate on that.

5.4 Notwithstanding the above, the Working Group has taken a view of the shift in Bank's focus on its priorities and accordingly attempted to redefine the role of Regional Offices of DEAP in assisting the Local Boards. It may be mentioned that over the years, especially after introduction of financial sector reforms, the whole complexion of

financial sector has changed dramatically with all-round expansion in its size, introduction of a variety of financial products, higher level of competition, more transparent systems and greater market orientation. While all these factors are essential for development of a strong, dynamic and vibrant financial sector, the same have also added to its vulnerability. Consequently, responsibilities of the Bank as the regulator of financial sector has increased manifold and it has become imperative for the Bank to concentrate more on core Central Banking functions rather than developmental functions. The Bank's dealing with the real sector has become more indirect and the focus has shifted to effective supervision over the financial sector. Further, the Bank's focus has also shifted from micro level supervision to macro level supervision, with emphasis on development of self-sustaining systems having adequate internal checks and balances.

5.5 In the above scenario, the Central Board may like the Local Boards to review the overall position of financial systems within their jurisdiction, instead of monitoring them on individual basis, as is presently done in respect of some of the institutions. Further, Local Boards may require information on the general economic situation in their respective areas, particularly that relating to the financial sector, to assist them in their advisory role. Local Boards may, in the changed circumstances, need information on performance of the real sector within their jurisdiction, but need for any study of the area by the Bank may not arise because such studies can best be conducted by the State Governments, who ultimately have to take decisions on the findings of such studies. The Local Boards may, however, be interested in knowing the findings of such studies.

Recommendations

5.6 Data and information on regional economy, prepared by Regional Offices of DEAP can, *inter alia*, be made available to the Local Boards, as and when required.

5.7 For this purpose, the Regional Offices of DEAP may utilise the Central Data Base Management System (CDBMS), being developed by DESACS.

5.8 Regional Offices of DEAP should prepare a survey of important research material and other published data on regional economy, prepared by the State / Central Governments and other agencies, including academic and social institutions, which may be placed before the Local Boards as per their requirements.

5.9 The Market Intelligence Reports of DEAP could suitably be incorporated in the consolidated review of the position of urban co-operative banks, commercial banks, NBFCs, *etc.* within the region, which may be required to be placed before the concerned Local Board.

5.10 In case Local Boards want Regional Offices of DEAP to conduct any study on regional issues, the matter may be referred to the Central Office of DEAP. Moreover, all reports prepared by the Regional Offices of DEAP for putting up to Local Boards should be vetted by the Central office of DEAP.

Chapter 6

Matters relating to Administration and Management

6.1 Various aspects of administration and management, along with issues relating to infrastructure and corollary activities are discussed in this Chapter.

Conference of Regional Offices of DEAP:

6.2 An important aspect of the functioning of Regional Offices is the review of their work done by FMMU and lateral exchange of views and suggestions between Regional Offices. Such interaction could be beneficial both for the Regional Offices of DEAP as well as the Central Office of DEAP. Moreover, research papers / notes prepared by officers from Regional Offices of DEAP could also be presented in such forum.

Recommendation

6.3 Towards this end, it is suggested that bi-annual conferences of the Regional Offices of DEAP can be arranged at the Central Office to deliberate upon the performance of, and plans and priorities for Regional Offices of DEAP. To facilitate periodic interaction between the DEAP, Central Office and Regional Offices of DEAP it is recommended that Advisers / Directors from the Central Office may visit the Regional Offices of DEAP whenever occasion arises. Similarly, officers from the Regional Offices may visit Central Office for updating and interface.

Training

6.4 As regards the training needs of Officers attached to Regional Offices of DEAP, it is found that there exists some divergence in the

experiences of different offices. While many of them have been deputed by the Regional Directors for some training programmes at the Reserve Bank Staff College and Bankers' Training College, there are others who have not been adequately exposed to training.

Recommendation

6.5 Requirement of specialised training programmes for officers in Regional Offices of DEAP could be dealt with by the training desk in the Administration Division of Central Office of DEAP. Due recognition is to be given for selecting them for such programmes as well. Apart from this, the recommendation is that the officers could be deputed for useful training programmes conducted by training institutions outside the Bank. For the general training programmes, officers attached to Regional Offices of DEAP could be considered under the existing practice of deputing officers as it is done for officers in other Departments.

Library

6.6 Library is maintained by each Regional Office of DEAP. Books, mainly on banking, finance, real sector, external sector, *etc.*, are added to the Library utilising the annual budget allocation sanctioned by the Regional Director. The books are purchased on the basis of the recommendations of the Library Committee functioning in some RBI Offices. It is also observed that there is no uniform practice in the maintenance of the Library across various Regional Offices of DEAP. The operational differences in the maintenance of libraries in the Regional Offices are as follows:

- The budgetary allocation for purchase of books, journals and newspapers for the Library in the Regional Offices of DEAP varies between these Offices;
- In some RBI Offices there are Library Committees for selection of books to be acquired, whereas in other Offices books are purchased by the In-charge of DEAP under the guidance of the Regional Director.
- In the Regional Offices at Kolkata and Bangalore, all the Departmental Libraries have been merged and one Central Library has been created and placed under the charge of the Head of the Regional Office of DEAP.
- In the Offices where the Central Library has been created additional or qualified staff has not been provided for the maintenance of the Library.

Recommendation

6.7 As regards the Library Regional Directors should endeavour to combine all Departmental Libraries. Creating a centralised modern Library, and engaging professional staff to maintain the Library may be decided by the Regional Director. The budgetary allocations of Libraries for Regional Offices of DEAP would continue to be done by the Regional Directors. Moreover, modernisation of the Library, utilisation of scientific software (such as LIBSYS) for classification of books in the Library is recommended, keeping in view the plan for on-line connection of libraries in RBI Offices / Branches with DEAP (Central Office) Library and the libraries in Reserve Bank Staff College and Bankers Training College. Selection of books could uniformly done by a Library Committee in each Office of the Bank

Journals

6.8 Given the funds allocated through Annual Budget to Regional Offices for acquisition of various journals, Regional Offices of DEAP have expressed difficulty to subscribe to certain useful scientific journals that are available in Central Office Library.

Recommendation

6.9 It is recommended that while the Regional Offices may be allowed to procure hard copies of standard journals on economics such as *Economic and Political Weekly*, *Economist* and *CMIE Economic Intelligence Service* through subscription, modalities can be explored for on-line subscription for receiving scientific journals, which are expensive. In this context, it is recommended that electronic subscription facilities already available in the Central Office Library like Pro-Quest should be made available for all Regional Offices. Since Pro-Quest does not cover all leading working journals, Central Office Library should also subscribe to selected core journals through electronic facility whereby major scientific journals on economics could also be made available to all Regional Offices of DEAP.

Meetings and Seminars

6.10 At the State level various meetings are conducted by banks, financial institutions, trade and industry Associations, State Government, research institutes, *etc.*, on various topical issues of current interest to the State economies and to review the economic development at the regional level as well as to give suggestions to policy makers. The deliberations in such meetings generate useful information on the State economies.

Recommendation

6.11 Officers in the Regional Offices of DEAP may be encouraged to attend all relevant meetings extensively, in order to widen their knowledge of various developments at the regional level on the one hand and develop rapport with officials of various organisations on the other.

Staffing in Regional Offices of DEAP

6.12 While Regional Offices of DEAP in the Offices of Reserve Bank of India at Chennai, Kolkatta and New Delhi are headed by Director (Grade D / E), other Regional Offices have Assistant Adviser (Grade C) or Research Officer (Grade B) as the In-charge of the Regional Office. Moreover, apart from the Regional Offices at Chennai, Kolkata and New Delhi where the sanctioned strength also includes post of Research Officers (Grade B), all the other Regional Offices do not have the post of Research Officer (Grade B) apart from Head of the Department. Thus, the staffing pattern is not uniform among the 14 Regional Offices of DEAP. Details of the staffing pattern in respect of In-Charges of the Regional Offices are as follows:

	Regional Office	In-Charge
1.	Chennai, Kolkata and New Delhi	Director (Grade D / E), assisted by a Research Officer (Grade B)
2.	Bangalore, Hyderabad, Kochi, Guwahati, and Lucknow	Assistant Adviser (Grade C)
3.	Ahmedabad, Bhopal, Bhubaneshwar, Chandigarh, Jaipur, and Patna	Research Officer (Grade B)

6.13 In their duties, the In-charges of Regional Offices of DEAP are required to interact with senior officers in the State Government, top executives of banks, senior officers in industry associations, *etc.*

Moreover, it is also necessary for In-charge to attend various important meetings convened by industry associations, Government departments, *etc.* The services of Assistant Manager (Grade A) attached to in DEAP Regional Offices need not be confined to administrative items of work. They can also be assigned works such as compilation of data, gathering information through discussion with various agencies, and preparation of routine reports. In other words, the Assistant Managers in DEAP are to be in the mainstream of the Department's work, and their role should not be confined only to attend to administrative items of work.

Recommendation

6.14 It is recommended that in-charges of the Regional Offices in the branches of RBI may be at least at the level of Assistant Adviser (Grade C). It may also be ensured that the services of Assistant Managers attached to Regional Offices of DEAP are assigned both analytical and non-analytical work and are deputed to appropriate training facilities. Besides, Assistant Managers having academic and other qualifications in economics/statistics/commerce may be considered as far as possible for postings in Regional Offices of DEAP. Furthermore, there may be uniformity in postings of other staff (Grade A, clerk, typist, *duftry* and peon) among Regional Offices.

Staffing in Financial Markets Monitoring Unit

6.15 The Financial Markets Monitoring Unit (FMMU) (erstwhile Regional Offices Cell) co-ordinates work relating to 14 Regional Offices. The Unit also prepares the profiles of State economies by utilising the materials provided by the respective Regional Offices for submission to the Executives before meeting of the Central Board of Directors, attends to the co-ordination work relating to preparation of

notes on various subjects for the purpose of Local Boards, and prepares *ad hoc* notes on State economies required by the top executives of the Bank. Moreover, the FMMU acts as the Regional Office of DEAP for Maharashtra and Goa. As per the recommendations given earlier, FMMU needs to consolidate various State-level reviews before putting up to the Executives. Thus, FMMU has to co-ordinate and monitor the work done by the 14 Regional Offices of DEAP as well as attend to preparation of analytical notes, *etc.*, in respect of Maharashtra and Goa.

Recommendation

6.16 In order to make FMMU function effectively, it is recommended that strength of officers in FMMU needs to be augmented. The present strength of one Director (Grade D/E) could be augmented by two Research Officers, so that while one of them could exclusively assist in the work relating to economies of Maharashtra and Goa, the other could attend to all the work relating to all the Regional Offices.

Infrastructure

6.17 An infrastructure survey conducted by the FMMU among all Regional Offices of DEAP has revealed that offices are endowed with Personal Computers. Introduction of Corporate e-mail facility has greatly contributed to faster communication between FMMU and Regional Offices of DEAP and timely finalisation of various materials put up to top management. Senior officials in DEAP, Central Office as well as FMMU feel the need to communicate without loss of time whenever urgent work are to be assigned to Regional Offices. It is also observed that Regional Directors would be able to sanction appropriate infrastructure facility.

Recommendation

6.18 As regards provision of infrastructure facilities in the Regional Offices DEAP, Regional Directors may arrange to provide state-of-the-art computer and other infrastructure facilities, keeping in mind the paramount need for such facilities in a research department. In respect of econometric software, it is recommended that it would be desirable for the Central Office to acquire such software on the basis of a site-licence and then disseminate among the Regional Offices. As far as specific requests for specialised econometric software are concerned, the Regional Offices can take up the relevant issues with the SCOPE Committee in DEAP, Central Office. Secondly, all Regional Offices have to fully utilise the e-mail facility in sending notes, letters, etc. to Central Office (FMMU) and other Regional Offices. Thirdly, provision of separate fax machines for the use of Regional DEAP Offices could be made. The separate telephone connection provided with the fax facility could be used for internet facilities as well.

Review of Functioning of Regional Offices

6.19 It is observed that a critical review of the functioning of all the Regional Offices of DEAP periodically, say, once in three or five years is necessary for their efficient functioning.

Recommendation

6.20 It is recommended that a critical review of the functioning of Regional Offices of DEAP could be undertaken periodically, once in three years or five years.

Chapter 7

Summary of Recommendations

Review of the Functions of Regional Offices of DEAP

7.1 Officers in Regional Offices of DEAP should act as “Economic and Statistical Advisers” to the Regional Directors (Paragraph 2.7).

7.2 DEAP Regional Offices should inform the Regional Directors about any analytical work pertaining to the regional economies assigned to them by the DEAP Central Office. It is advisable that the DEAP Regional Offices consult the DEAP Central Office for guidance on any analytical study undertaken by them (Paragraph 2.8).

7.3 For effective and uniform functioning, periodical meetings among DEAP Regional Offices for exchanging views and ideas on their respective regions would be useful (Paragraph 2.9).

7.4 DEAP Regional Offices may be involved more actively in making regular presentations on current subjects/issues for the benefit of staff members of the Offices of RBI (Paragraph 2.10).

7.5 Monthly surveys on the Regional Economy prepared by DEAP Regional Offices for inclusion in the Regional Director’s monthly D.O. letter to the Governor should also include Market Intelligence Reports prepared by DBOD, DBS, DNBS, RPCD and UBD (Paragraph 2.11).

7.6 In-charges of regional Offices of DEAP may attend meetings organised by State Government, banks, other financial institutions and industry associations so as to keep themselves abreast of the thinking and perceptions of people on the policies of the Bank and the Central Government (Paragraph 2.12).

7.7 Whenever DEAP regional Offices undertake any study at the instance of the Local Boards, they are to seek the approval of Central Office of DEAP before taking up such work (Paragraph 2.13).

Market Intelligence, Price Situation and Other Reports

7.8 The Regional Offices of DEAP may discontinue the practice of forwarding Monthly Market Intelligence Report on essential commodities to DEAP, Central Office. It is recommended that the Weekly Financial and Commercial Review could be prepared on the basis of WPI, rather than actual prices of select varieties of select commodities at a few *mandis*. However, the Regional Offices may continue to collect data on retail / wholesale prices of a few commodities on a highly selective basis for use in case of necessity. (Paragraph 3.8).

7.9 each Regional Office could prepare a crisp and short review on the major economic developments (in both financial and real sectors) in the State at a monthly frequency in place of the present Report on Major Economic Developments. The report needs to be short and informative with a half to one page executive summary, so that a consolidated monthly review on the regional economy of India could be put up by Financial Markets Monitoring Unit to the Executives. The timeliness of the report is also an imperative. The Report could reach the Central Office within a month of the lapse of the reference month (e.g., the Report for April 2002 could reach the Central Office by May 31, 2002 so that the consolidated review can be put up by June 7, 2002). The format for such a report could be worked out at the Central Office of DEAP in consultation with the Regional Offices of DEAP and Regional Directors (Paragraph 3.11).

7.10 The reporting of the Progress of South-West monsoon to the DEAP, Central Office should be discontinued. However, the Regional Office of DEAP would continue to watch the situation at their level (Paragraph 3.13).

7.11 Preparation of region-specific industrial reviews may be need-based and as required by the Regional Directors (Paragraph 3.15).

7.12 All efforts should be made to improve the timely submission of the Studies on Finances on State Government to Division of State and Local Finances (DSLFF) of DEAP (Paragraph 3.17).

7.13 For the prompt compliance DEAP Regional Offices may be permitted to participate as observers in the State Finance Secretaries' Meetings conducted by the Internal Debt Management Cell, Central Office at the Reserve Bank. This would help Officers at the DEAP Regional Offices to meet respective Finance Secretaries and also to have a better understanding of the critical issues at the operational level in their Region in respect of the finances of State Government. In case of a space constraint for accommodating the Officers from the DEAP Regional Office the feasibility of activating an over-flow room may be explored (Paragraph 3.18).

7.14 It is recommended that Officers in DEAP Regional Office in consultation with Central Office, DEAP may prepare research notes/reports for publishing in RBI Occasional Papers or in any other journal. Central Office, DEAP may consider involving Officers of Regional Offices of DEAP in DRG studies (Paragraph 3.20).

7.15 The Regional Offices of DEAP can build up on an ongoing basis economic literature on various aspects of economic developments at the regional level. In order to develop such information on uniform basis among all Regional Offices, the Financial Markets Monitoring Unit (FMMU) may provide the Regional Offices with necessary guidelines in the matter (Paragraph 3.22).

7.16 Regional Offices of DEAP should develop database on regional economies by utilising all the data available. In this context, a

standardised software package can be developed and provided by the DEAP Central Office to all the Regional Offices so that the database developed by the Regional Offices would be uniform and become an effective tool for analysis (Paragraph 3.24). Furthermore, each Regional Office of DEAP may obtain a copy of the *Report of the National Statistical Commission* and explore, in consultation with FMMU, the feasibility of collection of additional regional data as a part of building up of regional data-base (Paragraph 3.25).

Studies on State-level Banking and Non-banking Financial Sectors and Financial Markets

7.17 *Ad hoc* pro-active Intelligence Reports on distortions and vulnerabilities noticed in various segments of financial markets could be prepared. These reports could be qualitative in nature and should be sent to the DEAP, Central Office without any loss of time. While it is appreciated that such reviews are currently being undertaken by some Regional Offices, consistent improvement in terms of analysis, timeliness and coverage needs to be ensured. Regional Offices of DEAP would continue to prepare these special notes for the information of DEAP Central Office and Regional Directors. Apart from this, intelligence on developments in the financial sector at regional level, gathered by operational departments such as UBD, DBS, DBOD, DNBS etc. would be summarised by the Regional Offices of DEAP in the form of an Information Dossier for the use of Regional Directors and would be shared with DEAP, Central Office. In particular these reviews could look into issues like credit absorption, non-availability of credit at regional level. The DEAP, Central Office may consider sharing it with FMC (Paragraph 4.5).

7.18 Regional Offices of DEAP could prepare reviews / reports on the trend in functioning of the financial institutions, such as banking development, Non-Banking Financial Companies, local finances, State-wise Export Processing Zones and functioning of WTO cells (Paragraph 4.6).

7.19 A bi-annual review of expectations from regional financial circles could be prepared before each of the Monetary Policy / Review in April / October. These reviews need to be short and crisp, so that a consolidated review of all such regional expectations survey can be put up for the Executives (Paragraph 4.7).

7.20 Suitable formats need to be worked out in consultation with Financial Markets Committee (FMC) for collection of relevant information as per their requirements (Paragraph 4.8).

7.21 The regular monthly review on economic developments in the State / Region could be suitably modified so as incorporate a separate section on financial sector, with specific emphasis on banking (Paragraph 4.9).

7.22 In the line of monthly consolidated review of the major economic developments in the state, a comprehensive and timely (within a month of the reference quarter) Quarterly Review of Regional Financial Sector could be prepared. If the Banking Statistics, Quarterly Handout, published by DESACS is used as an input to these Quarterly Reviews, then there could be some more time-lag (say a quarter from the reference quarter) in preparation of this review. In fact, once the patterns and timeliness of these reviews are standardised, these Quarterly Regional Financial Reviews could be considered for publication in the RBI Bulletin. This will be in line with the international practices like

publishing regional reviews in Beige Book of the Federal Reserve System (Paragraph 4.10).

Responsibilities to Local Boards

7.23 Data and information on regional economy, prepared by Regional Offices of DEAP can, *inter alia*, be made available to the Local Boards, as and when required (Paragraph 5.6).

7.24 For this purpose, the Regional Offices of DEAP should utilise the Central Database Management System (CDBMS), being developed by DESACS (Paragraph 5.7).

7.25 Regional Offices of DEAP should prepare a survey of important research material and other published data on regional economy, prepared by the State / Central Governments and other agencies, including academic and social institutions, which may be placed before the Local Boards at per their requirements (Paragraph 5.8).

7.26 The Market Intelligence Reports of DEAP could suitably be incorporated in the consolidated review of the position of urban co-operative banks, commercial banks, NBFCs, *etc.*, within the region, which may be required to be placed before the concerned Local Board (Paragraph 5.9).

7.27 In case, Local Boards want Regional Offices of DEAP to conduct any study on regional issues, the matter may be referred to the Central Office of DEAP. Moreover, all reports prepared by the Regional Offices of DEAP for putting up to Local Boards should be vetted by the Central office of DEAP (Paragraph 5.10).

Matters relating to Administration and Management

7.28 It is suggested that an annual conference of the Regional Offices of DEAP can be arranged at the Central Office to deliberate upon the performance of, and plans and priorities for Regional Offices of DEAP. To facilitate periodic interaction between the DEAP, Central Office and Regional Offices of DEAP it is recommended that Advisers / Directors from the Central Office may visit the Regional Offices of DEAP whenever occasion arises. Similarly, officers from the Regional Offices may visit Central Office for updating and interface (Paragraph 6.3).

7.29 Requirement of specialised training programmes for Officers in Regional Offices of DEAP could be dealt with by the training desk in the Administration Division of Central Office of DEAP. Due recognition is to be given for selecting them in these programmes as well. Apart from this, the recommendation is that the officers could be deputed for useful training programmes conducted by training institutions, outside the Bank. For the general training programmes, Officers attached to DEAP Regional Offices could be considered under the existing practice of deputing officers as it is done in other Departments (Paragraph 6.5).

7.30 As regards the Library Regional Directors should endeavour to combine all Departmental Libraries. Creating a centralised modern Library, and engaging professional staff to maintain the Library may be decided by the Regional Director. The budgetary allocations of Libraries for Regional Offices of DEAP would continue to be done by the Regional Directors. Moreover, modernisation of the Library, utilisation of scientific software (such as LIBSYS) for classification of books in the Library is recommended, keeping in view the plan for on-line connection of libraries in RBI Offices / Branches with DEAP

(Central Office) Library and the libraries in Reserve Bank Staff College and Bankers Training College. Selection of books could uniformly done by a Library Committee in each Office of the Bank (Paragraph 6.7).

7.31 It is recommended that while the Regional Offices may be allowed to procure hard copies of standard journals on economics such as *Economic and Political Weekly*, *Economist* and *CMIE Economic Intelligence Service* through subscription, modalities can be explored for on-line subscription for receiving scientific journals, which are expensive. In this context, it is recommended that electronic subscription facilities already available in the Central Office Library like Pro-Quest should be made available for all Regional Offices. Since Pro-Quest does not cover all leading working journals, Central Office Library should also subscribe to selected core journals through electronic facility whereby major scientific journals on economics could also be made available to all Regional Offices of DEAP (Paragraph 6.9).

7.32 Officers in the Regional Offices of DEAP be encouraged to attend all relevant meetings extensively, in order widen their knowledge on various developments at the regional level on one hand and develop rapport with officials of various organisations on the other (Paragraph 6.11).

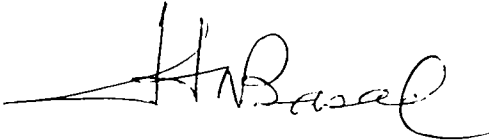
7.33 It is recommended that in-charges of the Regional Offices in the branches of RBI may be at least at the level of Assistant Adviser (Grade C). It may also be ensured that the services of Assistant Managers attached to Regional Offices of DEAP are assigned both analytical and non-analytical work and are deputed to appropriate training facilities. Besides, Assistant Managers having academic and other qualifications in economics/statistics/commerce may be considered as far as possible for postings in Regional Offices of DEAP. Furthermore, there may be

uniformity in postings of other staff (Grade A, clerk, typist, *duftry* and peon) among Regional Offices of DEAP (Paragraph 6.14).

7.34 In order to make FMMU function effectively, it is recommended that strength of officers in FMMU needs to be augmented. The present strength of one Director (Grade D/E) could be augmented by two Research Officers, so that while one of them could exclusively assist in the work relating to economies of Maharashtra and Goa, the other could attend to all the work relating to all the Regional Offices. (Paragraph 6.16).

7.35 As regards provision of infrastructure facilities in the Regional Offices DEAP, Regional Directors may arrange to provide state-of-the-art computer and other infrastructure facilities, keeping in mind the paramount need for such facilities in a research department. In respect of econometric software, it is recommended that it would be desirable for the Central Office to acquire such software on the basis of a site-licence and then disseminate among the Regional Offices. As far as specific requests for specialised econometric software are concerned, the Regional Offices can take up the relevant issues with the SCOPE Committee in DEAP, Central Office. Secondly, all Regional Offices have to fully utilise the e-mail facility in sending notes, letters, etc. to Central Office (FMMU) and other Regional Offices. Thirdly, provision of separate fax machines for the use of Regional DEAP Offices could be made. The separate telephone connection provided with the fax facility could be used for internet facilities as well (Paragraph 6.18).

7.36 It is recommended that a critical review of the functioning of Regional Offices of DEAP could be undertaken periodically, once in three or five years (Paragraph 6.20).



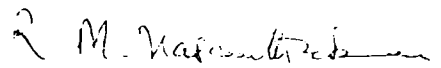
(H. N. Prasad)
CGM and Secretary,
Secretary's Department,
Central Office
(Member)



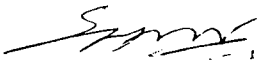
(Narendra Jadhav)
Officer-in-Charge,
DEAP, Central Office
(Chairman)



(Ramesh Chander)
Regional Director,
New Delhi Office
(Member).



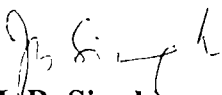
(R.M. Vasanthakumari)
Adviser,
DEAP, Central Office,
(Permanent invitee)



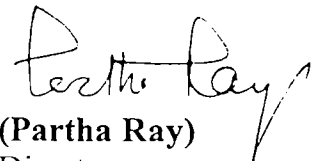
(P. S. S. Vidyasagar)
Research Officer,
DEAP, Central Office
(Member)



(S. J. S. Swamidoss)
Director,
DEAP, Chennai Office
(Member).



(J. B. Singh)
Research Officer,
DEAP, Patna Office
(Co-opted Member)



(Partha Ray)
Director,
DEAP, Central Office
(Member Secretary)

Annexure I

Comments received from the Regional Directors on the Terms of Reference of the Working Group

1. Review of the functioning of Regional Offices of DEAP *vis-à-vis* requirements of Regional Directors and Central Office

Office	Comment
1. Ahmedabad	Regional Offices of DEAP essentially attend to liaison work with officials of State Government, Chambers of Commerce & Industry, Stock Exchanges <i>etc.</i> , and provide inputs on economic development in the State. The inputs from DEAP are found to be useful. Since focus of reform now has shifted to the States, it is important to track the reform process of the States.
2. Bhopal	Regional Offices of DEAP add strength to the RBI Office. The Regional Office of DEAP plays a role, though limited, in studying developments in banking and in getting certain information and providing analysis.
3. Bhubaneshwar	The primary responsibility of the Regional Office of DEAP is to serve as a nodal agency for collection and dissemination of information and the corresponding analytics pertaining to the State economy for the use of both the Central Office and the Regional Office. To this end, Regional Offices of DEAP should develop comprehensive database on the State economy, closely collaborate with specialised Departments like DBS, RPCD, DNBS, <i>etc.</i>
4. Chandigarh	Regional Office of DEAP provides feedback to the Regional Director on economic and financial development in the region through various reports and reviews.
5. Guwahati	The requirements of Regional Directors and Central Office are in most cases analogous.
6. Kolkata	The Union Territory of Andaman and Nicobar comes under the jurisdiction of Kolkata Office. Hence, the jurisdiction of DEAP, Kolkata Office should also be extended to this Union Territory. The Regional Office of DEAP in Kolkata Office should have monitoring jurisdiction over the Regional Offices of DEAP in Eastern Region, <i>viz.</i> , Bhubaneshwar, Guwahati and Patna.

2. Utility / relevance of different Market Intelligence Reports (MIRs) prepared by the Regional Offices of DEAP

Office	Comment
1. Ahmedabad	Useful but needs more technical inputs on banking and non-banking sectors.
2. Bangalore	Market Intelligence Reports are stereotyped and need reorientation.
3. Bhopal	Market Intelligence Reports are useful but need reorientation.
4. Bhubaneswar	The ambit of the Market Intelligence work at the Regional Office can be expanded by having Regional Market Intelligence Cells, wherein all market information available with different Departments like UBD, RPCD, DBS, DBOD, DNBS, DEAP and others may be collected and collated by the DEAP Regional Office.
5. Chandigarh	Market Intelligence Reports are useful but need reorientation.
6. Guwahati	Because of the variation in information flow from the seven States of the North Eastern region, there is a need to gear up the Market Intelligence Reports from Guwahati.
7. Hyderabad	Weekly Market Intelligence Report on Prices should be passed on to local RPCD and could be discussed at SLBC meetings.
8. Jaipur	Market Intelligence Reports need reorientation. Collecting data from Agricultural Marketing Board instead of Directorate of Agriculture may be useful.
9. Patna	Market Intelligence Reports are useful but need reorientation.

3. Identifying modalities of re-orienting the focus of the Regional Offices of DEAP towards monitoring / analysing activities of banking and non-banking financial sectors

Office	Comment
1. Ahmedabad	Reports on banking and financial sectors could be useful. These reports may supplement and support the reports received by the Regional Director from functional Departments like DBS, RPCD, DNBS, and UBD. Interaction of the DEAP officials with the operational Departments is necessary.
2. Bangalore	It is necessary to bring out in Market Intelligence Reports, deficiency or serious irregularities including improper market practices noticed in the financial sector, especially in the capital market, banking and NBFC sectors. There should be increased focus on research work in the Regional Offices.
3. Bhopal	Regional Offices of DEAP should expand their role to monitoring and analysing activities of the banking and non-banking financial sectors, and preparing studies on the economic and financial impact of these sectors on the regional economy.
4. Bhubaneswar	Presently structured information pertaining to the overall status of the financial system of States is not available. Hence, Regional Offices of DEAP can aim to prepare Reports on Financial Sector Developments in the States.
5. Chandigarh	Regional Offices of DEAP should focus more on monitoring / analysing trend in banking and non-banking sectors. They also should provide feedback of market players to the Central Office before and after Monetary Policy announcement. Regional Offices of DEAP could initiate a periodical review / report on "credit delivery" through Self-Help Groups / NGOs by sourcing information from them. Regional Offices may also prepare half yearly / annual reports on progress of banking and non-banking financial sectors.
6. Hyderabad	Regional Offices of DEAP should collect and analyse data regarding sectoral deployment of bank credit and also the sectoral distribution of NPAs so as to help DBS to formulate a regional inspection policy. They should also conduct a survey on an ongoing basis to identify the sunrise and sunset industries in the region and inform the Regional Director. They should also conduct surveys on credit flows to these sectors.
7. Jaipur	Annual review on the developments in the banking sector as well as in non-banking financial intermediaries is needed.
8. Lucknow	The Regional Offices may attempt research and survey work that may help in isolating factors that impede development.
9. Patna	Preparation of intelligence reports on banking and non-banking sectors would enhance the role of Regional Offices of DEAP. This needs increased interaction with operational Departments. These reports could be of help to the supervisory Departments.

4. Matters relating to staffing and other issues

Office	Comment
1. Ahmedabad	Regional Offices of DEAP should have at least two specialised officials with one senior level officer. This would facilitate effective liaison with senior officials in Government, <i>etc.</i>
2. Bhopal	Reorientation of Regional Offices of DEAP may involve posting senior officers (in Grade D / E level) in bigger Offices, with assistance of Research Officer / Assistant Adviser.
3. Bhubaneswar	Each Regional Office should get adequate staff strength for the maintenance of the Library. All Regional Offices of DEAP may be headed at least by Assistant Adviser (Grade C).
4. Guwahati	The Department maintains a Library in this Office. There should be proper expansion of the library.
5. Jaipur	Frequent interaction with the Central Office is required. In this connection, the In-charges of Regional Offices of DEAP may visit Central Office once in six months.
6. Kolkata	Posting of qualified Library Staff is needed.

Annexure II

Comments received from the Regional Offices on the Terms of Reference of the Working Group

1. Review of the functioning of Regional Offices of DEAP *vis-à-vis* requirements of Regional Directors and Central Office

Office	Comment
1. Ahmedabad	The presence of Regional Office of DEAP means that a technical person is available to Regional Director and Central Office at the regional level, who would understand and analyse the macro implications of the economic developments in the State.
2. Bangalore	Functions as "Observation and Listening Post" for the Central Office and caters to the work assigned by the Regional Director. The Regional Offices also maintain liaison with various State/Central Government offices, <i>etc.</i>
3. Bhopal	The scope of the material submitted to Regional Director for his/her Monthly DO letter to the Governor can be expanded to cover market intelligence received from other Departments like DBOD, DNBS, UBD and RPCD.
4. Bhubaneswar	Regional Offices should function as nodal agencies for collection and dissemination of data. Close collaboration with Departments like DBOD/DBS/DNBS/RPCD/UBD/PAD is necessary. Building of comprehensive database is necessary. Close interaction with Central Office is necessary. Sharing of information between various Regional Offices can be done. For the purpose, web-pages for the Regional Offices can be developed.
5. Chandigarh	Regional Offices should focus more on monitoring / analysing State finances, regional banking and non-banking financial sectors. Regional Offices should be allowed to attend Planning Commission meetings for better overview of the finances of the State Governments.
6. Chennai	Region specific developments in the real and financial sectors, especially in those areas where regional developments can have an influence at the national level, can be informed to the top management with a timely flow of information. This calls for close interaction with the market sources and Government agencies, <i>etc.</i>
7. Guwahati	The requirements of the Regional Director and Central Office are in most cases analogous. The Regional Office at Guwahati is designated to analyse and review economic development of seven States.
8. Hyderabad	Material for the monthly DO letter for the Regional Director is reported to be useful.
9. Jaipur	There is a definite duplication of material sent to various Divisions of Central Office. Reorganisation of the subject matter of these reports can make them meaningful. Various Divisions of the Central Office should be informed of important developments in their area of operation. Based on these reports, these Divisions can identify topics for detailed studies in consultation with Financial Markets Monitoring Unit. Regional Offices sometimes need to provide support to study requested by the Local Board. Such studies can be carried out with the approval of the Regional Director and in consultation with the Central Office. The Regional Offices are administratively under the purview of the Regional Director. This issue of dual

Office	Comment
	authority of the Central Office and Regional Director has to be clearly addressed and defined.
10. Kochi	Regional Offices need to be developed as Research Centres. The Regional Offices are mostly tuned to the requirement of Central Office rather than that of Regional Director.
11. Kolkata	Regional Offices of DEAP should be developed as Academic and Information Centres for maintaining liaison with various regional academic institutions, organising Study Circles and providing faculty support to fields related to banking and economics. The Regional Offices may prepare material for Central Board with Central Office support. The present practice is just the reverse. It is proposed that interaction between Regional Offices and Central Office of DEAP by having Annual Conference, and inviting officers from Regional Offices to Central Office would be useful.
12. Lucknow	Regional Offices send material to various Divisions of the Central Office and also provide information for the monthly DO letter of Regional Director. They also attend to liaison work.
13. New Delhi	New Delhi office sends various material to Central Office, prepares regular reviews/reports and participates in various meetings at the instance of Central Office or Regional Director, apart from liaising with Central Government for Central Office. The liaison work takes around 60 per cent of the working time of this Regional Office. This Office also functions as observation and listening post for the Central Office. Some times, the same information is sent to more than one Division in the Central Office of DEAP, at different points of time. Better coordination among Central Office Divisions can reduce unnecessary liaison work. Prior to publication of Annual Report of the Bank/Report on Trend and Progress of Banking in India, etc., a meeting can be organised in Central Office along with a representative from New Delhi Regional Office, to decide on data requirements, agency-wise with a fixed time schedule. There is a need to reduce the pressure of liaison work so as to enable officers of New Delhi Office to prepare more research notes.
14. Patna	Regional Offices send material to various Divisions of the Central Office and also provide information for the monthly DO letter of Regional Director. They attend to liaison work in respect of State Government and also prepare studies at the instance of Local Boards/Regional Director. There is a need for undertaking studies on <i>suo moto</i> basis. There is a need for refocusing the entire gamut of functioning in light of the liberalised atmosphere in the financial sector.

2. Utility / relevance of different Market Intelligence Reports (MIRs) prepared by the Regional Offices of DEAP

Office	Comment
1. Ahmedabad	Intelligence Reports sent by different Regional Offices to the Central Office lack uniformity, and these need to be standardised. Since the economic situation has changed, relevance of some of these reports may have been lost. A Monthly Summary on the State Economy can be prepared at the Central Office for putting up to the higher-ups.
2. Bangalore	In order to enlarge the scope of market intelligence information and also important developments taking place in the State, weekly information on all segments of financial market, viz., call money market, capital market and Government securities market, may be collected and reported to the Central Office.
3. Bhopal	Preparation of Market Intelligence Reports on essential commodities should be continued because agricultural prices can vary at different centres due to segmentation of markets.
4. Bhubaneswar	There is a need to consolidate various Market Intelligence Reports on financial sector prepared by different Departments. Formation of regional market intelligence committees can be considered.
5. Chandigarh	Weekly report on progress of monsoon could be discontinued.
6. Chennai	The monthly Market Intelligence Report on essential commodities should be discontinued, and instead <i>ad hoc</i> Market Intelligence Reports highlighting specific problems or developments should be developed. Monthly review on economic developments in the region can be continued on account of its informative nature.
7. Guwahati	There is need to gear up the Market Intelligence Reports in Guwahati.
8. Hyderabad	Proposed discontinuation of weekly retail prices of essential commodities. Market Intelligence Report on Monthly Wholesale prices should be continued.
9. Jaipur	Monthly Market Intelligence Report on essential commodities should be reoriented. There is a need for collecting data on prices from the Agricultural Marketing Boards in the respective Regions.
10. Kochi	Discontinuation of sending weekly retail prices of essential commodities is proposed.
11. Kolkata	In view of the changing economic scenario, many of the routine reports/reviews prepared in the Regional Offices may have outlived their utility. For the purpose of evaluation of these reports/reviews, Financial Markets Monitoring Unit may conduct an evaluation study of these reports/reviews based on the feedback provided from various Divisions of the Central Office. Based on the evaluation of feedback, such reports and reviews can be restructured or discontinued as the case may be.
12. Lucknow	Reorientation of Market Intelligence Report is necessary.
13. New Delhi	There is a need to cover all financial aspects/developments in the Market Intelligence Reports. There is also need for close coordination of various market intelligence cells of different Departments in the Offices.
14. Patna	Commodity-based reviews initiated under selective credit control have lost their relevance. However, the data on these parameters may be collected, though sending these on a regular basis may be discontinued.

3. Identifying modalities of re-orienting the focus of the Regional Offices of DEAP towards monitoring / analysing activities of banking and non-banking financial sectors

Office	Comment
1. Ahmedabad	Material on banking and non-banking financial sectors does not form part of the routine reports prepared by the Regional Offices. However, the possibility of tapping the available material with other Departments such as DBOD/DBS/DNBS/RPCD/UBD can be explored. In this connection, the feedback from representatives of the concerned Departments along with the representatives of the respective Divisions of DEAP Central Office, regarding the feasibility and utility of such exercise can be explored. This may also require training DEAP officers in analysis of balance sheet, asset liability management, etc.
2. Bangalore	An analysis of flow of funds to study the deployment of bank credit may be undertaken on a regular basis. In addition to the above, <i>ad hoc</i> reports relating to market findings during the week may be reported to the Central Office.
3. Bhopal	The Regional Offices can have exchange of information, co-ordination and joint studies with Departments like DBOD, DBS, DNBS, UBD, and RPCD.
4. Bhubaneswar	Annual reports on the overall trends in financial sector developments in the region can be prepared. Quarterly reports on the developments in the banking sector based on the information provided in SLBC meetings can be prepared.
5. Chandigarh	Studies of State Government budgets and progress in banking and non-banking financial sectors can be prepared. Regional Offices can provide feedback of market players to the Central Office before and after credit policy announcements. A periodical review on bank credit delivery through self-help groups/NGOs can be introduced.
6. Chennai	Report on Development in Financial Markets including the financial intermediaries and micro-developments and policy initiatives needs to be introduced. Region specific developments in financial markets, with a bearing on policy matters need to be informed to Central Office. For instance, borrowers from NBFCs in the Southern region, who had constant access to their funds are now facing the impact of restructuring of NBFCs. In this connection, industry sources suggested that financial institutions (including banks) have to create innovative hedging and revival products that would facilitate the restructuring of the financial institutions. Such suggestions may be forwarded to the management of the Bank. Progress in policy implementation may also be informed to the management of the Bank by way of a status report on a regular basis. Moreover, micro-level utilisation of funds and increased devolution of financial powers to local bodies could be tracked.
7. Guwahati	Attending SLBC meetings would be beneficial, as financial sector in the North-East is predominantly based on the banking sector. Maintaining contacts with relevant financial institutions, Government bodies and stock markets for dissemination of information would be useful. Financial position of State Governments can be obtained and furnished on a regular basis.
8. Hyderabad	The quarterly report on financial position of State Government provides useful information. This may be continued.
9. Jaipur	SLBC meetings should be attended by the In-charge of the Regional Office. Annual Report on developments in banking and non-banking sectors may be prepared. Database on banking indicators can be created.

Office	Comment
10. Kochi	Regional Offices should prepare studies on regional financial markets. They should also study the State's fiscal position. It is proposed that a review of the financial sector developments covering the issues of performance of banks, working of other financial institutions like NBFCs and private financiers, working of the regional stock exchange, trend in financial markets, namely, forex market, real estate market, <i>etc.</i> can be prepared. There is a need for refocusing of the role of Regional Offices towards preparing notes on financial sector and State-specific aspects like trend in credit-deposit ratio, flow of non-resident funds, activities of Self-Help Groups, flow of credit to priority sector, deposit mobilisation, industrial sickness, <i>etc.</i> There could be studies on region-specific areas with involvement of DBOD/DBS/DNBS/UBD and RPCD.
11. Kolkata	Presently, the DSLF of Central Office of DEAP is represented in the meetings of Planning Commission for finalisation of Annual Plans of the various State Governments. It is proposed that the concerned Regional Offices may also be represented in such meetings as observers.
12. Lucknow	For the work of monitoring of financial sector, the Central Office may set the necessary parameters. For analysis and collection of data from various sources, Central Office may provide appropriate formats/questionnaires.
13. New Delhi	This Regional Office collects information relating to forex transactions of Delhi-based banks, apart from monitoring their response to auctions of dated Government securities. Further, work in this direction would require greater coordination with DBOD/DBS/DNBS and ECD.
14. Patna	Close coordination with DBOD/DBS/RPCD/DNBS/UBD, <i>etc.</i> , in preparation of Market Intelligence Reports can help in identifying, monitoring and analysing trends in financial sector. Regional Offices may be required to undertake studies at least on a half yearly basis on banking and non-banking sectors of the region. For maintaining uniformity in reporting, it may be useful to evolve a <i>pro forma</i> for banking and non-banking sectors.

4. Other related issues

Office	Comment
1. Ahmedabad	Infrastructure in Ahmedabad Regional Office is good, but minimum facilities like fax/telephone/laptop/internet connection <i>etc.</i> , may be made available to all the Regional Offices. In-charges of Regional Offices may have periodical interaction with Central Office.
2. Bhubaneswar	Central Library of the Office may be provided with adequate space. There is a need to enhance communication facilities by way of providing internet/fax/telephone with STD, <i>etc.</i> Adequate number of computers and printers in an integrated environment may be made available.
3. Chennai	Regional Offices can collaborate with local research institutions to track region-specific developments.
4. Guwahati	Maintains a full-fledged Library, however, there are no standard text books in economics and is constrained by paucity of funds and inadequate Computer infrastructure. There is a need for one more laser printer and latest statistical software. There is a need for a photocopier for speedy dispensation of regular work.
5. Hyderabad	There is a proposal for centralisation of Library, which requires additional staff.
6. Jaipur	Periodical seminars/meetings of experts can be organised at regional level on various topical issues to ascertain their opinions. Creating database on banking indicators can help in analytical work. Deputing officers in Regional Offices of DEAP to training programmes may be taken care of. Officers of the Regional Offices should be called to Central Office at least twice a year for orientation.
7. Kochi	Regional Offices can work as research centres. They need to have adequate expertise and facilities for conducting studies based on both primary and secondary data. The Regional Office of DEAP may collect primary data by conducting quick surveys.
8. Kolkata	The Regional Offices may be developed as academic centres for interacting with local universities/research institutions. The officers of Regional Offices may be encouraged to attend seminars and conferences on relevant areas such as banking, finance, <i>etc.</i> Creation of State-wise database at the Regional Offices is proposed. With a view to strengthening the database of Regional Offices, it is suggested that Central Office may send the State-wise information available with them to all the Regional Offices at regular intervals. With a view to enable the Regional Offices to function effectively, some infrastructural facilities like fax/telephone with STD facility/internet connectivity/econometric software (E Views) may be provided. Holding of annual conference of In-charges of Regional Offices of DEAP to provide opportunities for exchange of ideas among officers may be considered. It is suggested that officers from Regional Offices may be invited to Central Office occasionally for consultation.
9. New Delhi	Officers in Regional Offices could be associated with DRG studies. Special studies can be undertaken in consultation with Financial Markets Monitoring Unit. Departmental meetings need to be held at Mumbai involving Regional Offices. Needs of computers and printers may be met. Research Officer should be provided with separate internet connection to facilitate faster communication with Central Office. Library needs to be computerised.

Office	Comment
10. Patna	There is a need for building up a strong regional sector-wise database on a uniform format for all the Regional Offices. Officers of the Regional Offices may participate in seminars, conferences, <i>etc.</i> , to widen their knowledge about various economic issues. There is a need for provision of infrastructural facilities like fax, telephone (with STD), internet, <i>etc.</i> , for faster dissemination of data. A conference of officers of Regional Offices can be held in Mumbai on a regular basis. Centralisation of Departmental libraries into one Library is necessary. Training in econometric software is proposed. Subscription to journals subject to budgetary provision may be left to Regional Offices.

5. Matters relating to Staffing

Office	Comment
1. Ahmedabad	Grade D officers should head the Regional Offices, assisted by an officer in Grade B / C, especially in States with a high level of economic activity. In other States a Grade C officer with a Grade B officer to assist, may be posted in the Regional Offices.
2. Bangalore	As regards the work relating to the centralised library manned by this Regional Office, there is a need to post at least an additional Assistant Manager and a clerk. Further, with an increased need for close interaction with the top management of the Bank and the Regional Director, it is suggested that each Regional Office should be manned in the following manner: One Director (Grade D/E), one Research Officer (Grade B), two Assistant Managers (Grade A), one stenographer, two clerks and one <i>Dufiry</i> .
3. Bhubaneswar	There is staff constraint. Each Regional Office may be provided with at least one more Assistant Manager, one clerk and a peon. In view of development of specialised skills by the staff in the Department, sudden transfers of staff may be avoided.
4. Chennai	An important constraint noticed in the functioning of the Regional Offices is the inadequate sanctioned strength of officers. In this regard it is seen that at present, all the Regional Offices of DEAP are assigned more or less similar items of work, but the strength of officers varies among various Offices. Hence, strengthening and streamlining of staffing pattern in the Regional Offices is suggested.
5. Guwahati	One additional Assistant Manager could be provided to the Guwahati Regional Office.
6. Hyderabad	There is a need for increasing the staff strength.
7. Kochi	All Regional Offices should have at least two Research Officers (Grade B). There is a need for posting senior officers to Regional Offices because normally interaction is with senior level State Government officials, bankers and other functionaries.
8. Kolkata	It is proposed that officers in DEAP, Central Office may be given exposure to the Regional Offices by posting them for a minimum period of two years. For effective management of Library, the following staffing pattern is suggested: one Manager-cum-Librarian (Class I), one Library assistant and one Library attendant (Class III) and one peon and one <i>darwan</i> (Class IV).
9. New Delhi	One additional Research Officer is required. One additional Assistant Manager is also required to attend to administrative work. One professionally trained librarian is also required.
10. Patna	The Regional Offices which are headed by Research Officers may be upgraded to Grade C.

Annexure III

Comments received from user Divisions of Central Office of DEAP on Reports / Reviews prepared by Regional Offices of DEAP

Sr. No.	DEAP Division	Report/Review	Periodicity	Receiving From Regional Office	Comment
1	Capital Markets Division	Review on Ahmedabad / Kolkata Stock Exchange	Monthly	Ahmedabad and Kolkata	To be reformatted
		Dissemination of data on private placement by un-listed companies	Monthly	Guwahati	Delays to be avoided
2	Division of Industrial and Services Studies	Review on Exports of Marine Products	Quarterly	Kochi	May be discontinued
		Review of Exports of Engineering Goods	Monthly	Kolkata	
		Review of Performance of Coal Industry	Monthly	Kolkata	
		Review of Major Industries in the Eastern Region	Monthly	Kolkata	
		Report on Power Situation	Monthly	Kochi	
3	Division of Rural Economics	Review of South Indian Tea	Half-Yearly	Kochi	May be discontinued
		Review on Rubber Economy	Quarterly	Kochi	
		Report on Wholesale Prices of Essential Commodities	Monthly	All Regional Offices	
		Market Intelligence Report of Essential Commodities	Monthly	All Regional Offices	
		Report on Progress of Monsoon and Crop Situation	Monthly	All Regional Offices	
		Weather Report	Monthly	New Delhi	
		Review of Developments in Jute Industry	Monthly	Kolkata	
		Review of developments in Tea Industry	Monthly	Guwahati	
		Price Quotations of Raw Jute and Jute Goods	Weekly	Kolkata	
		Statement on Retail Prices of Essential Commodities in the Region	Weekly	All Regional Offices	
		Statement on Groundnut and Groundnut Oil Prices	Weekly	Ahmedabad and Hyderabad	
4	Division of State and Local Finances	Financial Position of the States	Quarterly	All Regional Offices	To be continued
		State Budget Review	Annual	All Regional Offices	
		Highlights of Financial Resources Discussions held by Planning Commission	Annual	New Delhi	
5	Financial Markets Monitoring	State Economic Profile	Annual	All Regional Offices	To be continued
		Report on Working of Regional Offices of DEAP	Annual	All Regional Offices	To be continued

*Report of The Working Group on Functioning
of Regional Offices of DEAP, June 2002*

Sr. No.	DEAP Division	Report/Review	Periodicity	Receiving From Regional Office	Comment
5	Financial Markets Monitoring Unit	Report on State Level Inter-Institutional Committee (SLIIC) Meeting	Quarterly	All Regional Offices	To be reformatted
		Banking Developments in the Region	Quarterly	All Regional Offices	To be reformatted
		Tea Review	Quarterly	Guwahati	To be discontinued
		Economic Development in the State / Region	Monthly	All Regional Offices	To be reformatted
		Monthly Report on Retail Prices of Essential Commodities	Monthly	All Regional Offices	To be discontinued
		Data on Regional Call Money Market	Monthly	Chennai	To be reformatted
6	Division of International Trade	Review on Exports of Marine Products	Quarterly	Kochi	May be discontinued
		Review of Developments in Exports of Engineering Goods	Monthly	Kolkata	

Annexure IV

List of In-charges of Regional Offices of DEAP with whom the Working Group had interaction

	Name	Designation	Office
1	Shri B.M. Misra	Director	Kolkata
2	Smt. Bulbir Kaur	Director	New Delhi
3	Smt. Rekha Mishra	Assistant Adviser	Ahmedabad
4	Shri K. Shivswamy	Assistant Adviser	Bangalore
5	Shri Sumit Basu	Assistant Adviser	Guwahati
6	Shri M. Seenuvasan	Assistant Adviser	Hyderabad
7	Dr. P. D. Jeromi	Assistant Adviser	Kochi
8	Dr. Rajeev Lochan	Research Officer	Bhopal
9	Shri Bhaskar Chatterjee	Research Officer	Bhubaneshwar
10	Shri Sunil Kumar	Research Officer	Chandigarh
11	Smt. Smita Sharma	Research Officer	Jaipur