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Monetary Policy Report April 2015

*First Bi-monthly Monetary Policy Statement, 2015-16 by Dr. Raghuram G. Rajan, Governor**

Monetary and Liquidity Measures

On the basis of an assessment of the current and evolving macroeconomic situation, it has been decided to:

- keep the policy repo rate under the liquidity adjustment facility (LAF) unchanged at 7.5 per cent;
- keep the cash reserve ratio (CRR) of scheduled banks unchanged at 4.0 per cent of net demand and time liability (NDTL); and
- continue to provide liquidity under overnight repos at 0.25 per cent of bank-wise NDTL at the LAF repo rate and liquidity under 7-day and 14-day term repos of up to 0.75 per cent of NDTL of the banking system through auctions; and
- continue with daily variable rate repos and reverse repos to smooth liquidity.

Consequently, the reverse repo rate under the LAF will remain unchanged at 6.5 per cent, and the marginal standing facility (MSF) rate and the Bank Rate at 8.5 per cent.

Assessment

2. Since 2014-15's sixth bi-monthly monetary policy statement of February, a moderate and uneven global recovery is emerging, with economies being buffeted (or supported) by currency fluctuations and commodity prices. Growth in the United States is likely to have been weak in the first quarter of calendar 2015, partly because of US dollar appreciation, but is expected to strengthen. The Euro area has started to show modest improvement, supported by a boost to demand from lower crude prices and the depreciation of the euro as well as easing financial and credit conditions following the commencement of quantitative easing. With the waning of the impact of the consumption tax increase, growth turned positive in Japan in Q4 of 2014 and consumer confidence and exports picked up. However, retail sales and industrial production contracted, indicating that the outlook is still weak. Growth continues to slow in China amidst financial fragilities and macroeconomic imbalances. This will have regional and global ramifications, although the softness in international commodity prices is providing some offset for net importers while adversely impacting net exporters. Global growth is likely to firm up through 2015 and 2016, supported by stronger recovery in the advanced economies (AEs) and soft energy prices. Downside risks mainly emanate from the slowdown in China, geopolitical risks surrounding oil prices and the uneven effects of currency and commodity price movements.

3. Global financial markets have been boosted by expectations of normalisation of US monetary policy being pushed back into late 2015, monetary policy stances turning highly accommodative in other AEs, and several emerging market economies (EMEs) easing policy rates to address growth concerns. Long-term yields have declined to all-time lows on weak inflation expectations, compression of term premiums and the safe haven allure of US Treasuries. Ultra low interest rates and reduction in risk premia have raised most asset prices to record highs, and have pushed investors to riskier assets such as equity and lower rated debt instruments. Exchange rates have experienced large and volatile movements, with the US dollar strengthening against most currencies. Among EMEs, markets have tended to discriminate against those with relatively weaker fundamentals and/or oil

* Released on April 7, 2015.

exporters. Nevertheless, with high portfolio flows to EMEs, risks from sudden shifts in market sentiment have increased.

4. Domestic economic activity is likely to have strengthened in Q4. Second advance estimates of the Ministry of Agriculture suggest that the contraction in food grains production in 2014-15 may turn out to be less than earlier anticipated. However, the adverse impact of unseasonal rains and hailstorms in March is still unfolding. Initial estimates indicate that as much as 17 per cent of the sown area under the *rabi* crop may have been affected though the precise extent of the damage remains to be determined. The growth in allied activities is likely to remain strong as in the recent past, though it remains to be seen whether it will fully compensate the decline in food grains output.

5. The industrial sector, and in particular, manufacturing appears to be regaining momentum, with the growth of production in positive territory for three consecutive months till January. While basic goods production has been expanding steadily since November 2013, capital goods output has been relatively lumpy and volatile, and more positive readings are needed to be confident about a durable pick-up in investment demand. The persisting contraction in consumer durables production for over two years could be reflecting the underlying weakness in consumption demand as well as higher imports.

6. Mixed signals are coming from the service sector. While the national accounts statistics seem to suggest that consumption demand for services is robust relative to the demand for goods, and purchasing managers perceive activity expanding on new orders, various coincident indicators of services sector activity including railway and port traffic, domestic and international passenger traffic, international freight traffic, tourist arrivals, motorcycle and tractor sales as well as bank credit and deposit growth remain subdued.

7. Retail inflation measured by the year-on-year changes in the revised consumer price index (CPI) firmed up for the third successive month in February as favourable base effects dissipated, despite the price index remaining virtually flat since December. The still elevated levels of prices of protein-rich items such as pulses, meat, fish and milk kept food inflation from following the seasonal decline in prices of vegetables and fruits. The prices of items such as sugar and edible oil moderated in consonance with the downturn in global commodity prices. Fuel inflation edged up for the second month in a row due to the increase in prices of electricity and firewood.

8. Inflation excluding food and fuel fell successively in the nine months till February. A large part of this disinflation has been on account of the slump in international crude oil prices feeding through into domestic prices of petrol and diesel that are included under the category transport and communication. Inflation in respect of housing has also eased in the revised CPI, in part reflecting methodological and coverage improvements. Furthermore, upside pressures affecting prices of services such as education, health and other services have also fallen on account of weak demand conditions. The rate of growth of rural wages has come off substantially from the double digit levels that prevailed up to November 2013. Firms are also reporting a substantial easing of input price pressures, barring the most recent purchasing manager surveys. Reflecting past disinflation, inflation expectations of households are in single digits, although they too exhibit some firming up in Q4 in response to the turning up of food and fuel inflation during January-February.

9. Since the shift in the monetary policy stance in January towards accommodation, the Reserve Bank

has moved to ensure comfortable liquidity conditions through pro-active liquidity management, including fine-tuning operations on week days and access to the MSF and fixed rate reverse repo on Saturdays. This has helped to smooth the liquidity frictions that characterise events such as advance tax payments and balance sheet dates, keeping the money market rates anchored to the repo rate. In order to alleviate the pressures that build up in March on account of frictional factors, the Reserve Bank augmented its liquidity management instruments by engaging in repos of maturities ranging from 8 to 28 days cumulating to an outstanding amount of ₹1430 billion (including support from the MSF of ₹416 billion) at end-March in addition to regular 14-day term repo auctions and fixed rate overnight repos. The availability of liquidity can be gauged from the fact that in March, average daily liquidity returned by market participations through variable/fixed rate reverse repos amounted to ₹293 billion.

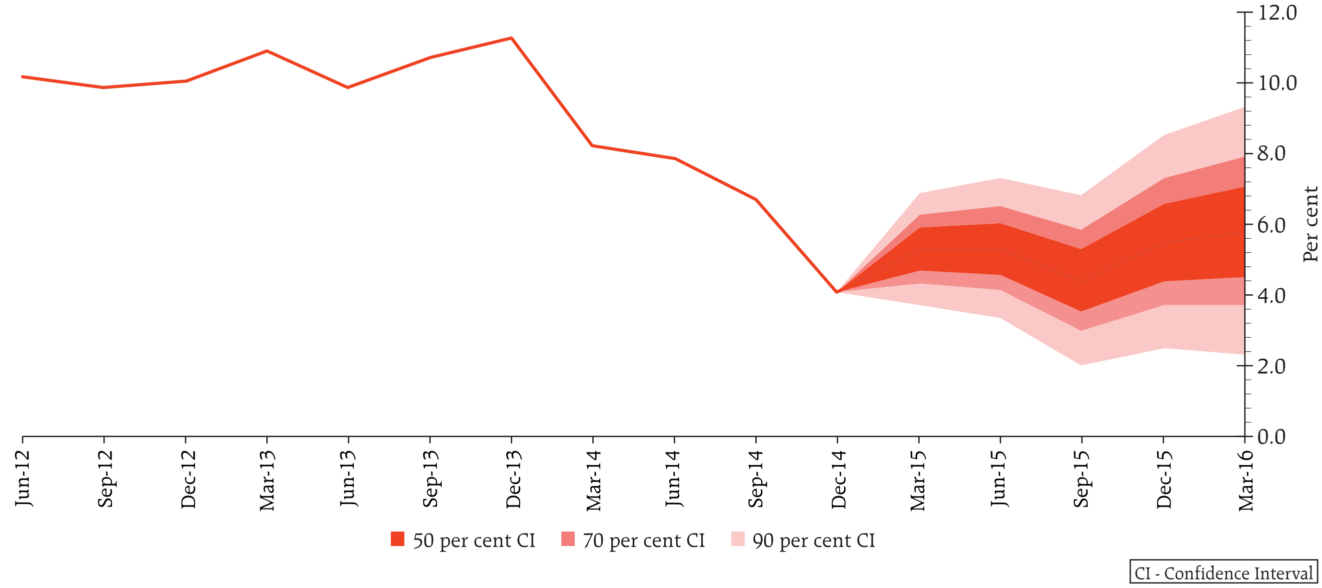
10. Export performance has been progressively weakening and contraction set in on both non-oil and petroleum product exports since December 2014. Fragile external demand conditions and the softness in international commodity prices have taken a heavy toll, as in several other EMEs in Asia. In particular, price realisations have been eroded, despite export volumes going up. With the Indian rupee gaining in real effective terms, export margins are coming under pressure for those exporters without substantial imported inputs. Net terms of trade gains and compression in imports of petroleum products have narrowed the trade deficit in the last three months to its lowest level since 2009-10. Gold imports remained contained; although non-oil non-gold imports grew at a modest pace in these months, they may be reflecting substitution effects in view of the sluggishness in domestic manufacturing.

11. Exports of services, particularly, software and travel have provided a silver lining and have helped to hold down the current account deficit (CAD) which has narrowed in Q3. This improvement has likely extended into Q4. As a result, capital inflows – mainly portfolio flows into domestic debt and equity markets and foreign direct investment – have exceeded the external financing requirement and enabled accretion to the foreign exchange reserves which reached an all-time peak of US$ 343 billion as on April 3, 2015. These reserves, including forward purchases that will be delivered over the next few months, provide some buffer against potential capital outflows when monetary policy normalisation in AEs commences. Good macroeconomic policy will, of course, be the critical first line of defence in retaining investor confidence.

Policy Stance and Rationale

12. In 2015 so far, the inflation path has evolved along the projected path after a sizable undershoot of the January 2015 target. CPI inflation is projected at its current levels in the first quarter of 2015-16, moderating thereafter to around 4 per cent by August but firming up to reach 5.8 per cent by the end of the year (Chart 1). There are upside risks to the central projection emanating from possible intensification of *el niño* conditions leading to a less than normal monsoon; large deviations in vegetable and fruit prices from their regular seasonal patterns, given unseasonal rains; larger than anticipated administered price revisions; faster closing of the output gap; geo-political developments leading to hardening of global commodity prices; and spillover from external developments through exchange rate and asset price channels. However, at this juncture, these upside risks appear to be offset by downsides originating from global deflationary/disinflationary tendencies, the still soft outlook on global commodity prices; and slack in the domestic economy.

Chart 1: Projection of CPI Inflation (y-o-y) for 2015-16



13. Transmission of policy rates to lending rates has not taken place so far despite weak credit off take and the front loading of two rate cuts. With little transmission, and the possibility that incoming data will provide more clarity on the balance of risks on inflation, the Reserve Bank will maintain *status quo* in its monetary policy stance in this review.

14. The Monetary Policy Framework Agreement signed by the Government of India and the Reserve Bank in February 2015 will shape the stance of monetary policy in 2015-16 and succeeding years. The Reserve Bank will stay focussed on ensuring that the economy disinflates gradually and durably, with CPI inflation targeted at 6 per cent by January 2016 and at 4 per cent by the end of 2017-18. Although the target for end-2017-18 and thereafter is defined in terms of a tolerance band of +/- 2 per cent around the mid-point, it will be the Reserve Bank's endeavour to keep inflation at or close to this mid-point, with the extended period provided for achieving the mid-point mitigating potentially adverse effects on the economy. As outlined above, several favourable forces are at work, consistent with the change in the monetary policy stance towards accommodation effected from January. The Reserve Bank's intent is to allow the disinflationary momentum to spread through the economy, but remain vigilant about any resurgence of inflationary pressures that may destabilise the progress towards the inflation objectives set in the Agreement.

15. The outlook for growth is improving gradually. Comfortable liquidity conditions should enable banks to transmit the recent reductions in the policy rate into their lending rates, thereby improving financing conditions for the productive sectors of the economy. Along with initiatives announced in the Union Budget to boost investment in infrastructure and to improve the business environment, these factors should provide confidence to private investment and, together with the conducive outlook on inflation, deliver real income gains to consumers and lower input cost advantages to corporates. GDP growth estimates of the CSO for 2014-15 already project a robust pick-up, but leading and coincident indicators suggest a downward revision of these estimates when fuller information on real activity for the last quarter

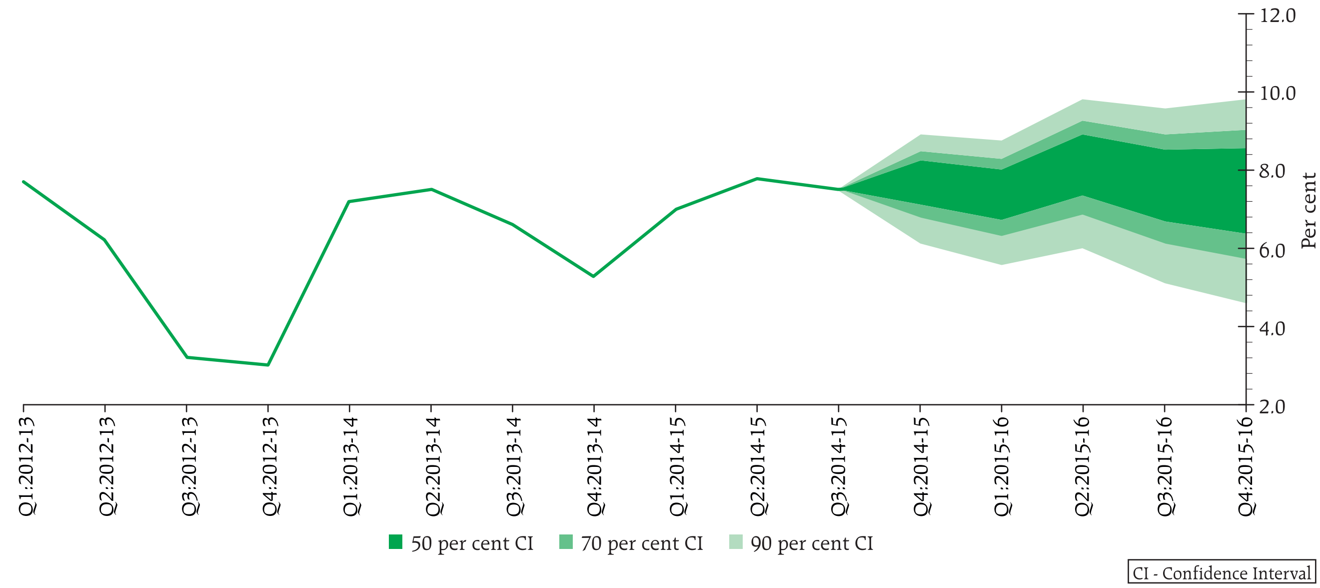
becomes available. Uncertainty surrounding the arrival and distribution of the monsoon and unanticipated global developments are the two major risks to baseline growth projections. Assuming a normal monsoon, continuation of the cyclical upturn in a supportive policy environment, and no major structural change or supply shocks, output growth for 2015-16 is projected at 7.8 per cent, higher by 30 bps from 7.5 per cent in 2014-15, but with a downward bias to reflect the still subdued indicators of economic activity (Chart 2).

16. Going forward, the accommodative stance of monetary policy will be maintained, but monetary policy actions will be conditioned by incoming data. First, the Reserve Bank will await the transmission by banks of its front-loaded rate reductions in January and February into their lending rates. Second, developments in sectoral prices, especially those of food, will be monitored, as will the effects of recent weather disturbances and the likely strength of the monsoon, as the Reserve Bank stays vigilant to any threats to the disinflation that is underway. The Reserve Bank will look through both seasonal as well as base effects. Third, the Reserve Bank will look to a continuation and even acceleration of policy efforts to unclog the supply response so as to make available key inputs such as power and land. Further progress on repurposing of public spending from poorly targeted subsidies towards public investment and on reducing the pipeline of stalled investment will also be helpful in containing supply constraints and creating room for monetary accommodation. Finally, the Reserve Bank will watch for signs of normalisation of the US monetary policy, though it anticipates India is better buffered against likely volatility than in the past.

Part B: Developmental and Regulatory Policies

17. This part of the Statement reviews the progress on various developmental and regulatory policy measures announced by the Reserve Bank in recent policy statements and also sets out new measures to be taken for strengthening the banking structure; broadening and deepening financial markets and extending the reach of financial services to all.

Chart 2: Quarterly Projection of Growth in GVA at basis prices (y-o-y) for Q4:2014-15 to 2015-16



I. Monetary Policy Framework

18. Steps taken to revise the monetary policy framework are documented in the accompanying Monetary Policy Report.

II. Banking Structure

19. The Basel Committee on Banking Supervision issued the final rules on the Net Stable Funding Ratio (NSFR) in October 2014. The Reserve Bank has already started phasing in implementation of the Liquidity Coverage Ratio (LCR) from January 2015 and is committed to the scheduled implementation of NSFR from January 1, 2018 for banks in India. The Reserve Bank proposes to issue draft guidelines on NSFR by May 15, 2015.

20. Guidelines on Countercyclical Capital Buffers (CCCB) were issued on February 5, 2015. They advised that the CCCB would be activated as and when circumstances warrant, and that the decision would normally be pre-announced with a lead time of four quarters. The framework envisages the credit-to-GDP gap as the main indicator which may be used in conjunction with other supplementary indicators such as the incremental credit-deposit (C-D) ratio for a moving period of three years, the industrial outlook survey (IOS) assessment index and the interest coverage ratio. A review and empirical testing of these indicators was carried out to assess whether activation of the CCCB is warranted. It was concluded that the overall situation does not warrant imposition of CCCB at this point of time.

21. In July 2014, banks were allowed to issue long term bonds (LTBs), with exemptions from certain regulatory pre-emptions, for lending to (i) long-term projects in infrastructure sub-sectors, and (ii) affordable housing. However, cross-holding of such bonds amongst banks is currently not permitted. On a review, it has been decided to allow banks to invest in such bonds issued by other banks, subject to the following conditions:

i. banks' investment in these bonds will not be treated as 'assets with the banking system in India' for the purpose of calculation of NDTL; and

ii. any single bank's holding of bonds in a particular issue will be subject to certain limits in relation to the bond issue size. Its aggregate holding of such bonds will also be subject to certain limits in relation to its own assets.

iii. LTBs held for trading will reduce the bank's priority sector and liquidity benefits obtained from its own issuance of LTBs.

Detailed guidelines in this regard will be issued shortly.

22. For monetary transmission to occur, lending rates have to be sensitive to the policy rate. With the introduction of the Base Rate on July 1, 2010 banks could set their actual lending rates on loans and advances with reference to the Base Rate. At present, banks are following different methodologies in computing their Base Rate – on the basis of average cost of funds, marginal cost of funds or blended cost of funds (liabilities). Base Rates based on marginal cost of funds should be more sensitive to changes in the policy rates. In order to improve the efficiency of monetary policy transmission, the Reserve Bank will encourage banks to move in a time-bound manner to marginal-cost-of-funds-based determination of their Base Rate. Detailed guidelines will be issued shortly.

23. The Financial Benchmarks India Pvt. Ltd., jointly floated by the Fixed Income Money Market and Derivatives Association of India (FIMMDA), the Foreign Exchange Dealers' Association of India (FEDAI) and the Indian Banks' Association (IBA), has been established as an independent benchmark

administrator. This administrator will start operations by end-May 2015. Once it starts publishing various indices of market interest rates, the Reserve Bank will explore the possibility of encouraging banks to use the indices as an external benchmark for pricing bank products.

24. The Reserve Bank has been prescribing a comprehensive 'Calendar of Reviews' to be deliberated by the boards of banks, with significant additions to the calendar over the years. Time spent on reviews reduces the leeway for the board to discuss issues of strategic importance for banks such as product market strategy and risk management. The Committee to Review Governance of Boards of Banks in India (Chairman: Dr. P.J.Nayak) recommended that discussions in the boards of banks need to be upgraded and greater focus should be on strategic issues. It is, therefore, proposed to do away with the mandatory calendar of reviews and instead, replace it with the seven critical themes prescribed by the Nayak Committee namely, business strategy, financial reports and their integrity, risk, compliance, customer protection, financial inclusion and human resources, and leave it to the banks' boards to determine other list of items to be deliberated and periodicity thereof.

25. The need to bring in professionalism to the boards of banks cannot be overemphasized. In order to attract and retain professional directors, it is essential that they are appropriately compensated. Public sector banks follow guidelines issued by the government in this regard. The remuneration of the part-time Chairmen of private sector banks are approved specifically for each bank under the current statutory provisions. However, there is no guidance on remuneration to other non-executive directors of private sector banks. Therefore, it is proposed:

i. to issue guidelines to private sector banks on a policy on remuneration for the non-executive directors (other than part-time Chairman) that will reflect market realities and will be within the parameters specified in the Banking Regulation Act 1949 and the Companies Act, 2013; and

ii. to discuss with the Government the adoption of a similar remuneration policy for the non-executive directors of the public sector banks.

26. With a view to enlarging the scope of urban co-operative banks for expanding their business, it has been decided to allow financially sound and well managed (FSWM) scheduled urban co-operative banks, which are CBS-enabled and having minimum net worth of ₹100 crore, to issue credit cards. Detailed guidelines in this regard will be issued separately.

27. Similarly, with a view to providing greater freedom to state co-operative banks to expand their business and to provide technology-enabled services to their customers, it has been decided to permit state co-operative banks satisfying certain eligibility criteria to set up off-site ATMs/mobile ATMs without obtaining prior approval from the Reserve Bank. Detailed guidelines in this regard will be issued separately.

III. Financial Markets

28. Several steps have been taken by the Reserve Bank to promote liquidity in the government securities (G-sec) market as recommended by the Working Group on Enhancing Liquidity in the Government Securities and Interest Rate Derivatives Markets (Chairman: Shri R. Gandhi). These include, *inter alia*, a) conduct of G-sec auctions at both uniform price and multiple price formats; b) change of the settlement cycle of primary auctions for treasury bills (T-bills) from T+2 to T+1 basis; and c) re-issuance of state development loans.

29. As part of continuing measures to promote liquidity, the Reserve Bank will formulate a scheme

for market making by primary dealers in semi-liquid and illiquid government securities. Details of the scheme will be worked out and implemented in consultation with market participants within the next three months.

30. Although the G-sec market is predominantly institutional in nature, the Reserve Bank has initiated several steps to promote retail/individual investments, such as the non-competitive bidding scheme, and enabling access to the Negotiated Dealing System-Order Matching (NDS-OM). To increase participation of the retail and mid-segment investors in the G-sec market, gilt account holders (GAHs) were also extended web-based access to NDS-OM (secondary market trading platform) and NDS-auction platform (primary market platform) earlier. Auctions of G-secs have since moved to a more robust CBS platform (e-Kuber). Accordingly,

i. it is now proposed to introduce a similar web-based solution for participation of all mid-segment / retail investors having gilt accounts on the e-Kuber platform. The facility is expected to be made available within the next three months.

ii. Considering the need to tap private savings through G-secs, retail investors/individuals could be provided direct access to both primary and secondary market platforms without any intermediary. Hence, it is proposed to explore the creation of alternate channels of distribution (e-Distribution Channels) for G-secs by the Reserve Bank.

iii. The Reserve Bank has been in consultation with all stakeholders to enable seamless movement of securities from subsidiary general ledger (SGL) form to demat form and *vice versa* to promote trading of G-secs on stock exchanges. Concomitantly, it has also been decided to provide demat account holders a functionality to put through trades on NDS-OM. As implementation of these reforms involves multiple agencies, it is proposed to constitute an Implementation Group with representatives from all stakeholders to roll out the measures within a period of six months.

iv. The non-competitive bidding facility available to retail investors is currently applicable only to auctions of dated securities other than Treasury Bills. In the case of Treasury Bills, a different type of non-competitive bidding is permitted only for State governments, eligible provident funds, select foreign central banks and sovereign wealth funds. It is proposed to allow non-competitive bidding facility in Treasury Bills to individuals as well. Details of the facility will be worked out and implemented in consultation with the Government of India.

31. A few international financial institutions were permitted to issue rupee bonds in overseas markets, subject to certain conditions. These issues have been received with interest. The appetite for rupee debt amongst international investors is a welcome development. In view of this, it is proposed to expand, in consultation with the Government of India, the scope of such bond issues by the international financial institutions as also to permit Indian corporates eligible to raise external commercial borrowing (ECB) through issuance of rupee bonds in overseas centers with an appropriate regulatory framework.

32. Under the present regulatory framework governing foreign exchange derivatives contracts under the Foreign Exchange Management Act, 1999

(FEMA), writing of options by the users on a standalone basis is not permitted. However, end-users can enter into option strategies of simultaneous buying and selling of plain vanilla European options, provided there is no net receipt of premium. With a view to encouraging hedging of forex exposures and enhancing the liquidity of the currency options market, it is proposed to permit Indian exporters and importers to write covered options on the basis of actual contracted forex exposure, subject to conditions. Detailed operating instructions shall follow separately.

IV. Access to Finance

33. The Reserve Bank had constituted an Internal Working Group to revisit the Priority Sector guidelines. The Working Group has since submitted its report, which was placed on the Reserve Bank's website for comments/suggestions.The Working Group has, *inter alia*, recommended specific sub-targets for small and marginal farmers and micro enterprises and inclusion of certain specific types of social infrastructure within the ambit of priority sector lending. The working Group has also recommended introduction of tradable Priority Sector Lending Certificates as another instrument to manage deficit/surplus amongst the players within the system. The Reserve Bank will take a view on the recommendations in the light of feedback received and the guidelines in this regard will be issued shortly.

34. Taking into consideration the improvement in the Micro-Finance Institutions (MFI) sector and recommendations of the Committee on Comprehensive Financial Services for Small Businesses and Low Income Households (Chairman: Dr. Nachiket Mor), there is a need to revise upwards the limit relating to total indebtedness of the borrower, eligible rural and semi-urban household annual incomes and loan amounts to be disbursed in the first cycle and in subsequent cycles as follows:

i. Total indebtedness of a borrower, excluding educational/ medical expenses, not to exceed ₹1,00,000 (raised from the current limit of ₹50,000).

ii. Loan disbursed to a borrower with a rural household annual income not exceeding ₹1,00,000 (enhanced from ₹60,000) or urban and semi-urban household income not exceeding ₹1,60,000 (enhanced from ₹1,20,000).

iii. Disbursement of the loan amount not to exceed ₹60,000 (enhanced from ₹35,000) in the first cycle and ₹1,00,000 (enhanced from ₹50,000) in subsequent cycles.

Detailed guidelines will be issued shortly.

35. Several measures have been taken to ensure the timely flow of funds to the infrastructure sector. One of them was to create a separate category of non-bank finance companies (NBFCs) called NBFC-infrastructure debt fund (NBFC-IDF). These NBFCs were allowed only to provide take-out finance for infrastructure projects in the Public Private Partnership (PPP) segment under a tripartite agreement involving, among others, the project authority. Certain regulatory dispensations were also given to these NBFCs. With a view to expanding the nature of projects to which they can lend, it is proposed to allow NBFC-IDFs to provide take-out finance for infrastructure projects that have completed one year of operation in the PPP segment without a tripartite agreement and to the non-PPP segment, subject to certain conditions. Detailed guidelines are being issued separately.

36. Looking ahead, the Reserve Bank's developmental and regulatory policies will continue to be guided by the five-pillar approach to improve the efficacy of monetary and liquidity management, expand financial inclusion and carry forward banking sector reforms

by adapting the best international practices to country-specific requirements.

37. The second bi-monthly monetary policy statement will be announced on June 2, 2015; the third bi-monthly monetary policy statement on August 4, 2015; the fourth bi-monthly monetary policy statement on September 29, 2015; the fifth bi-monthly monetary policy statement on December 1, 2015; and the sixth bi-monthly monetary policy statement on February 2, 2016.

I. Macroeconomic Outlook

The broad-based decline in retail inflation since September 2014, plans announced in the Union Budget to step up infrastructure investment, depressed commodity prices and upbeat financial market conditions have improved the prospects for growth in 2015-16. Retail inflation is projected to remain below 6 per cent in 2015-16, within the target set for January 2016. Persisting slack in the economy and restrained input costs should sustain disinflationary impulses, unless disrupted by reversal in global commodity prices and/or deficiency in the south-west monsoon.

Since the first Monetary Policy Report (MPR) of September 2014, tectonic shifts in the global and domestic environment drastically changed the initial conditions that had underpinned staff's outlook at that time. The most significant shock to forecasts has been the collapse of international commodity prices, particularly those of crude[1]. For the Indian economy, this translated into a sizable softening of prices of both raw materials and intermediates. Their pass-through, given the persisting slack in economic activity, weakened pricing power and fed into a faster than anticipated easing of output price pressures.

Another factor vitiating staff's baseline assumptions has been the different speeds at which global activity evolved across geographies. With several emerging market economies (EMEs) slowing down alongside sluggish advanced economies – barring the United States (US) – external demand fell away and sent prices of tradables into contraction. For India, import prices declined faster than export prices, conferring unexpected gains in net terms of trade as well as an appreciable easing of imported inflationary pressures. As data from the US allayed fears of early monetary policy normalisation and ultra accommodative monetary policies took hold in Europe, Japan and China as also elsewhere, risk appetite roared into financial markets and India became a preferred destination for capital flows. The appreciating bias imparted to the exchange rate of the rupee brought with it a disinflation momentum.

Domestically, prices of fruits and vegetables ebbed from September after supply disruptions induced spikes in July-August. Aided by proactive supply management strategies and moderation in the pace of increase in minimum support prices, food inflation eased more than expected[2]. Another favourable but unanticipated development that restrained cost-push pressures has been the sharp deceleration in rural wage growth to below 6 per cent by January 2015 from 16 per cent during April-October 2013[3]. The confluence of these factors fortified the anti-inflationary stance of monetary policy and reinforced the impact of the policy rate increases effected between September 2013 to January 2014. In the event, CPI inflation[4] retreated below the January 2015 target of 8 per cent by close to 300 basis points.

Going forward, staff's assessment of initial conditions and consequent revisions to forecasts in this MPR will be fundamentally shaped by these developments. The outlook will also likely be influenced by the new monetary policy framework put in place in February 2015, marking a watershed in India's monetary history.

The Government of India and the Reserve Bank have committed to an institutional architecture that accords primacy to price stability as an objective of monetary policy. The Monetary Policy Framework Agreement envisages the conduct of monetary policy around a nominal anchor numerically defined as below 6 per cent CPI inflation for 2015-16 (to be achieved by January 2016) and 4 +/- 2 per cent for all subsequent years, with the mid-point of this band, *i.e.*, 4 per cent

[1] As against the baseline of US$ 100 per barrel assumed for the Indian basket of crude in September 2014, the average price for October – March works out to about US$ 64 per barrel.

[2] In the second half of 2014-15 so far, average food inflation fell by 340 basis points from 8.2 per cent in April-September 2014.

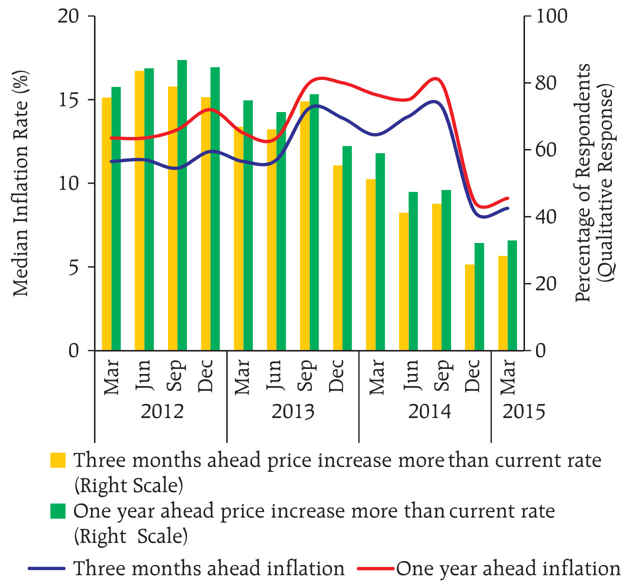
[3] After the revision of rural wage series by the Labour Bureau in November 2013, wage growth rates are not strictly comparable,

[4] Unless stated otherwise, CPI inflation refers to year-on-year changes in the all India Consumer Price Index (CPI) combined (rural and urban) or CPI-C (base 2012=100).

to be achieved by the end of 2017-18. Failure to achieve these targets for three consecutive quarters will trigger accountability mechanisms, including public statements by the Governor on reasons for deviation of inflation from its target, remedial actions and the time that will be taken to return inflation to the mid-point of the inflation target band. This flexible inflation targeting (FIT) framework greatly enhances the credibility and effectiveness of monetary policy, and particularly, the pursuit of the inflation targets that have been set. The commitment of the Government to this framework enhances credibility significantly since it indicates that the Government will do its part on the fiscal side and on supply constraints to reduce the burden on monetary policy in achieving price stability.

Inflation expectations of various economic agents polled in forward looking surveys have been easing, partly reflecting the adaptation of expectations to the decline in inflation as well as growing credibility around the Reserve Bank's inflation targets. Although households' expectations of inflation three months ahead as well as one year ahead appear to have firmed up modestly in March 2015 in response to the uptick in retail inflation in January – February 2015, the softening of food and fuel inflation will likely temper those expectations going forward (Chart I.1 and Box I.1). This is borne out by the survey of professional

Chart I.1: Households' Inflation Expectations



Box I.1: What is Driving Inflation Expectations?

Understanding the dynamic interaction between inflation and inflation expectations is important for setting monetary policy. Inflation is sensitive to change in the output gap and inflation expectations, both of which monetary policy can influence by modulating aggregate demand. In countries where inflation expectations are well anchored, inflation has become less sensitive to variations in the output gap, leading to a flattening of the Phillips curve. In these countries, inflation has even become less sensitive to major supply shocks (Bernanke, 2007).

Survey-based gauges of expectations tend to be somewhat backward-looking for the near term – responding to changes in actual inflation, Price movements of frequently bought food products have a significant bearing on inflation expectations. Fuel prices also move inflation expectations quickly: despite having lower weights in the consumption basket, their price changes get wide publicity in the media and influence expectations faster than their actual impact on the consumption basket. Longer-term expectations are typically more stable. Empirical analysis using data for the period September 2008 to December 2014 shows that 3 months ahead inflation expectations move largely in response to changes in prices of vegetables/fruits and petrol – which together explain almost 60 per cent of the change in inflation expectations. These findings are robust, *i.e.,* even if the last quarter (October-December 2014) – when inflation expectations declined sharply – is excluded from the sample, the estimated coefficients remain stable.

The experience of inflation targeting countries suggests that a credible monetary policy framework with clarity about the objective function of the central bank helps in anchoring inflation expectations. In the UK for

(Contd.)

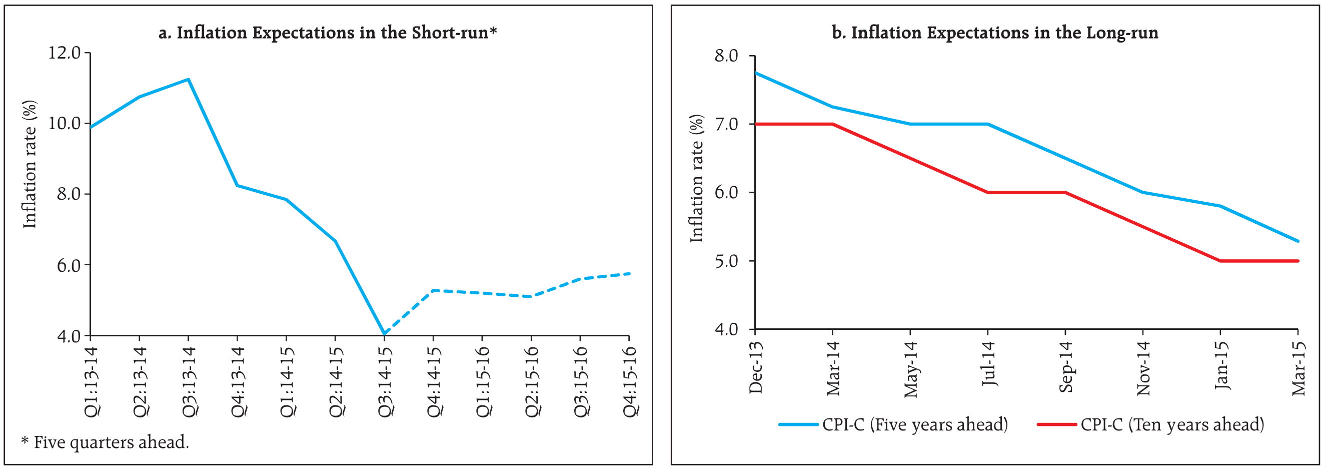
example, just the announcement of instrument independence for the Bank of England in May 1997 led to an immediate fall in inflation expectations by 50 basis points along the entire term structure (Haldane, 2000). In this context, the Monetary Policy Framework Agreement in India should be able to reinforce the disinflationary forces currently at work and anchor inflation expectations around the medium-term inflation target.

References:

Bernanke, Ben S. (2007), "Inflation Expectations and Inflation Forecasting", July 10, 2007. <http://www.federalreserve.gov/newsevents/speech/bernanke20070710a.htm>

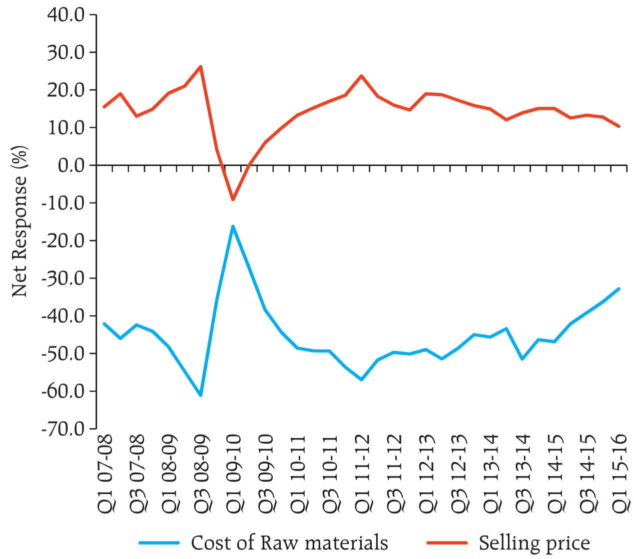
Haldane, Andrew (2000) "Targeting Inflation: The United Kingdom in Retrospect", <https://www.imf.org/external/pubs/ft/seminar/2000/targets/strach7.pdf>

Chart I.2: Professional Forecasters' Inflation Expectations



forecasters for March 2015 in which five years ahead inflation expectations have dropped by 50 basis points to 5.3 per cent. Professional forecasters expect CPI inflation to average between 5.0 and 6.0 per cent in 2015-16 (Chart I.2). The industrial outlook survey of the Reserve Bank indicates that manufacturers expect softer input prices in the near-term, which could transmit to output prices with a lag in view of the slack in economic activity (Chart I.3).

Chart I.3: Expectations of Cost of Raw Materials and Selling Prices



I.1 Outlook for Inflation

Turning to inflation forecasts, large and unanticipated changes in initial conditions referred earlier warrant revised baseline assumptions (Table I.1). Updated estimates of structural models and information yielded by surveys and market-based gauges indicate that CPI inflation will remain below the target of 6 per

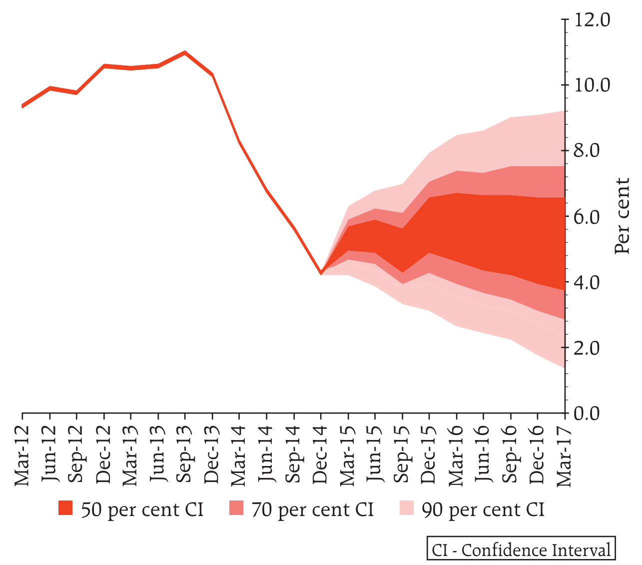
Table I.1: Baseline Assumptions for Near-Term Projections

September 2014 MPR	Current Assumptions
• Indian crude oil basket price at US$ 100 per barrel for the remaining part of the year. • Exchange rate at about Rs. 60 per US$ for the remaining part of the year. • No increase in diesel prices from September 2014 onwards. • No increase in administered liquefied petroleum gas (LPG) and kerosene prices in the remaining part of the year. • Global growth picking up in the second half of the year, as projected in the World Economic Outlook (WEO) July 2014 update, IMF. • Achievement of fiscal deficit targets as outlined in the Union Budget for 2014-15. • No major change in domestic macroeconomic/structural policies during the forecast horizon.	• Indian crude oil basket* price at US$ 60 per barrel in the first half and US$ 63 per barrel in the second half of FY 2015-16. • Current level of the exchange rate.** • No change in LPG and kerosene prices. • Normal monsoons during 2015-16. • Global economy expected to grow at 3.5 per cent in 2015 (weaker by 0.3 percentage point from earlier projections) as per the WEO January 2015 update, IMF. • Achievement of fiscal deficit targets as indicated in the Union Budget for 2015-16. • No major change in domestic macroeconomic/structural policies during the forecast horizon.

* The Indian basket of crude oil represents a derived basket comprising sour grade (Oman and Dubai average) and sweet grade (brent) crude oil processed in Indian refineries in the ratio of 72.04:27.96 during 2013-14.
**The exchange rate path assumed here is for the purpose of generating staff's baseline growth and inflation projections and does not indicate any 'view' on the level of the exchange rate. The Reserve Bank is guided by the need to contain volatility in the foreign exchange market and not by any specific level/ band around the exchange rate.

cent set for January 2016, hovering around 5 per cent in the first half of 2015-16, and a little above 5.5 per cent in the second half (Chart I.4). Uncertainties surrounding commodity prices, monsoon and weather-related disturbances, volatility in prices of seasonal items and spillovers from external developments through exchange rate and asset price channels are reflected in a 70 per cent confidence interval of 3.7 per cent to 7.9 per cent around the baseline inflation projection of 5.8 per cent for Q4 of 2015-16. Medium-term projections derived from model estimates assuming an unchanged economic structure, fiscal consolidation in line with the recalibrated path, a normal monsoon and no major exogenous or policy shocks indicate that CPI inflation in 2016-17 could be

Chart I.4: Projection of CPI Inflation (y-o-y)



around 5.0 per cent in Q4 of 2016-17, with risks evenly balanced around it.

I.2 Outlook for Growth

Real Gross Domestic Product (GDP) growth for 2014-15 was projected by the Reserve Bank at 5.5 per cent. The CSO's provisional estimates of GDP (base: 2004-05) tracked staff's projected path well up to Q2 of 2014-15. The new GDP data (rebased to 2011-12) released by the Central Statistics Office (CSO) at the end of January 2015 and on February 9, however, came as a major surprise as it produced significantly higher growth at constant prices. The divergence between the new series and the old series in the pace of growth of the manufacturing sector has turned out to be stark; in particular, the robust expansion of manufacturing portrayed in the new series is not validated by subdued corporate sector performance in Q3 and still weak industrial production[5]. In the financial and real estate sub-sector, the high growth of 13.7 per cent at constant prices is not corroborated by the observed sluggishness in key underlying variables such as credit and deposit growth, housing prices, rent and most importantly, the

[5] For higher growth rates resulting from steep upward revision in estimates for the private corporate sector, please see R Nagaraj (2015), "Seeds of Doubt on New GDP Numbers - Private Corporate Sector Overestimated?", *Economic and Political Weekly*, Vol. L No.13, March 28.

subdued performance of real estate companies in terms of sales growth and earnings. Data revisions and their after-effects are not unique to India, but the magnitude of the gap in real GDP growth rates between the old and the new series for 2013-14 and 2014-15 has complicated the setting of monetary policy. Undoubtedly, the new GDP data embody better coverage and improved methodology as per international best practices. Yet these data cloud an accurate assessment of the state of the business cycle and the appropriate monetary policy stance; particularly, they render forecasting tenuous. Projections based on the new series are also handicapped by the lack of sufficient history in terms of backdated data amenable to modelling.

The macroeconomic environment is expected to improve in 2015-16, with fiscal policy gearing to an investment-led growth strategy[6] and monetary policy using available room for accommodation. Business conditions in Indian manufacturing assessed in the Reserve Bank's Business Expectations Index (BEI) developed from its industrial outlook survey indicates that Q1 of 2015-16 may see some tempering of the improvement in the second half of 2014-15 (Chart I.5). This is corroborated by some of the surveys polled by other agencies (Table I.2). It is important to recognise though that most of these surveys were conducted before the presentation of the Union Budget and the easing of monetary policy on March 4. The Reserve Bank's consumer confidence survey (CCS) points to growing consumer optimism since June 2014, reflecting purchasing power gains arising from lower inflation as well as improved perception of income, spending and employment growth (Chart I.6).

Table I.2: Business Expectations Surveys

	NCAER Business Confidence Index Q4: 2014-15	FICCI Overall Business Confidence Index February 2015	Dun and Bradstreet Business Optimism Index Q1: 2015	CII Business Confidence Index Q3: 2014-15
Current level of the index	148.4	70.5	129.4	56.4
Index as per previous survey	142.5	70.4	137.6	56.2
Index levels one year back	122.3	60.8	157.2	49.9
% change (q-o-q) sequential	4.1	0.1	-6.0	0.4
% change (y-o-y)	21.3	16.0	-17.7	13.0

Chart I.5: Reserve Bank's Business Expectations Index

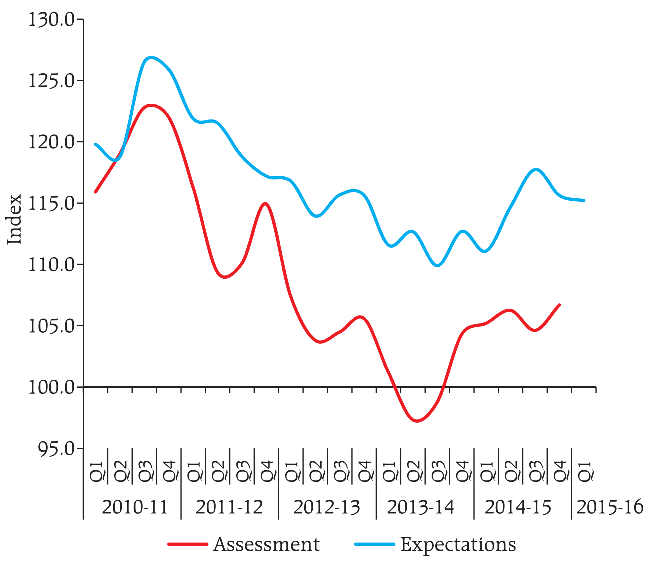
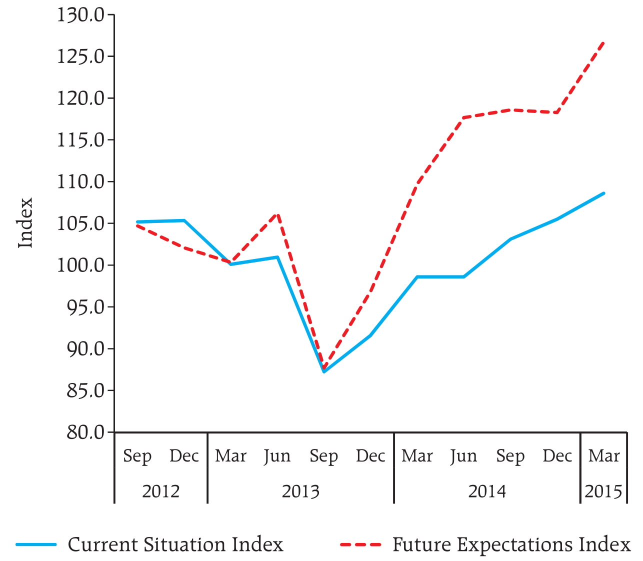


Chart I.6: Reserve Bank's Index of Consumer Confidence



[6] Besides significantly higher allocation for infrastructure, other initiatives such as the National Investment and Infrastructure Fund, the proposal to set up power projects with all prior approvals before awarding them through transparent auctions to the private sector, efforts to improve doing business in India and easing the availability of coal through auctions should help in brightening the overall investment climate while also crowding in private investment.

Large declines in commodity prices and the benign inflation outlook for the near-term should provide a boost to growth (Box I.2).

Nevertheless, there are downside risks to growth which could restrain growth prospects if they materialise. The ongoing downturn in the international commodity price cycle, which commenced in 2012, could reverse, given occasional signs of oil prices reviving ahead of global economic activity. In fact, the volatile geopolitical environment could even hasten the reversal. The consequent resurgence of inflation pressures could overwhelm the nascent conditions setting in for recovery. Risks to budgetary forecasts from tax shortfalls, subsidy overshoots and disinvestment under-realisation could impact the level of budgeted allocation for capital expenditure. Early warnings on the south-west monsoon, given the probability of about 50 per cent currently being assigned to an *El Nino* event, could dent the outlook for agriculture. Finally, if the decline in the gross saving as percentage of Gross National Disposable Income (GNDI) from 33 per cent in 2011-12 to 30 per cent in 2013-14 continues into the medium-term, it could tighten the financial constraint to growth unless productivity improves significantly.

Growth projections combining these forward looking assessments and model-based forecasts, including time series forecasts such as autoregressive integrated moving average (ARIMA) and Bayesian vector auto regressions (BVAR), point to a gradual pick-up in growth. Quarterly projections relate to gross value added (GVA) at basic prices, because of more robust estimation relative to expenditure side GDP and also due to better clarity on key indicators that are used in the compilation of data by the CSO. Growth in GVA at basic prices for 2015-16 is projected at 7.8 per cent, with risks evenly balanced around this baseline forecast. Possible revision to CSO's estimates for 2014-15 is a

Box I.2: Decline in Oil Prices – Impact on Growth and Inflation

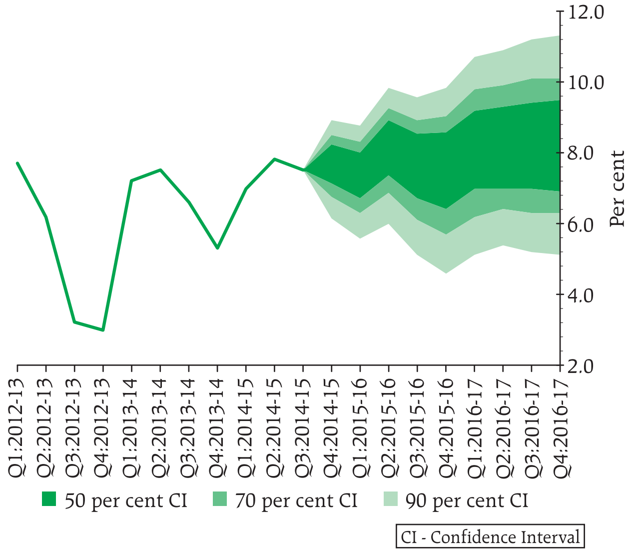
For a large net importer of crude oil like India, the decline in crude prices since June 2014 by about 50 per cent is a favourable external shock. Going forward, this could work towards improving growth prospects and easing inflation pressures further. Crude prices could impact economic activity and inflation in India through several channels: (i) higher real incomes for consumers; (ii) lower input costs, boosting corporate profitability and inducing investment; (iii) lower current account deficit (CAD); and (iv) improved market sentiment. These favourable effects could, however, be offset by weak global demand.

In India, a US$ 50 per barrel decline in oil prices (Indian basket) sustained over one year could give rise to higher real income equivalent of about 4 per cent of total private consumption demand and about 2.9 per cent of nominal GDP. Assuming 50 per cent pass-through to domestic prices of petroleum products, the real income gain could enhance aggregate consumption demand by about 2 per cent and output by more than 1 per cent. For the corporate sector in India, particularly non-oil producing firms (such as cement, electricity, iron and steel, chemicals, textiles and transportation), with more than 5 per cent of their total costs in the form of fuel, panel regressions show a statistically significant inverse relationship between profitability and oil prices. Model estimates suggest that for a 10 per cent decline in oil prices (under alternative assumptions of pass-through to CPI) output growth could improve in the range of 0.1-0.3 percentage points, while CPI inflation could decline by about 20-25 basis points below the baseline. A caveat is in order though. The estimates presented under the balance of risks in this Chapter may differ due to different dynamics captured in different models and varying assumptions on pass-through. For instance in India, the entire decline in crude prices was not fully passed on because of the increase in excise duty on petroleum products by the Government. This suggests that model-based estimates at best could be indicative rather than precise.

Reference:

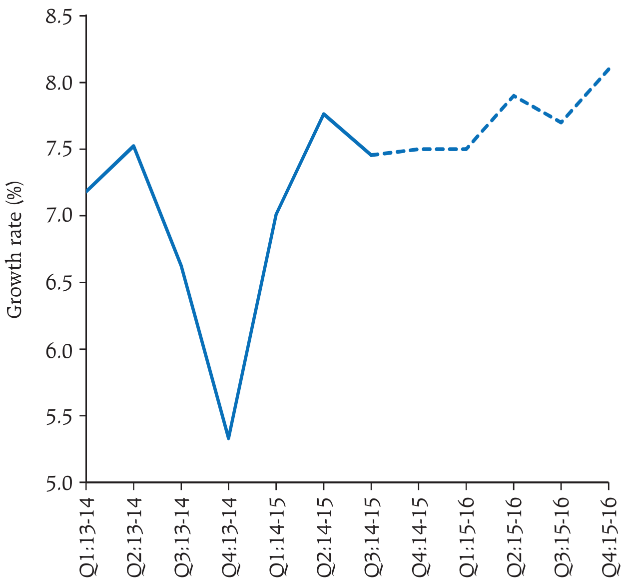
World Bank (2015). "Global Economic Prospects", January 2015.

Chart I.7: Quarterly Projection of Growth in GVA at Basic Prices (y-o-y)



key risk to the forecast, with the revisions expected to be in the downward direction (please see Chapter III) and consequently an upside bias gets built in (Chart I.7)[7]. For 2016-17, real growth in GVA at basic prices is projected at 8.1 per cent, assuming gradual cyclical recovery on the back of a supportive policy

Chart I.8: Professional Forecasters' Projected Growth



[7] Model-based projection for 2015-16 using old GDP (at factor cost) data yields output growth at 6.5 per cent, as against 7.8 per cent projected for GVA at basic prices.

environment, but without any policy induced structural change or any major supply shock. If the GDP growth for 2014-15 is revised down by the CSO, the trajectory will change accordingly. The Reserve Bank's professional forecasters' survey indicates an average GVA growth of 7.9 per cent for 2015-16 (Chart I.8 and Table I.3).

Table I.3: Reserve Bank's Baseline and Professional Forecasters' Median Projections

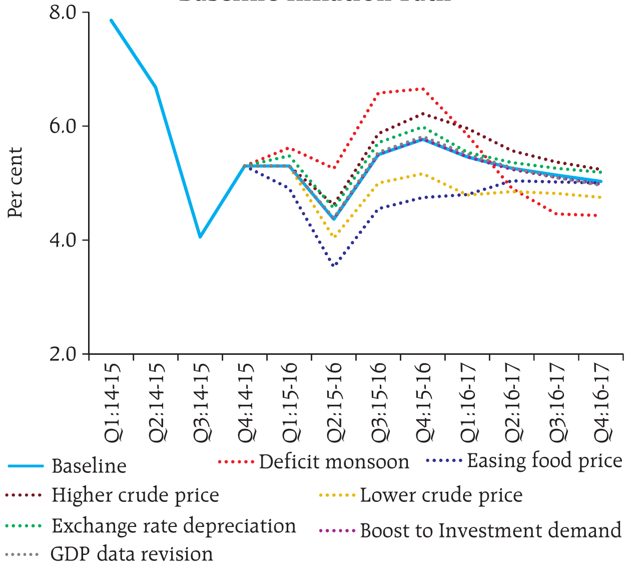
Reserve Bank's Baseline	2014-15	2015-16	2016-17
Inflation (Y-o-Y) in Q4	5.3	5.8	5.0
Output Growth (per cent) – GVA at basic prices	7.5	7.8	8.1
Fiscal Deficit (per cent of GDP)	4.1	3.9	3.5
Current Account Balance (per cent of GDP)	-1.3		

Assessment of Survey of Professional Forecasters

Key Macroeconomic Indicators*	2014-15	2015-16
Growth rate of GVA at basic prices at constant prices (2011-12) (per cent)	7.5	7.9
Agriculture & Allied Activities	1.1	3.4
Industry	5.9	6.3
Services	10.6	10.1
Private Final Consumption Expenditure growth rate at current prices (per cent)	12.9	13.0
Gross Saving (per cent to Gross National Disposable Income)	30.0	31.0
Gross Fixed Capital Formation (per cent of GDP)	28.6	29.3
Money Supply (M_3) (growth rate in per cent) (end period)	12.3	13.5
Bank Credit of all scheduled commercial banks (growth rate in per cent)	12.0	14.0
Combined Gross Fiscal Deficit (per cent to GDP)	6.5	6.3
Central Govt. Fiscal Deficit (per cent to GDP)	4.1	3.9
Repo Rate (end-period)	7.50	7.00
CRR (end-period)	4.00	4.00
T-Bill 91 days Yield (end-period)	8.2	7.5
YTM of Central Govt. Securities 10-years (end-period)	7.8	7.3
Overall Balance of Payments (US $ bn.)	49.6	49.4
Merchandise Exports (US $ bn.)	323.5	339.9
Merchandise Exports (growth rate in per cent)	2.0	3.4
Merchandise Imports (US $ bn.)	466.7	478.2
Merchandise Imports (growth rate in per cent)	0.3	2.0
Trade Balance as per cent of GDP at current prices	-6.9	-6.3
Net Invisibles Balance (US $ bn.)	115.8	119.2
Current Account Balance (US $ bn.)	-25.0	-20.0
Current Account Balance as per cent to GDP at current prices	-1.2	-1.0
Capital Account Balance (US $ bn.)	76.3	66.5
Capital Account Balance as per cent to GDP at current prices	3.5	2.9

* : Median of forecasts.
Source: 33rd Round of Survey of Professional Forecasters (March 2015).

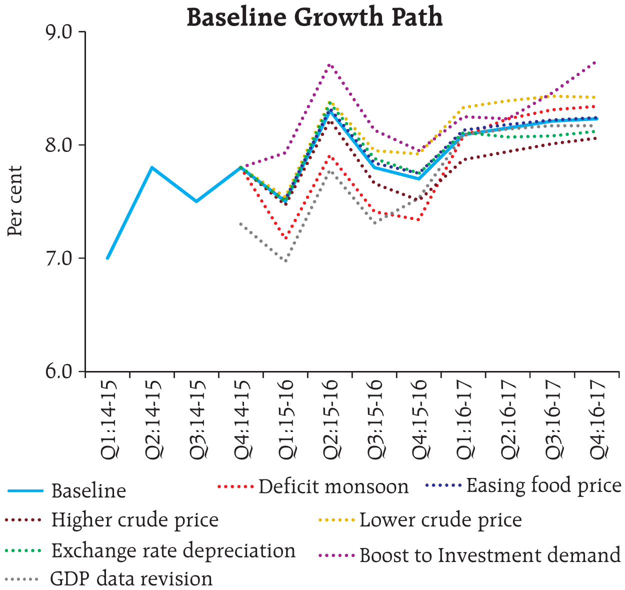
Chart I.9: Impact of Risk Scenarios on Baseline Inflation Path



I.3 Balance of Risks

The baseline paths projected for growth and inflation are subject to realisation of a set of underlying assumptions (Table I.1). The likely paths relative to the baseline that may evolve under plausible risk scenarios are set out below (Charts I.9 and I.10).

Chart I.10: Impact of Risk Scenarios on Baseline Growth Path



(a) Sharp Increase in Crude Oil Prices

Global crude oil prices are assumed to increase gradually over the forecast horizon in the baseline projections. There is, however, a non-trivial risk of a sharp increase in international crude prices triggered by the materialisation of geo-political tensions and other supply disruptions. In the event of such a shock pushing crude oil prices up by about US$ 15-20 per barrel above the baseline, inflation could be higher by about 40-60 basis points (bps) by the end of 2015-16 (on account of both direct and indirect effects). Growth could weaken by 10-30 bps over the next two years as the direct impact of higher input costs would be reinforced by spillover effects from lower world demand.

(b) Below Normal Monsoon in 2015-16

As against the normal monsoon assumption in the baseline, there is a risk of monsoon turning out to be deficient in 2015. This could lead to a lower agriculture output which, in turn, would lower the overall GVA growth by around 40 bps in 2015-16. Food prices could consequently increase, leading to inflation rising above the baseline by 80-100 bps in 2015-16. Factors like spatial and temporal distribution of monsoon, policies relating to food stocks, procurement and minimum support prices (MSPs) may moderate or accentuate the impact of rainfall deficiency.

(c) Depreciation of the Rupee

Uncertainties surrounding the exchange rate persist. The key risk is that normalisation of monetary policy by the US Fed which may spark off safe haven capital flows into US treasuries and spur further appreciation of the US dollar. On the other hand, deflation risks in some of the advanced economies could warrant further monetary accommodation. A depreciation of the rupee by around 10 per cent, relative to the baseline assumption of the current level of exchange rates continuing, could raise inflation by around 20 -30 bps in 2015-16. On average, growth would be higher by about 10 bps in 2015-16 due to an improvement in the external trade balance while it could turn out to be marginally weaker in 2016-17, assuming tightness in financial conditions intensifying further on materialisation of risks in the external environment.

(d) Easing of Food Inflation

Headline inflation could also undershoot from the baseline if food inflation moderates by more than what is envisaged. This could be brought about by positive supply shocks, especially through improvements in the supply chain, reforms in market infrastructure and a step-up in investment in agriculture. In such a scenario, headline inflation may be lower by around 100 bps than the baseline by the end of 2015-16.

(e) Crude Oil Price Declining Further

If crude oil prices decline below the baseline by US$ 15-20 per barrel in the near-term as a result of excess supply conditions/low global demand in a stable geo-political environment, inflation could turn out to be 30-60 bps below the baseline by the end of 2015-16. Such a decline in crude prices would also raise GVA growth by 10-30 bps above the baseline in the next two years under different pass-through scenarios.

(f) Revision in CSO's GDP Estimates

Considerable uncertainty surrounds the advance estimates of GDP growth for 2014-15 and information on real economic activity relating to Q4 is expected to be better captured in the revised estimates, which would be released around the end of May 2015. If GVA growth (at constant prices) gets revised downwards by 50 bps in the subsequent release(s), it would alter the assessment of demand conditions and a decline in the inflation trajectory for the medium-term by 10-30 bps could result.

(g) Pick-up in Investment Demand

If the boost to investment expenditure announced in the Union Budget for 2015-16 helps in crowding in private investment, and correspondingly, if investment demand picks up, GDP growth may turn out to be over 50 bps above the baseline in 2015-16. With augmentation of capacity but a still negative output gap, the impact of higher investment demand on inflation in 2015-16 could be minimal.

The balance of risks and possible deviations of inflation and growth paths from their projected baselines warrant a careful appraisal of forward guidance, especially the underlying conditions that drive such guidance (Box I.3).

Box I.3: Forward Guidance under Uncertainty

Forward guidance acquired prominence in the communication of monetary policy of central banks of both advanced and emerging economies after the global crisis, particularly on confronting the zero lower bound (ZLB) constraint. Traditionally, forward guidance before the global crisis used to be in the form of "forecast but do not promise"; but at ZLB it became a policy instrument – investment demand could be conditioned by expectations about the future path of short-term interest rates. Thus, forward guidance at ZLB potentially amplified the easing impact of unconventional monetary policy.

The use of forward guidance as an instrument of policy in normal times shifts the burden of understanding risks and uncertainty primarily to central banks who, in turn, face the trade-off between "credibility" and "flexibility". Four broad variants of forward guidance have been used by central banks in the post-crisis period: (a) qualitative guidance on the likely stance of policy without linking it to any explicit end date, threshold value of any goal variable or key parameters; (b) qualitative guidance linked to evolution of specific

(Contd...)

state variables; (c) calendar-based forward guidance specifying the exact period over which the same policy stance will prevail; and (d) outcome-based forward guidance linked to threshold values of state variables. While the first two variants are somewhat open-ended, the third is time-contingent and the last one is state-contingent. Time and state-contingent forward guidance provides greater certainty, but strong commitment may limit flexibility. Balance of risks assessments often assume specific identifiable risks and the manner in which these could be transmitted. Unanticipated risks and model errors, however, could make the evolution of inflation and growth paths quite different from either the baseline or the risk scenarios. Financial market frictions could complicate risk assessment further, especially if they are either not explicitly modelled or their dynamic interactions with the real economy are not captured properly in models. When benefits of commitment under forward guidance are assessed against benefits of changing the policy stance not fully consistent with the guidance, occasionally the latter may be preferred because of developments that were hard to anticipate at the time of giving the forward guidance. This has led to the view that forward guidance should be a tool that must be reserved for use only under the ZLB constraint: "...For the policy practitioner, uncertainty is not abstract, it is a daily preoccupation. Uncertainty and the policy errors it can foster must not only be embedded in our decision-making processes *ex ante*, they must be worn like an ill-fitting suit *ex post*, that is, with humility" (Poloz, 2014).

In India, forward guidance has served the purpose of guiding market expectations around monitoring the sources of and risks to inflation. Given the uncertainties surrounding time varying output gap estimates, the evolution of exogenous factors driving the inflation process, global spillovers, and the nature, size and timing of measures undertaken by the Government to contain inflation, forward guidance has to be conditioned by incoming data.

Reference:

Poloz, Stephen S. (2014). "Integrating Uncertainty and Monetary Policy-Making: A Practitioner's Perspective", Bank of Canada Discussion Paper 2014-6.

The outlook for growth and inflation is informed by the assessment of macroeconomic and financial conditions presented in Chapters II to V. Barring unforeseen shocks, the near-term appears to be characterised by continuing slack in the economy. Fiscal consolidation intentions and weak rural consumption demand are likely to keep demand side risks to inflation contained. From the supply side, risks in the form of reversal in global commodity prices, uncertainty surrounding monsoon outcomes, and possible exchange market pressures arising from volatility in capital flows associated with US monetary policy normalisation would need to be monitored carefully and continuously, given the past experience with spillovers from taper talk. The room for accommodating supply shocks in the conduct of monetary policy remains limited, even as supporting the revival of investment demand assumes high importance.

II. Prices and Costs

The trajectory of headline inflation in the second half of 2014-15 turned out to be substantially lower than staff's assessment set out in the MPR of September 2014, aided by a sharp fall in global commodity prices and domestic food inflation. Cost pressures eased with falling raw material prices and slowdown in wage growth.

Three major developments that followed the first Monetary Policy Report (MPR) of September 2014 have dramatically altered the evolution of underlying price/cost conditions. First, the pass-through of the 28 per cent plunge in international commodity prices[1] into domestic food, fuel and services prices worked in conjunction with the disinflationary stance of monetary policy to bring down inflation to 5.4 per cent in February 2015. Second, the Central Statistics Office (CSO) unveiled data revisions relating to consumer price index (CPI) and national accounts in January-February 2015 that updated the base years/weighting schemes and also brought in methodological improvements to align with international best practices (Boxes II.1 and III.1). Going forward, these information upgrades will have a bearing on staff's assessment of inflation formation and forecasts. Third, the Government of India and the Reserve Bank formalised a landmark agreement on the monetary policy framework alluded to in Chapter I.

These institutional changes will condition the future path of inflation to which the Reserve Bank and the Government of India are committing, if fiscal targets are adhered to and administrative interventions in the formation of key prices, wages and interest rates are minimised.

Box II.1: Revision of the Consumer Price Index (CPI)

Beginning January 2015, the CSO revised the base year of the CPI to 2012 (from 2010=100). The weighting pattern of the revised series is based on the 2011-12 Consumer Expenditure Survey (CES) of the National Sample Survey Office (NSSO), which is more representative and recent than the CES 2004-05 used for the old series (Table II.B.1). A number of methodological improvements have also been undertaken by the CSO in the new series, which include:

i. weighting diagrams use the modified mixed reference period* (MMRP) data of CES 2011-12 as against a uniform reference period (URP) of 30 days used in the earlier series;

ii. geometric mean of the price relatives with respect to base prices is used to compile elementary/item indices, instead of the arithmetic mean used in the old series, thereby reducing the impact of large discrete change in prices over different markets;

iii. in case of items sold through the public distribution system (PDS), prices of items covered under the *antyodaya anna yojana* (AAY) have also been included in addition to those items covered by above poverty line (APL) and below poverty line (BPL) categories; and

iv. the sample size for collection of house rent data has been doubled from 6,684 in the old series to 13,368 in the revised series.

Table II.B.1: Comparison of Weighting Diagrams – Previous and Revised CPI

(Per cent)

	Rural		Urban		Combined	
	2010 Base	2012 Base	2010 Base	2012 Base	2010 Base	2012 Base
Food and beverages	56.59	54.18	35.81	36.29	47.58	45.86
Pan, tobacco and intoxicants	2.72	3.26	1.34	1.36	2.13	2.38
Clothing and footwear	5.36	7.36	3.91	5.57	4.73	6.53
Housing	--	--	22.54	21.67	9.77	10.07
Fuel and light	10.42	7.94	8.40	5.58	9.49	6.84
Miscellaneous	24.91	27.26	28.00	29.53	26.31	28.32
Total	**100**	**100**	**100**	**100**	**100**	**100**
Excluding Food and Fuel	**32.99**	**37.88**	**55.79**	**58.13**	**42.93**	**47.30**

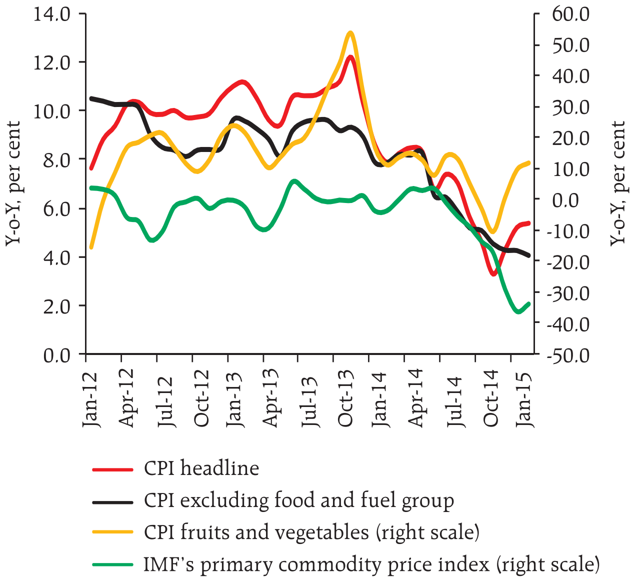
*Under MMRP, data on expenditure incurred are collected for frequently purchased items – edible oil, eggs, fish, meat, vegetables, fruits, spices, beverages, processed foods, pan, tobacco and intoxicants – during the last seven days; for clothing, bedding, footwear, education, medical (institutional), durable goods, during the last 365 days; and for all other food, fuel and light, miscellaneous goods and services including non-institutional medical services; rents and taxes during the last 30 days.

[1] As measured by the IMF's primary commodity price index.

II.1. Consumer Prices

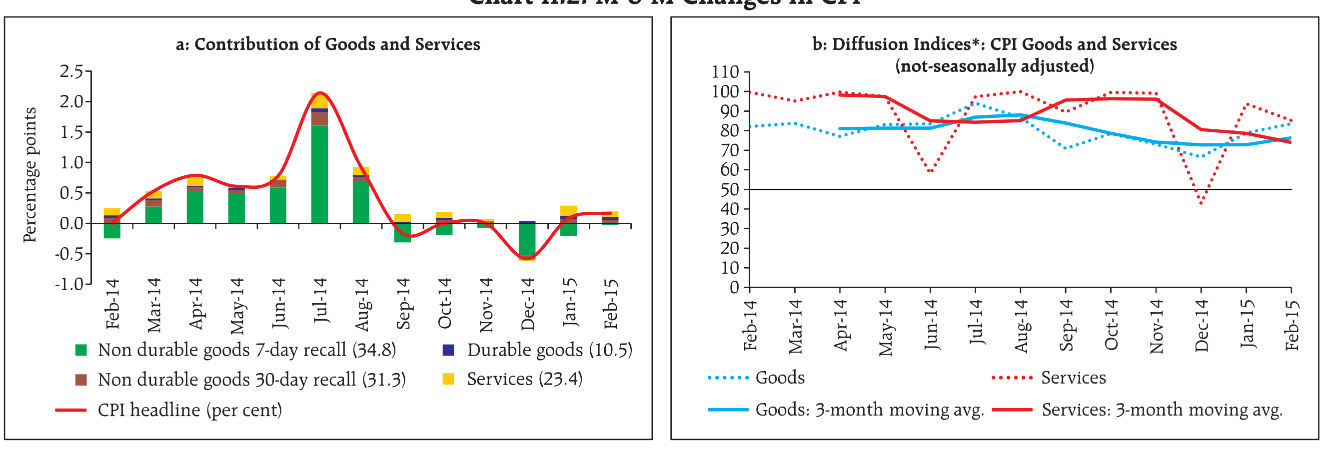
The MPR of September 2014 had noted that the receding of inflationary pressures, guided by the monetary policy stance set out in January 2014, halted in the first half of 2014-15. While fuel inflation and inflation excluding food and fuel underwent steady moderation, headline inflation was propped up by food inflation, which experienced bouts of weather-induced short-lived surges. In September, however, inflation eased by 140 basis points. From September to November, disinflation gathered momentum and turned out to be faster than initially anticipated under the combined influence of a large decline in global commodity prices, softening of prices of fruits and vegetables domestically, continuing slack in the economy and the favourable 'base effect' of higher inflation a year ago (Chart II.1).

Chart II.1: Key Drivers of Inflation



The role of this base effect in inflation outcomes during 2014-15 turned out to be non-trivial. Just as it shaped the rapid disinflation until November, its reversal from December produced an upturn, despite still benign international commodity prices and moderate domestic food and input prices. Sequential changes in headline inflation reflect the combined impact of month-on-month (m-o-m) changes in prices – which provide an indication of the speed at which prices are evolving – and base effects. The momentum of headline inflation has been weak through December-February, mostly due to the prices of non-durable goods, especially perishable food (Chart II.2a). M-o-M price changes embodied in a diffusion index also point to weak momemtum; however, broad-based price pressures persist across items within the CPI (Chart II.2b). Going forward, base effects are likely to exert a downward pull on headline inflation up to August 2015 (Chart II.3).

Chart II.2: M-o-M Changes in CPI



Note: Figures in parentheses indicate weight in overall CPI. For details on 7-day and 30-day recall, please see Box II.1.

* The CPI inflation diffusion index, a measure of dispersion of price changes, categorises constituent items in the CPI basket according to whether their prices are rising, stagnant or falling over the previous month. A reading above 50 for the diffusion index signals a broad expansion or the extent of generalisation of price increases and a reading below 50 signals a broad-based deflation.

Chart II.3: CPI Inflation - Momentum and Base Effects

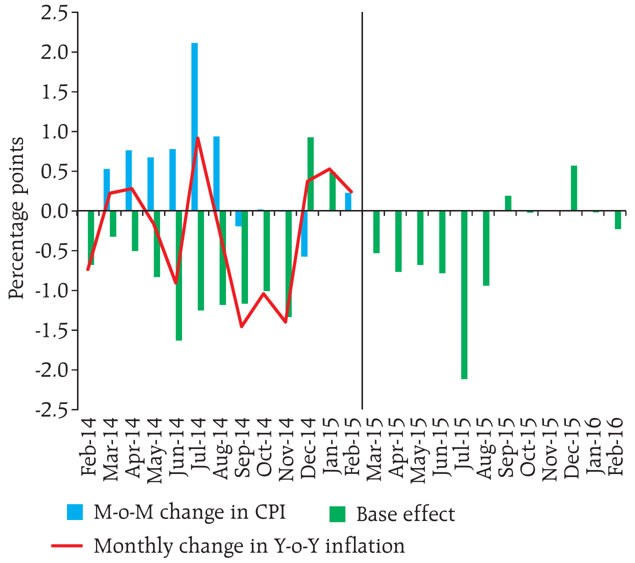
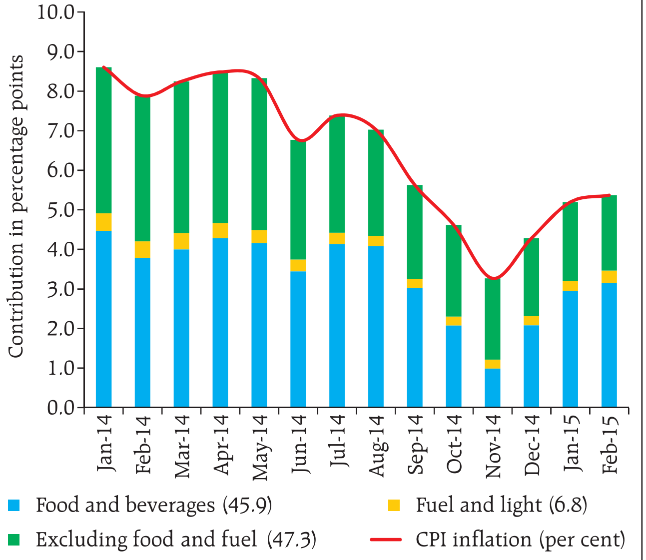


Chart II.4: CPI Inflation and its Constituents



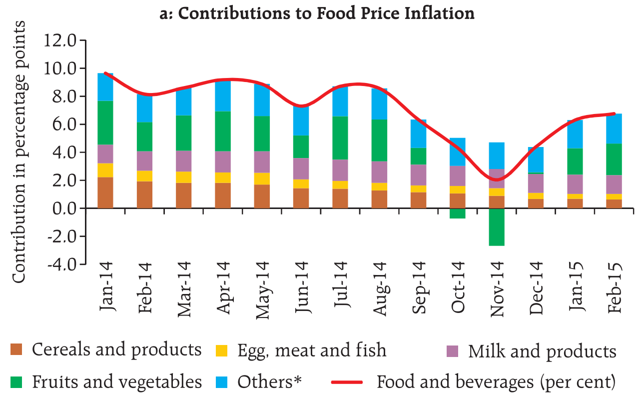
Figures in parentheses indicate weight of the group in CPI (2012=100)

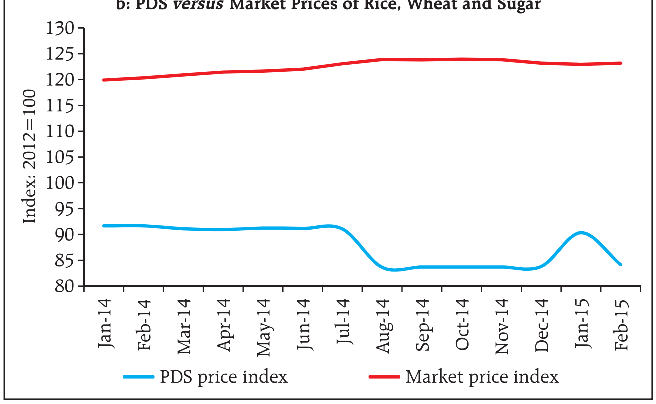
II.2 Drivers of Inflation

The intra-year path of headline inflation in 2014-15 exhibited higher volatility than in past years, essentially reflecting the contributions of its constituents (Chart II.4). The contribution of the food category weighted by its share in the CPI underwent large variations – accounting for more than half of headline inflation in the first half of 2014-15, but declining to about a third in November before increasing to close to 60 per cent by February. By contrast, the contribution of the category excluding food and fuel has been relatively stable, with some decline in recent months.

Within the food group, different drivers have propelled individual elements (Chart II.5a). For cereals, moderation in inflation is attributable to lower increases in MSPs in 2014-15[2], active supply management policies in the form of increased allocation under the public distribution system (PDS) as well as open market sales of wheat. Moreover, an index of prices of PDS items (rice, wheat and sugar) captured within the CPI

Chart II.5: Food Price Inflation





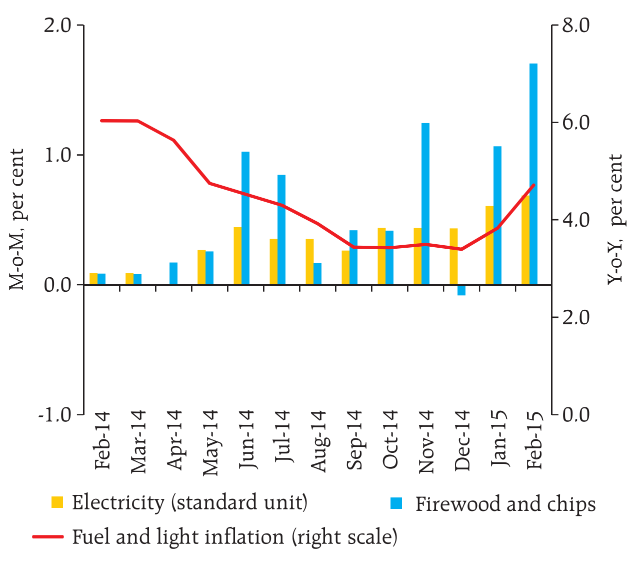
* Include sugar, pulses, non-alchoholic beverages and prepared meals, *etc.*

[2] Minimum support prices were increased by only 0-5 per cent for various crops in 2014-15.

shows that PDS prices have fallen significantly even as market prices of these items have risen (Chart II.5b). In the case of vegetables and fruits, prices declined faster than expected in response to policy actions to discourage stockpiling[3]. Sugar prices moderated in consonance with global prices. However, prices of protein-rich items (eggs, fish, meat, milk and pulses) exhibited downward rigidity, reflecting structural mismatches between demand and supply.

In the absence of revisions in administered prices of coal and cooking gas, fuel group inflation declined during the year, but rose to 4.7 per cent in February, mainly on account of increase in firewood and electricity prices (Chart II.6). The still large under-recovery on account of kerosene and cooking gas impeded the pass-through of lower international prices to administered prices of these items. During April-December 2014, under-recoveries of oil marketing companies (OMCs) in respect of sale of kerosene and cooking gas accumulated to ₹562 billion, amounting to potential outgoes under subsidies in spite of the drastic fall in international prices.

Chart II.6: Fuel Inflation and M-o-M Movements



[3] These include delisting of fruits and vegetables from the Agriculture Produce Market Committee (APMC) Act; bringing onions and potatoes under the Essential Commodities Act; raising minimum export prices and augmented access to imports.

With the pass-through of monetary policy actions into the economy, inflation excluding food and fuel ebbed steadily during 2014-15, reaching 4.1 per cent in February (Chart II.7). The decline in housing inflation (rentals) has been pronounced in the new base series relative to the old series in part due to methodological improvements set out in Box II.1. Inflation in prices of services such as health, education and household services showed some moderation in recent months, reflecting the slowdown in wage growth.

For the transport and communication sub-group, deflation has set in from January 2015 under the impact of a sharp decline in international crude oil prices which affected prices of fuels included in this sub-group. Between June 2014 and January 2015, crude oil prices (Indian basket, rupee terms) declined by around 55 per cent, with 90 per cent of this fall occurring during October to January. In response, retail prices of petrol softened. Diesel prices, on the other hand, were increased step-wise till August in order to eliminate under-recoveries of OMCs; thereafter, there was a reduction during October to early-February (Chart II.8). The decline in domestic pump prices, however, was much lower than the downward movement in international crude oil prices on account of increases

Chart II.7: CPI Excluding Food and Fuel Inflation

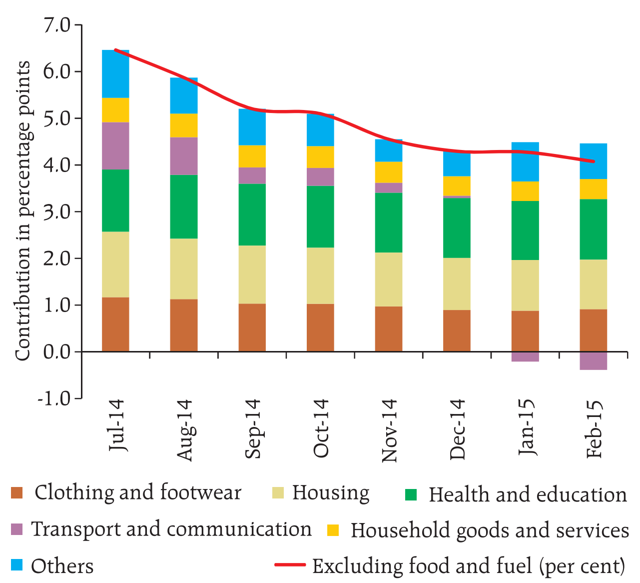
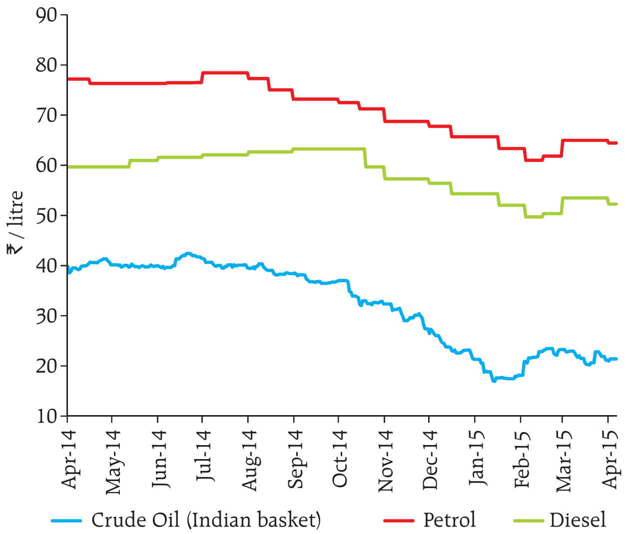


Chart II.8: Prices of Crude Oil and Petroleum Products



Source: Bloomberg, Reserve Bank of India, Petroleum Planning and Analysis Cell, Indian Oil Corporation Ltd.

in excise duty cumulatively by ₹7.75 per litre on petrol and by ₹6.50 on diesel starting November 2014. Global crude prices remained volatile during February-March, tracking geopolitical and other global supply side developments referred to earlier.

Other Measures of Inflation

All measures of inflation generally co-moved with the headline CPI inflation since the last MPR. The decline in inflation in terms of the wholesale price index (WPI), however, has been most significant with a contraction of 2.1 per cent in the month of February 2015 (Table II.1).

Table II.1: Measures of Inflation

(Y-o-Y, per cent)

Quarter/ Month	GDP deflator	WPI	CPI	CPI-IW	CPI-AL	CPI-RL
Q1: 2013-14	5.3	4.8	9.5	10.7	12.6	12.4
Q2: 2013-14	6.7	6.6	9.7	10.8	12.9	12.7
Q3: 2013-14	7.9	7.1	10.4	10.6	12.4	12.3
Q4: 2013-14	5.1	5.4	8.2	6.9	8.5	8.7
Q1: 2014-15	5.9	5.8	7.8	6.9	8.1	8.3
Q2: 2014-15	4.3	3.9	6.7	6.8	7.3	7.6
Q3: 2014-15	1.4	0.3	4.1	5.0	5.4	5.7
Jan-15	--	-0.4	5.2	7.2	6.2	6.5
Feb-15	--	-2.1	5.4	6.3	6.1	6.2

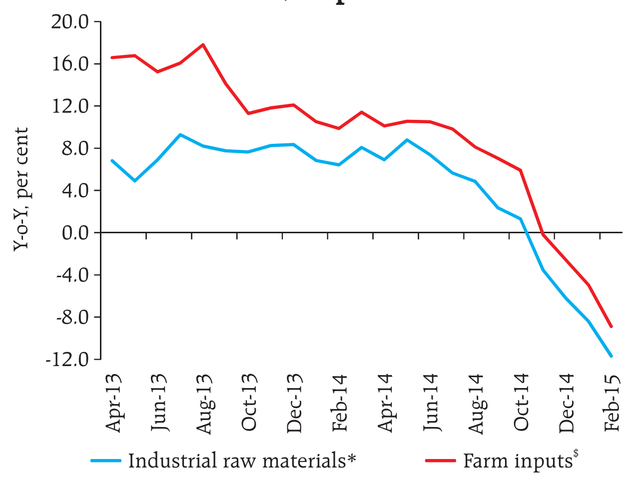
IW: Industrial Workers, AL: Agricultural Labourers and RL: Rural Labourers.

II.3 Costs

Since the MPR of September 2014, cost-push pressures in the Indian economy have eased significantly. As shown in the foregoing section, external cost conditions associated with imports of commodities, particularly crude and petroleum products, have declined on a large scale. This is directly reflected in the drop in wholesale price inflation into negative territory. Domestically too, input cost pressures have been abating on a sustained basis since June. However, the existence of supply constraints in various sectors of the economy is impeding a fuller response of output prices to these developments.

Input costs for both farm and industrial sectors have contracted since Q3 of 2014-15 (Chart II.9). Manufacturing firms participating in the Reserve Bank's industrial outlook survey also indicated sizable declines in raw material costs, with the lowest cost pressures since the January-March 2010 round (Table II.2). They have also been reporting improvement in pass-through into selling prices, including in the January-March 2015 round. Purchasing managers' surveys for both manufacturing and services corroborate these assessments – the narrowing of the gap between input and output prices is indicating weakening pricing power.

Chart II.9: Input Costs



* : Comprising primary non-food articles, metallic and other minerals, coal, aviation turbine fuel, high speed diesel, naphtha, bitumen, furnace oil, lubricants, electricity (industry), cotton yarn and paper pulp from WPI.

$: Comprising high speed diesel, electricity (agricultural), fertilizers and pesticides, agricultural machinery and implements and tractors from WPI.

Table II.2: Input Costs and Selling Prices

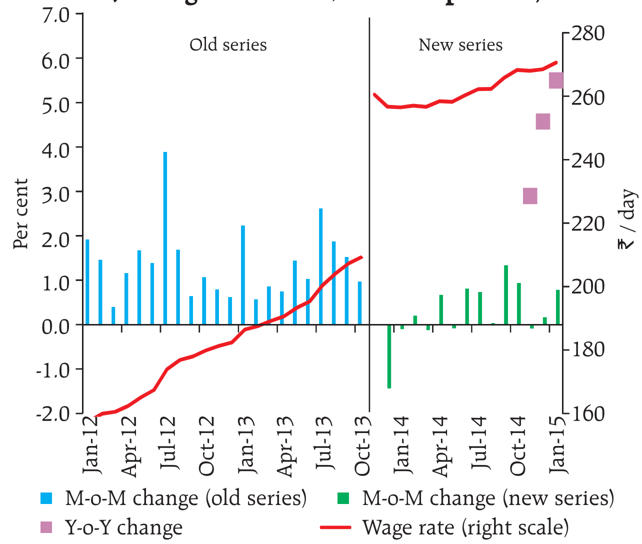
(Net response in per cent)

	Total Response (Number)	Cost of Raw Materials	Selling Prices
Jan-Mar 13	1301	-53.5	9.1
Apr-Jun 13	1321	-49.9	7.3
Jul-Sep 13	1207	-62.2	11.3
Oct-Dec 13	1223	-55.3	7.8
Jan-Mar 14	1114	-54.1	9.6
Apr-Jun 14	1293	-49.5	9.8
Jul-Sep 14	1225	-44.7	6.8
Oct- Dec 14	2083	-41.5	5.9
Jan-Mar 15	1533	-32.8	2.6

Source: Industrial Outlook Survey, RBI.

Wage growth, another key determinant of costs, has been decelerating, *albeit* from high levels, across various sectors of the economy in recent years. The slowdown in rural wage growth has been particularly noteworthy. The Labour Bureau revised data on rural wages in November 2013 to incorporate a number of new occupations besides reclassification of the existing occupations. It estimates that average annual growth in rural wages was 5.5 per cent for all occupations (agricultural and non-agricultural) for male workers in January 2015, substantially lower than the annual average growth of 15 per cent during the six-year period (2007-13) reported in the old series (Chart II.10). The slowdown in wage growth has been more pronounced in the case of unskilled labourers, presumably reflecting catch-up of low-wage states, sustained decline in rural inflation and emphasis towards productive asset creation relative to employment in public schemes such as under the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA). These developments suggest that high real wage growth without commensurate improvements in productivity is not sustainable.

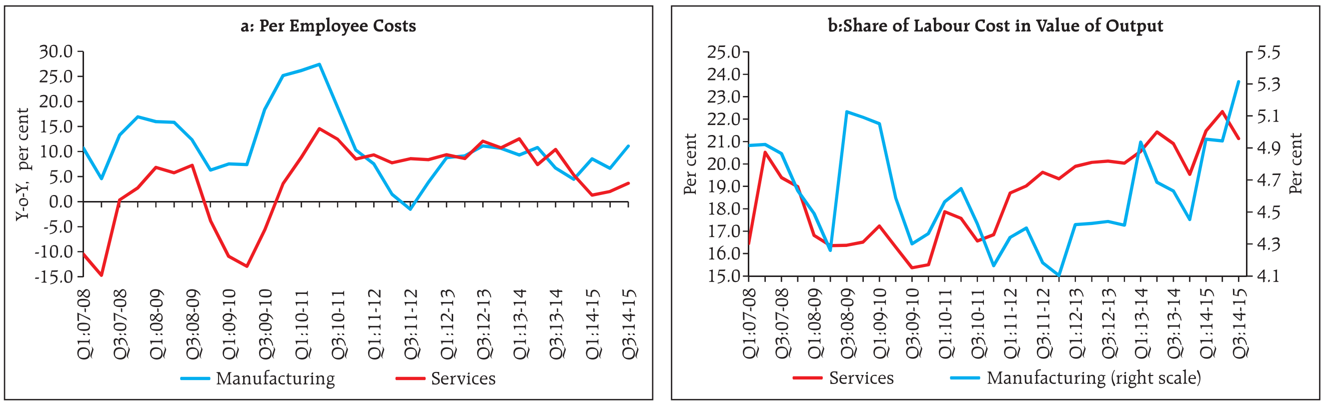
Chart II.10: Rural Wages (Average for Males, All Occupations)



Source: Labour Bureau.

Unit labour costs[4] in manufacturing and services have picked up recently after moderating since 2013 (Chart II.11a). There was also a rise in the share of

Chart II.11: Labour Cost in Manufacturing and Services



Note: Per employee cost = Total employee expenses/total number of employees. The per employee cost from Q1: 2014-15 onwards is worked out based on total number of employees as of March 2014.

Source: Capitaline database.

[4] As measured by the ratio of staff cost to value of production.

labour cost in total output, especially for the manufacturing sector (Chart II.11b).

The State of Aggregate Supply

Assessments of price/cost conditions in the economy, juxtaposed with the results of empirical analysis, provide useful insights into the state of aggregate supply – the responsiveness of aggregate output to price changes. Several factors determine the behaviour of aggregate supply, including the time-varying price- setting behaviour of firms in response to changes in marginal cost; the nature of price-setting, whether backward-looking or more flexible; the way inflation expectations are formed; and random supply shocks[5]. In technical terms, while price-setting behaviour determines the slope of the aggregate supply curve, the formation of inflation expectations and the incidence of supply shocks can produce shifts in the aggregate supply curve.

The empirical evidence suggests that the behaviour of aggregate supply has been changing in recent years even as inflation dynamics have been evolving into uncharted territory. Price-setting behaviour of firms is now reckoned as less backward-looking than before; also, the response of inflation to demand and supply shocks has declined. Internationally, this has led to a loose consensus around the view that the aggregate supply curve has flattened and is turning out to be less sensitive to price shocks[6]. What this implies in the context of conducting monetary policy is that every unit of disinflation is going to cost more in terms of the sacrifice of output to rein in that amount of inflation.

Empirical evidence available in the Indian context suggests that the behaviour of aggregate supply has undergone a change during the post-global crisis period in a manner that is broadly consistent with the international experience, but with country-specific nuances. In particular, the responsiveness of retail inflation to changes in marginal costs has declined. Furthermore, the sacrifice ratio[7] has increased markedly relative to the international evidence. This has implications for monetary policy: going forward, every unit of inflation lowered is going to mean larger output foregone, and the state of the economy is going to weigh on the choice. Every cloud has a silver lining though; unlocking stalled investments, bridging gaps in the availability of key inputs such as power, land, infrastructure and human skill, and rebuilding productivity and competitiveness will improve the supply response and sustain the disinflation currently underway. This scenario envisages monetary policy in a steering rather than interventionist role in its commitment to price stability as its primary objective. Finally, as regards the impact of shocks, exchange rate pass-through[8] has declined significantly. On the other hand, domestic shocks such as a deficient monsoon leave progressively deeper imprints on retail inflation and increase the persistence of inflation expectations.

[5] Angeloni, I., J. Gali, L. Aucremanne, A. Levin, M. Ehrmann and F. Smets (2006). "New Evidence on Inflation Persistence and Price Stickiness in the Euro Area: Implications for Macro Modeling", *Journal of the European Economic Association*, Vol. 4(2–3), pp. 562–574.

[6] Mishkin, F. S. (2007). "Inflation Dynamics", *International Finance*, Vol. 10(3), pp. 317–334 and Razin, A. and A. Binyamini, (2007) "Flattened Inflation-Output Trade-off and Enhanced Anti-Inflation Policy: Outcome of Globalization?", *NBER Working Paper*, No. 13280.

[7] The sacrifice ratio is defined as the cumulative output losses that an economy must endure to reduce average inflation, on a permanent basis, by one percentage point.

[8] Exchange rate pass-through is defined as the degree of responsiveness of domestic prices to a unit change in the exchange rate.

III. Demand and Output

Domestic economic activity firmed up in 2014-15, spurred by a pick-up in manufacturing and services. Little definitive evidence, however, is available on a clear 'break-out' of economic activity. Key macroeconomic indicators, leading and coincident, point to the presence of considerable slack in the economy.

Recent upgrades to the national accounts by the CSO indicate that a rebound in economic activity that started in 2013-14 has gathered pace in the second half of 2014-15. While these estimates have generated considerable public scrutiny and debate, there is a building optimism that an inflexion point in the economic cycle is approaching. As inflation retreats in an environment of macroeconomic and political stability, confidence in setting a double-digit growth trajectory for the Indian economy over the medium-term is flooding back. Unleashing of these growth impulses hinges around decisively cutting the Gordian knot of binding supply constraints, investments locked in stalled projects and shortfalls in the availability of key inputs such as power, land, infrastructure and human skill formation. Business sentiment is also buoyed by investor-friendly tax proposals, planned switches in public spending from subsidies to investment that crowd in private enterprise, structural reforms and the intention to continue fiscal consolidation announced in the Union Budget for 2015-16.

III. 1 Aggregate Demand

Advance estimates of the CSO indicate that the growth of real GDP (market prices) picked up to 7.4 per cent in 2014-15 from 6.9 per cent a year ago (Table III.1). Although official data for Q4 of 2014-15 will be available only by May 2015, implicit in the advance estimates for the full year is a step-up in the momentum of growth in the last quarter of the year.

Driving this quickening of activity, the weighted contribution of private final consumption expenditure is estimated to have risen to 4.1 per cent in 2014-15 from 3.6 per cent in 2013-14. Quarterly data suggest, however, that the growth of private final consumption expenditure slowed down considerably in Q3 of 2014-15; it would need to have grown by around 12 per cent in Q4 to match advance estimates of 7.1 per cent for the full year. Coincident and leading indicators of consumption, however, point to persisting fragility of private consumption demand. Indicators of rural demand like sales of tractors and two wheelers point to persisting weakness. Rural income appears to have

Table III.1: Real GDP Growth (Base:2011-12)

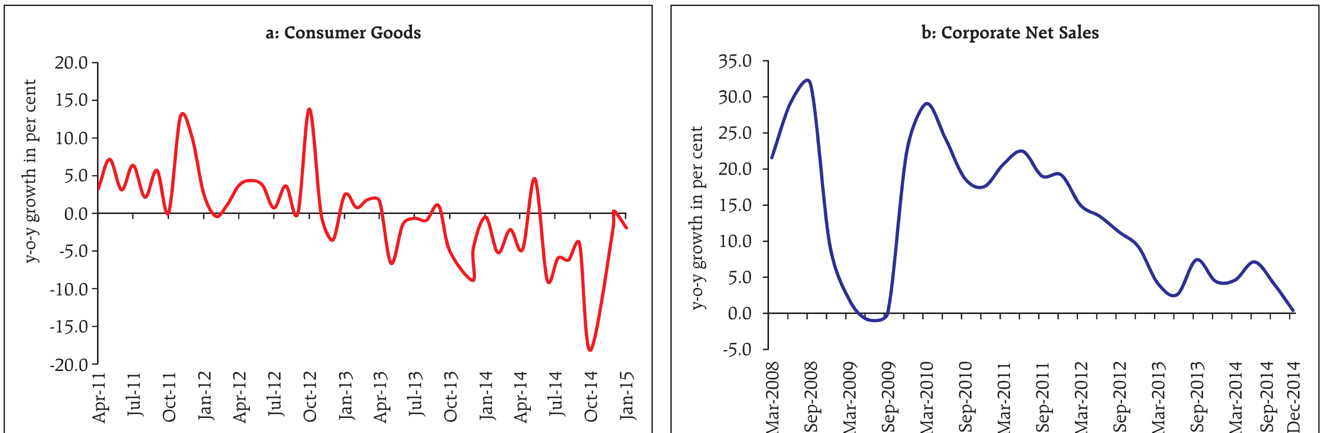
(Per cent)

Item	Weighted Contribution to growth (Percentage points)		2013-14	2014-15 (AE)	2013-14				2014-15		
	2013-14*	2014-15* (AE)			Q1	Q2	Q3	Q4	Q1	Q2	Q3
I. Private Final Consumption Expenditure	3.6	4.1	6.2	7.1	7.7	5.6	4.6	7.0	4.3	8.7	3.5
II. Government Final Consumption Expenditure	0.9	1.1	8.2	10.0	27.3	5.3	11.0	-7.2	-2.0	5.8	31.7
III. Gross Fixed Capital Formation	0.9	1.3	3.0	4.1	2.3	6.3	5.3	-1.4	7.7	2.8	1.6
IV. Net Exports	4.4	0.4	69.0	19.5	25.6	55.8	90.0	91.0	68.7	-79.0	-115.4
(i) Exports	1.8	0.2	7.3	0.9	2.6	-1.6	15.7	14.1	9.3	-3.8	-2.8
(ii) Imports	-2.6	-0.1	-8.4	-0.5	-3.5	-8.4	-14.2	-7.0	-3.6	1.2	1.1
V. GDP at Market Prices	**6.9**	**7.4**	**6.9**	**7.4**	**7.0**	**7.5**	**6.4**	**6.7**	**6.5**	**8.2**	**7.5**

Note: AE: Advance estimates. *Component-wise contributions do not add up to GDP growth in the table because change in stocks, valuables and discrepancies are not included here.

Source: Central Statistics Office

Chart III.1: Demand Conditions



Source: Ministry of Statistics and Programme Implementation (MOSPI)

been adversely affected by deficient monsoons and decelerating growth in rural wages. Overall weakness in consumption demand is also evident in the still depressed production of consumer goods and significant deceleration in corporate sales growth (Chart III.1).

Government final consumption expenditure (which includes consumption expenditure of the centre, states, local bodies and autonomous bodies) rose by 10 per cent in 2014-15 as per the advance estimates, mainly on account of faster expenditure growth by the states[1]. The aggregate expenditure growth of the Centre, however, moderated. The increase in expenditure on subsidies was offset by a sharp cutback in plan revenue expenditure and aggregate capital expenditure in order to adhere to the budgeted deficit target. Austerity in respect of various categories of expenditure was also necessitated by the shortfall in non-debt capital receipts and sluggish indirect tax collections. Non-tax revenues, however, exceeded the budgetary targets due to higher receipts on account of dividends and profits (Table III.2). Disinvestment receipts were less than half the budgeted amount in 2014-15.

[1] The growth in revenue expenditure of the states at the consolidated level was budgeted to grow by 20.5 per cent in 2014-15 (BE).

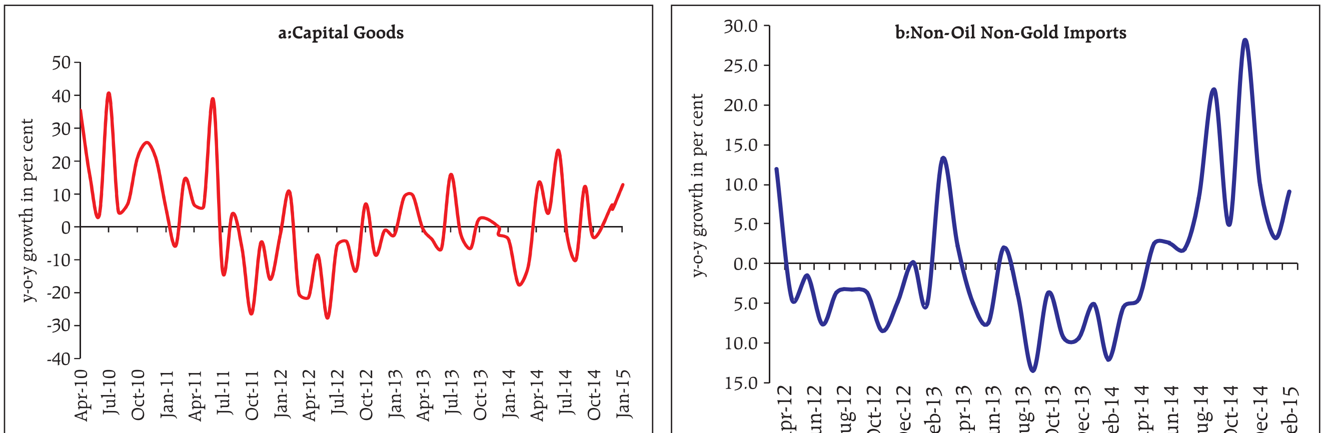
The Union Budget 2015-16 has provided for higher allocations to infrastructure and a substantial increase in the resource transfer to states, keeping in view the two-fold objectives of promoting inclusive growth and strengthening fiscal federalism. This has necessitated a deviation from the fiscal consolidation trajectory in 2015-16 and an extension of the period of convergence to the 3 per cent target for the gross fiscal deficit (GFD) as a proportion to GDP by one year. The

Table III.2: Key Fiscal Indicators - Central Government Finances

Indicators	As per cent of GDP		
	2014-15 (BE)	2014-15 (RE)	2015-16 (BE)
1. Revenue Receipts	9.2	8.9	8.1
a. Tax Revenue (Net)	7.6	7.2	6.5
b. Non-Tax Revenue	1.7	1.7	1.6
2. Total Receipts	13.9	13.3	12.6
3. Non-Plan Expenditure	9.5	9.6	9.3
a. On Revenue Account	8.7	8.9	8.5
b. On Capital Account	0.8	0.7	0.8
4. Plan Expenditure	4.5	3.7	3.3
a. On Revenue Account	3.5	2.9	2.3
b. On Capital Account	0.9	0.8	1.0
5. Total Expenditure	13.9	13.3	12.6
6. Fiscal Deficit	4.1	4.1	3.9
7. Revenue Deficit	2.9	2.9	2.8
8. Primary Deficit	0.8	0.8	0.7

BE : Budget estimates RE : Revised estimates
Source: Union Budget, 2015-16

Chart III.2: Indicators of Investment Demand



Source: Ministry of Statistics and Programme Implementation (MOSPI)

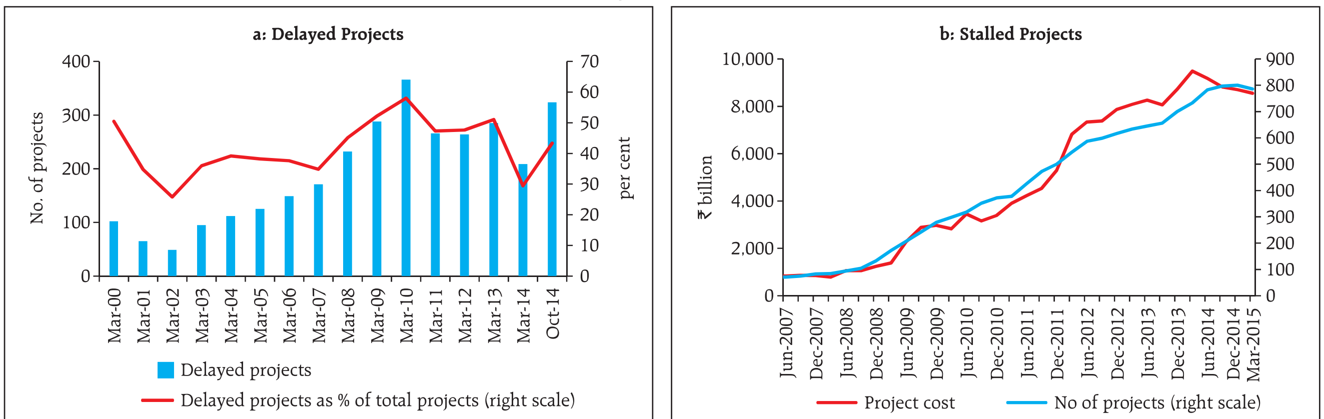
budgeted reduction in GFD in 2015-16 reflects the combined impact of a compression in plan revenue expenditure and an increase in non-debt capital receipts.

The CSO's advance estimates of gradual pick-up in the growth of gross fixed capital formation in 2014-15 do not appear to be supported by its quarterly estimates which indicate deceleration in Q2 and Q3 (Table III.1). Although production of capital goods and non-oil non-gold imports gathered some momentum in Q4, a big push in investment is essential for the economy to break out of the vicious cycle of supply constraints, stranded investments, stressed bank balance sheets, risk aversion and weak demand (Chart III.2). Progress on speedier project clearances is, however, yet to materialise (Chart III.3).

The gross domestic saving rate in the economy has declined sharply over the last two years. The decline was on account of lower savings in physical assets by the household sector, mainly construction (Chart III.4).

The contribution of net exports to overall GDP growth turned negative since Q2 on contraction in exports and some pick-up in imports. Exports shrank in Q3 on weak global demand and the sharp fall in international crude oil prices which affected exports of petroleum products (POL) [accounting for around 19 per cent of total merchandise exports]. Non-oil exports

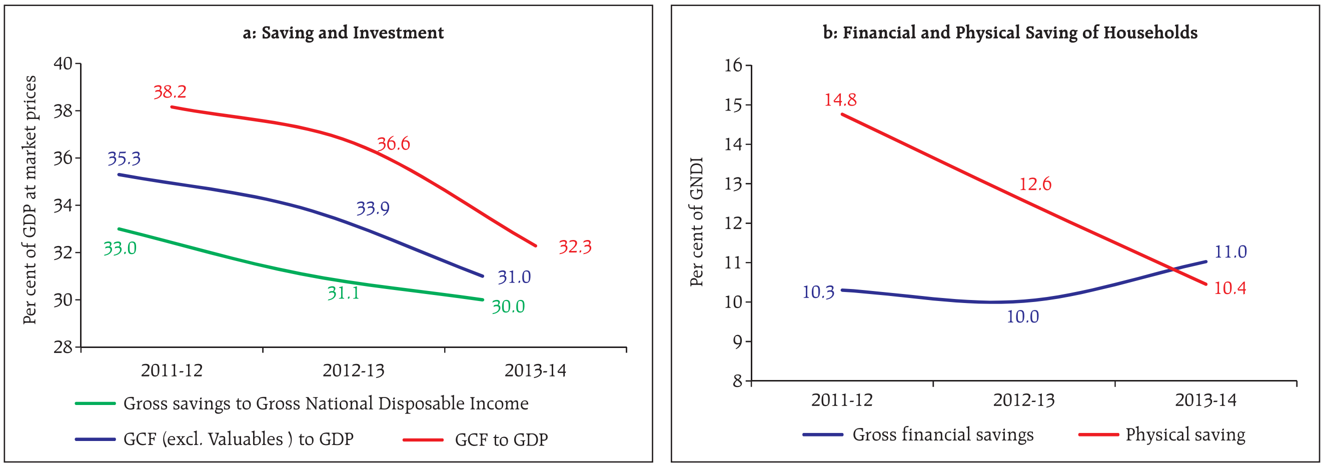
Chart III.3: Delayed and Stalled Projects



Source: Ministry of Statistics and Programme Implementation (MOSPI)

Source: Centre for Monitoring Indian Economy (CMIE)

Chart III.4: Saving and Investment Rates



also added to overall contraction as price realisation declined considerably with the fall in international commodity prices (Chart III.5). With imports growing at a modest pace, the trade deficit widened in Q3 of 2014-15, though it was partly offset by improved net services exports (Chart III.6). During January and February 2015, the faster decline in imports relative to exports significantly reduced the trade deficit. Net services exports during January 2015 were, however, lower than in the preceding month as well as a year ago.

In the financial account of India's balance of payments, capital flows remained strong during Q3. Though equity flows weakened during the quarter, it was more than offset by the large accretion under banking capital as banks liquidated their overseas foreign currency assets. In Q4, the improved investment climate revived portfolio and foreign direct investment, which dominated net capital flows. Portfolio investment flows rose sharply to US$ 13.6 billion during Q4 from a relatively subdued level of about US$ 6 billion in the preceding quarter. A surge was evident in equity as well

Chart III.5: Weighted Contribution of POL and Non-POL Exports to Export Growth

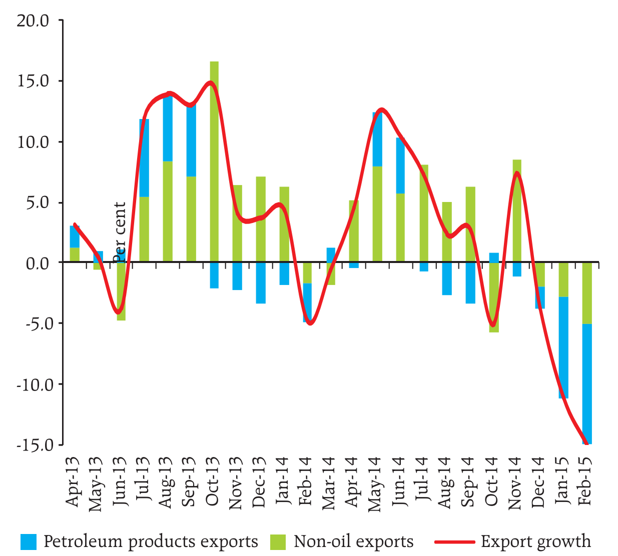


Chart III.6: Merchandise Trade Deficit and Net Exports of Services

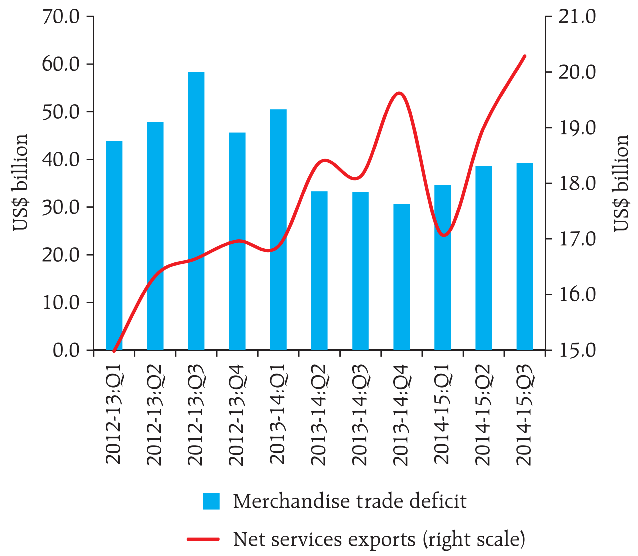


Table III.3: External Sector Vulnerability Indicators

Indicator	end-Mar 2001	end-Mar 2006	end-Mar 2011	end-Mar 2012	end-Mar 2013	end-Mar 2014	end-Dec 2014
1. External Debt to GDP ratio (%)	22.5	16.8	18.2	20.9	22.3	23.7	23.2
2. Ratio of Short-term to Total Debt (Original Maturity) (%)	3.6	14	20.4	21.7	23.6	20.5	18.5
3. Ratio of Short-term to Total Debt (residual maturity) (%)	10.3	18.3	40.6	40.9	42.1	39.6	NA
4. Ratio of Concessional Debt to Total Debt (%)	35.4	28.4	14.9	13.3	11.1	10.4	9.2
5. Ratio of Reserves to Total Debt (%)	41.7	109	95.9	81.6	71.3	68.1	69.4
6. Ratio of Short-term Debt to Reserves (%)	8.6	12.9	21.3	26.6	33.1	30.1	26.7
7. Ratio of Short-term Debt (residual maturity) to Reserves (%)	24.6	16.8	42.3	50.1	59	57.4	NA
8. Reserves Cover of Imports (in months)	8.8	11.6	9.5	7.1	7.0	7.8	8.1
9. Debt Service Ratio (Debt Service Payments to Current Receipts) (%)	16.6	10.1	4.4	6	5.9	5.9	8.6
10. External Debt (US$ billion)	101.3	139.1	317.9	360.8	409.4	446.5	461.9
11. Net International Investment Position (NIIP) (US$ billion)	-76.2	-60	-207.0	-264.7	-326.7	-337.0	-356.5
12. NIIP/GDP ratio*(%)	-16.5	-7.2	-12.1	-14.4	-17.7	-17.9	-17.6
13. CAD/GDP ratio	0.6	1.2	2.8	4.2	4.8	1.7	1.7

N.A. : Not available *Calculated based on US $ terms.

as debt investment by foreign institutional investors (FIIs). Similarly, foreign direct investment rose to US$ 5.5 billion during January 2015, more than twice the monthly average in the preceding quarter. With net capital flows being significantly larger than the external financing requirement, foreign exchange reserves rose to a peak level of US$ 343.0 billion by April 03, 2015.

In terms of traditional metrics of foreign exchange reserve adequacy – import cover and the Greenspan-Guidotti rule for short-term debt cover – India has exhibited steady improvement. The import cover of reserves went up to 8.1 months at end-December 2014 from 7.8 months at end-March 2014 while the ratio of short-term debt to reserves improved to 26.7 per cent at end-December 2014 from 30.1 per cent at end-March 2014 (Table III.3). Further, net forward purchases of US$ 5.6 billion and bilateral swap arrangements with Japan and among the BRICS provide additional cover against external shocks.

III.2 Output

The CSO's new series of national accounts aligns with internationally recognised best standards in terms of the United Nations' Systems of National Accounts (SNA, 2008) and also improves data coverage. Output measured by gross value added (GVA) at basic prices is, however, in dissonance with various metrics tracked as either coincident or leading indicators in terms of both level and growth rates (Box III.1). In particular, the conventional indicators of corporate performance that

Box III.1: New Series of National Accounts

The National Statistical Commission (NSC) had recommended a change in base year for all key economic data every five years to account for structural changes in the economy. In line with this recommendation, the base year for national accounts in India was recently revised to 2011-12 (from 2004-05 earlier), as the year 2009-10 was not considered a normal year in view of the global financial crisis. In the new series, GDP at market prices – instead of GDP at factor cost - is the headline number reported as a measure of economic activity in line with international practices. Furthermore, 'Gross Value Added (GVA) at basic prices' – instead of GDP at factor cost – is the headline measure of activity from the supply side. Other changes in the series include, *inter alia*, comprehensive coverage of the corporate sector in both manufacturing and services as per the database available in the e-governance initiative *viz.* MCA-21 of

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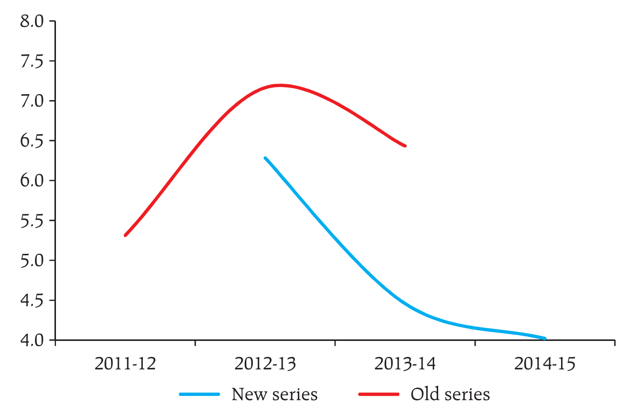
the Ministry of Corporate Affairs (MCA), improved coverage of rural and urban local bodies, and incorporation of recent National Sample Surveys (NSS).

Consequent upon these changes, nominal levels of GDP on the new base are lower relative to the old base. Growth rates of both nominal and real GDP on the new base are higher for each year. In terms of commonly used indicators of productivity – the incremental capital output ratio (ICOR) – the new series reveals a significant improvement, but this is not corroborated by the behaviour of other indicators, especially in an environment characterized by declining national savings, investment and general concerns about stalled projects (Chart a).



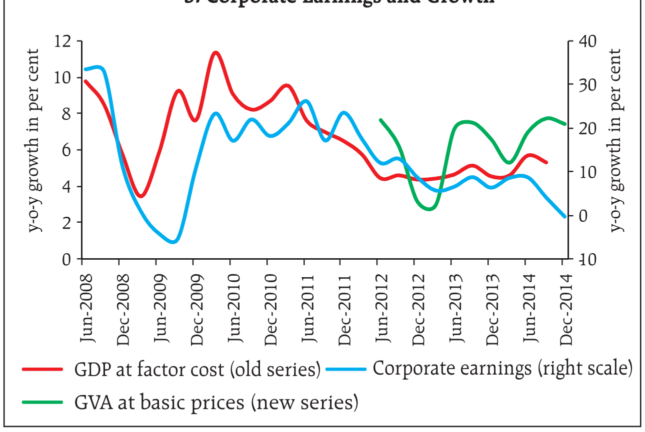
In the manufacturing sector, GVA growth is much higher in the new series than in the earlier series. The growth of this sector appears to have been driven by the unorganised sector, which grew by 23.3 per cent in 2012-13. Data for subsequent year, however, suggests a slowdown of the unorganised sector, with manufacturing growth driven mainly by the organised sector (Table III.B.1). While the use of MCA-21 database could explain differences up to 2013-14, the advance estimates for 2014-15 have used corporate sector data – from the Reserve Bank of India (RBI) and the Bombay Stock

Table III.B.1: Manufacturing Sector Growth

Y-o-y growth of	2012-13	2013-14	2014-15
GVA at constant prices (base 2004-05)	1.1	-0.7	N.A.
IIP	1.3	-0.8	1.7*
GVA at constant prices (base 2011-12)	6.2	5.3	6.8
Organised sector	2.5	6.8	N.A.
Unorganised sector	23.3	0.8	N.A.

N.A. : Not available
*Pertains to April-January.

Exchange (BSE) – in four key components of GDP, namely manufacturing, trade, hotels and restaurant, and real estate. An analysis of sequential flow of information on corporate earnings for Q3 of 2014-15 indicates that earnings growth has been much weaker than what is implied in the new series (Chart b). Services tax



collection has also remained weak. A high growth of 13.7 per cent (at constant prices) in "financial, real estate and business services" reflects a possible upward bias in estimation. It is expected that the revised estimates for 2014-15 to be released by end-May 2015 will incorporate better information covering the second half of the year and provide greater clarity on the state of economic activity at the aggregate level.

are used to reflect movements in output and which closely tracked the series in the old base, have disconnected from the new series even after accounting for the differences between the 'establishment approach' (old series) and 'enterprise approach' (new series).

From the supply side, agricultural activity slowed down through 2014-15, as the delayed onset of south-west monsoon, its uneven distribution and deficiency–especially in the early part of the season–affected *kharif* crops. GDP from agriculture and allied activities contracted by 0.4 per cent in Q3 (Table III.4). Initial expectations that the shortfall in the *kharif* harvest may be compensated by *rabi* crops did not materialise due to inadequate replenishing of soil moisture and reservoirs by Q3 and Q4, aggravated by a deficient and unevenly distributed north-east monsoon. Reflecting these factors, the second advance estimates of the Ministry of Agriculture indicate that the production of foodgrains declined by 3.2 per cent, and oilseeds by 8.9 per cent in 2014-15. Within foodgrains, the production of rice declined by 3.4 per cent and pulses by 6.8 per cent. Furthermore, unseasonal rains and hailstorms in early March are likely to affect agriculture production adversely. Even though the performance of allied activities is expected to remain stable, it remains to be seen whether they can compensate for the shortfall in agricultural production.

The industrial sector shrugged off stagnation and grew for the second consecutive year in 2014-15. An analysis of the quarterly data, however, suggests deceleration in growth of mining and quarrying and manufacturing. This implies that the industrial sector would have to have grown by about 9 per cent and manufacturing by around 11 per cent in Q4 to meet the CSO's projections for 2014-15 as a whole, which looks ambitious on the basis of information available so far. Core industries, which supply crucial inputs to other industries and have a weight of nearly 38 per cent in the index of industrial production (IIP), have been decelerating since December 2014, underlining the weakness in the growth drivers. Structural constraints have led to persistent declines in the production of core industries such as steel, natural gas, crude oil and fertilizers. The contraction in mining and quarrying and slowdown in electricity generation in the IIP highlight these constraints.

Table III.4: Growth in Gross Value Added at Basic Prices (Base: 2011-12)

(Per cent)

	2012-13	2013-14	2014-15 (AE)		2013-14				2014-15		
	Growth			Share	Q1	Q2	Q3	Q4	Q1	Q2	Q3
I. Agriculture, forestry & fishing	**1.2**	**3.7**	**1.1**	**16.2**	**2.7**	**3.6**	**3.8**	**4.4**	**3.5**	**2.0**	**-0.4**
II. Industry	**5.1**	**5.3**	**6.5**	**23.2**	**5.9**	**4.2**	**5.5**	**5.5**	**6.5**	**5.5**	**4.6**
(i) Mining & quarrying	-0.2	5.4	2.3	2.9	0.8	4.5	4.2	11.5	5.1	2.4	2.9
(ii) Manufacturing	6.2	5.3	6.8	18.0	7.2	3.8	5.9	4.4	6.3	5.6	4.2
(iii) Electricity, gas, water supply & other utilities	4.0	4.8	9.6	2.4	2.8	6.5	3.9	5.9	10.1	8.7	10.1
III. Services	**6.0**	**8.1**	**9.8**	**60.6**	**8.9**	**9.7**	**8.3**	**5.6**	**8.1**	**9.8**	**11.7**
(i) Construction	-4.3	2.5	4.5	8.0	1.5	3.5	3.8	1.2	5.1	7.2	1.7
(ii) Trade, hotels, transport, communication and services related to broadcasting	9.6	11.1	8.4	18.9	10.3	11.9	12.4	9.9	9.4	8.7	7.2
(iii) Financial, real estate & professional services	8.8	7.9	13.7	20.9	7.7	11.9	5.7	5.5	11.9	13.8	15.9
(iv) Public administration, defence and other services	4.7	7.9	9.0	12.8	14.4	6.9	9.1	2.4	1.9	6.0	20.0
IV. GVA at basic price	**4.9**	**6.6**	**7.5**	**100.0**	**7.2**	**7.5**	**6.6**	**5.3**	**7.0**	**7.8**	**7.5**

Source: Central Statistics Office. AE: Advanced Estimates

As per the use-based classification, the growth in industrial production was driven by basic goods and capital goods. Lumpy and fluctuating capital goods production imparted volatility to industrial production. As discussed earlier in the chapter, the slowdown in consumer goods points to weak demand reflected in private final consumption expenditure.

The revival in overall growth in 2014-15 hinged primarily around the services sector, which is estimated to have grown by 9.8 per cent. Quarterly analysis suggests that growth picked up steam from Q2 and strengthened further in Q3 led by 'financial, real estate and professional services' and 'public administration and defence'. However, in an environment of deceleration in bank credit and deposit growth, coupled with stagnation in the real estate sector and slowdown in demand for professional services, the high growth of the 'financial, real estate and professional services' appears puzzling. Given the centre and state governments' resolve on fiscal consolidation, the 'public administration and defence' services may not serve as a durable growth driver, going forward.

III.3 Output Gap

Uncertainty about the true value of macroeconomic variables is a formidable challenge for policy-making, particularly when data revisions result in information on the same variable for the same year computed at different times conveying different trends. The recent revisions in national accounts pose a challenge in terms of assessing the state of the business cycle and the position at which the economy is poised on it. Key to the setting of policies that modulate aggregate demand is a good 'fix' on the level of output relative to the economy's potential. Estimating potential output from historical data is difficult even in the best of times. It has become much more complex in the aftermath of the global financial crisis when potential output across the world is likely to have fallen, led by decline in productivity. The critical issue is: do recent revisions to India's national accounts capture this phenomenon? Empirical assessment suggests that overestimation of potential output can be costly, in terms of greater macroeconomic volatility and/or an acceleration of inflation getting entrenched (IMF, 2011)[2]. A production function approach to estimating potential output indicates a sharp decline in the contribution of total factor productivity to potential output. Various time series estimates of potential output – without imposing any *a priori* judgment relating to the structural interpretation of the new GVA series – suggest that in terms of levels, the output gap has remained negative since 2012-13, although the gap is gradually closing (Box III.2).

Box III.2: Potential Output

Empirical estimates of the output gap at the aggregate level and indicator/survey based information for major sectors of the economy can provide an assessment of slack in the economy. Potential output[3], however, is difficult to measure and is subject to estimation errors. The recent revision in national accounts data which shows major level differences in old and new series (at constant prices) for the last four years (2011-12 to 2014-15) imparts further complexity to the estimation, given the lack of data for previous years under the new series.

In the absence of high-frequency and regularly updated data on capital stock and labour in the Indian context, estimates of potential growth through a structural production function approach can, at best, be regarded as indicative rather than definitive, with the results

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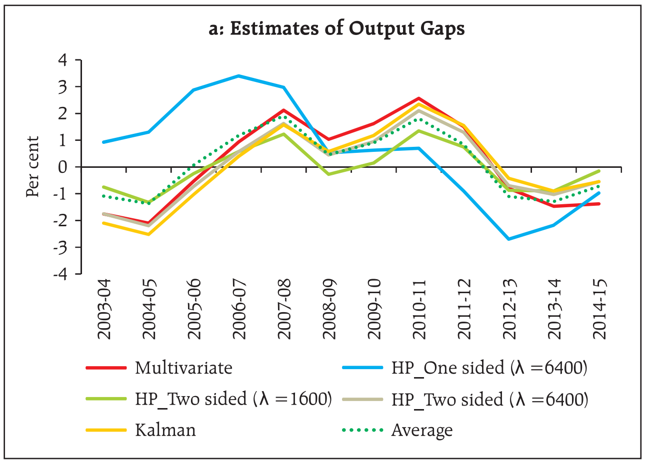
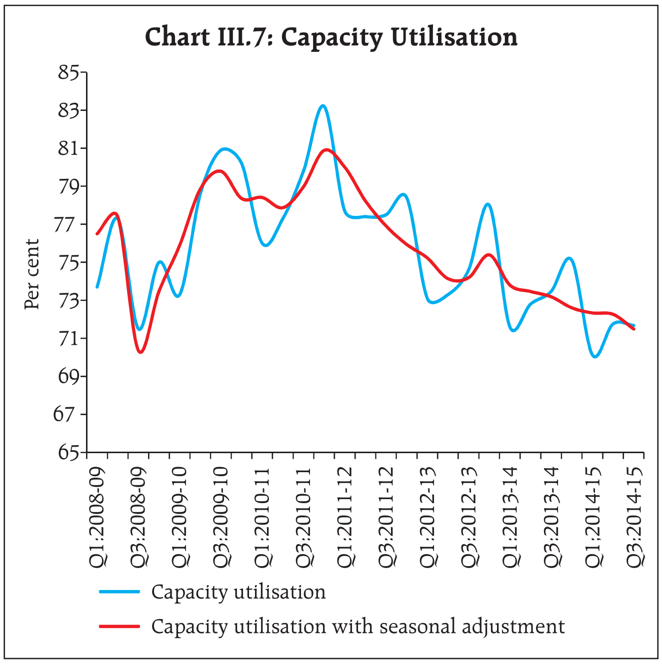
[2] International Monetary Fund (2011). *World Economic Outlook*, Chapter 1, April.

[3] Potential output is generally defined as the full capacity level of output or sustainable level of output in which the intensity of resource use is non-inflationary. While potential growth is the growth in the potential output, the output gap is the deviation of actual output from its potential level and is expressed as a percentage of potential output.

suggesting a sharp decline in the contribution of total factor productivity, as set out earlier. A useful alternative to the production function approach is to use time series methods that can estimate potential output solely from information contained in the past data, however short their history may be. Use of various univariate filtering techniques such as Hodrick-Prescott (HP) and Kalman filters, and a multivariate filter constructed from spliced quarterly GVA series, indicate that the output gap (*i.e.*, actual output minus potential output) has been negative since 2012-13, irrespective of the technique (Chart a).



The latest round of the Order Books, Inventory and Capacity Utilisation Survey (OBICUS) of the Reserve Bank reveals that capacity utilisation (CU) remained range-bound in Q3 of 2014-15 as compared to the previous quarter and declined over its level a year ago (Chart III.7).



An overall assessment of the state of the real economy points to recovery gaining ground slowly. Significant slack and structural rigidities continue to hold back a sharp revival in investment demand. Lack of certainty about cash flows from new investment projects is contributing to the lacklustre investment cycle. Unless structural reforms unleash productivity gains going forward, lower saving and investment rates could become a risk to stronger recovery. Recent reform measures in the infrastructure sector, including target-based progress on national highways, encouraging FDI in railways and defence, plans to start power plants in the private sector with all approvals in place, bringing in the requisite amendments in the Land Acquisition Act to expedite project clearances and coal block auctions are expected to address infrastructure bottlenecks and boost medium term growth prospects.

IV. Financial Markets and Liquidity Conditions

Amidst abundant global liquidity and risk-on risk-off fluctuations in investor appetite, financial markets in India rallied strongly in the second half of 2014-15, supported by improvement in domestic macroeconomic conditions. Liquidity was comfortable in all segments and this was reflected in a pick-up in turnover, softening of interest rates, an appreciating bias in the exchange rate of the rupee and equity markets scaling historic highs.

Since the MPR of September 2014, domestic financial markets have been buoyed through Q3 and Q4 of 2014-15 by the global search for yields as fears of imminent normalisation of US monetary policy receded and ultra-accommodative monetary easing commenced in the euro area and Japan. Barring sporadic volatility sparked by incoming data, India became a preferred destination in portfolio reallocations, with discernible differentiation *vis-à-vis* other EMEs. Liquidity conditions were expansionary in all segments, spurring trading activity.

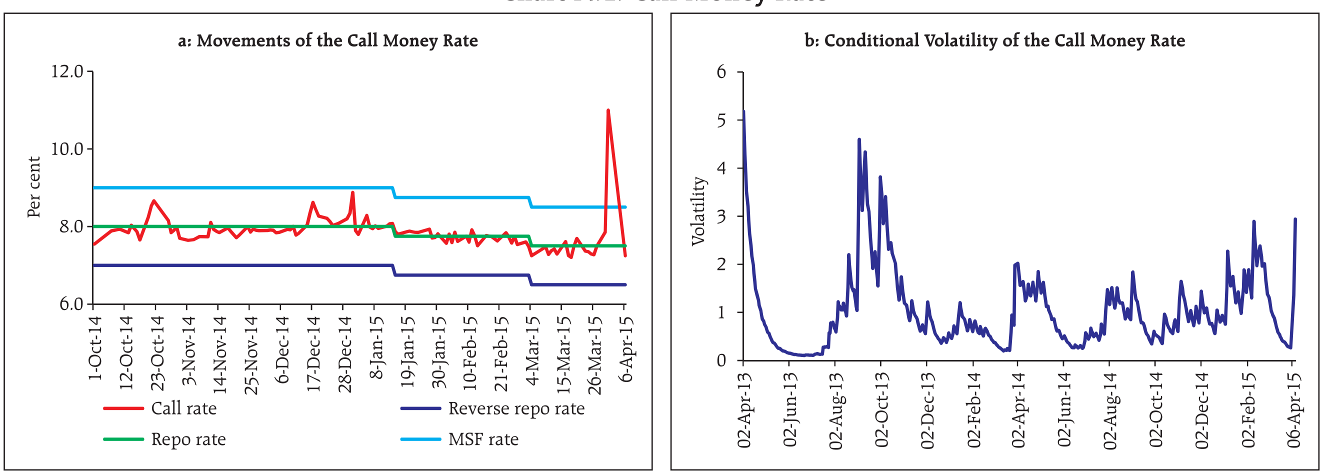
IV.1 Financial Markets

In the money markets, interest rates eased during Q3, barring intermittent spikes around the third week of October due to festival-related pick-up in currency demand, and again in the second half of December on account of advance tax payments and quarter-end balance sheet adjustments. The shift in the monetary policy stance steered by two cuts in the policy repo rate enabled interest rates to ease further during Q4.

Pro-active liquidity management under the new operating procedure of monetary policy has played a key role in the seamless transmission of policy impulses through the money markets. There has also been a marked ebbing of daily volatility measured through generalised autoregressive conditional heteroskedasticity (GARCH), although these estimates for the end of 2014-15 tend to be strongly influenced by the year-end spike in call rates (Chart IV.1). In this context, the Agreement on the Monetary Policy Framework enjoins the Reserve Bank to set out in the public domain the operating target and procedure of monetary policy and any changes therein that are effected from time to time (Box IV.1).

Other money market segments moved in consonance with the call money market. With the steady migration of activity to collateralised segments, *viz.*, collateralised borrowing and lending obligation (CBLO) and market repo, call money volumes have thinned, currently accounting for about 10-11 per

Chart IV.1: Call Money Rate



Box IV.1: Operating Target and Operating Procedure of Monetary Policy

The Policy Rate

The fixed overnight repurchase (repo) rate under the Liquidity Adjustment Facility (LAF) is the single monetary policy rate.

The Operating Target of Monetary Policy

The weighted average call money rate (WACR) is the operating target of monetary policy.

The Operating Procedure of Monetary Policy

Once the policy rate is announced in the Bank's statements on monetary policy, the operating procedure aims at modulating liquidity conditions so as to achieve the operating target, *i.e.*, to anchor the WACR around the policy rate. This is the first leg of monetary policy transmission to the financial system and the economy.

Liquidity Management

Pro-active liquidity management is the mechanism through which the operating target is achieved. The main features of the revised liquidity management framework announced on August 22, 2014 and implemented since September 5 are as follows: (i) assured access to central bank liquidity of one per cent of banks' net demand and time liabilities (NDTL) comprising 0.25 per cent of NDTL provided through overnight fixed rate repo auctions conducted daily at the policy rate, and 0.75 per cent of NDTL provided through 14-day variable rate term repo auctions conducted on every Tuesday and Friday; (ii) fine-tuning operations through variable rate repo/reverse repo auctions of maturities ranging from overnight to 28 days to even out frictional liquidity mismatches that occur in spite of assured liquidity operations; and (iii) outright open market operations through auctions and anonymous screen-based trading on the Negotiated Dealing System- Order Matching (NDS-OM) platform to manage enduring liquidity mismatches.

Special operations are also conducted on holidays to help market participants tide over pressures emanating from one-off events such as tax payments, government spending, balance sheet adjustments and payment and settlement requirements.

Standing Facilities

A Marginal Standing Facility (MSF) allows market participants to access central bank liquidity at the end of the day (including Saturdays) over and above regular and fine-tuning operations by using up to 2 per cent of their stipulated Statutory Liquidity Ratio (SLR) holdings of government securities in addition to excess SLR as collateral at a rate set at 100 basis points above the policy rate.

Fixed rate daily overnight reverse repo auctions are conducted at the end of the day (including Saturdays) to allow market participants to place surplus liquidity with the Reserve Bank at a rate set at 100 basis points below the policy rate. The fixed rate daily overnight reverse repo operates as a *de facto* standing facility.

The MSF rate and the fixed overnight reverse repo rate define an informal corridor for limiting intra-day variations in the call rate.

cent of the total overnight volume (Chart IV.2). This reflects preference for collateralised funding as well as improvements in the microstructure such as co-terminus settlement of market repo and outright trade in Government securities. Trading in the call money market tends to be skewed by its microstructure – over 70 per cent of the activity is concentrated in the opening hour and closing hour of trading; top five borrowers accounting for about 50 per cent of total daily call volumes on average (Chart IV.3). These features have occasionally accentuated volatility in the call money market, particularly in Q4.

The market for commercial paper (CPs) picked up momentum during Q3 and Q4 (up to March 15), with issuances of CPs growing y-o-y by 25 per cent and 49

Chart IV.2: Money Market Turnover – Share of Key Market Segments

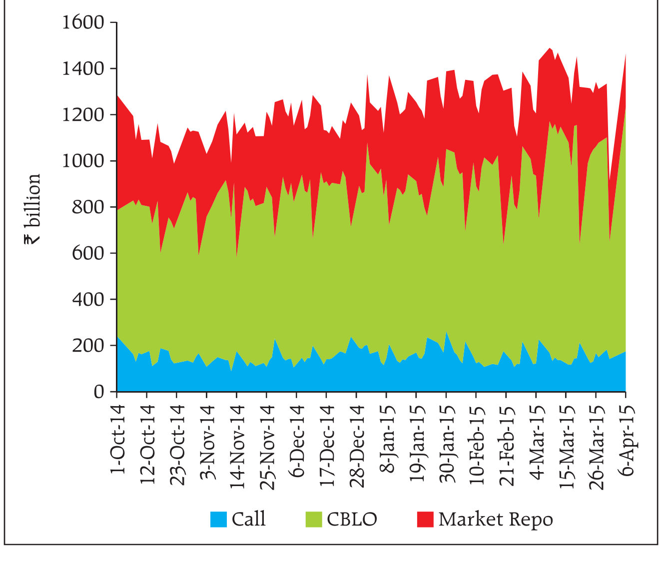
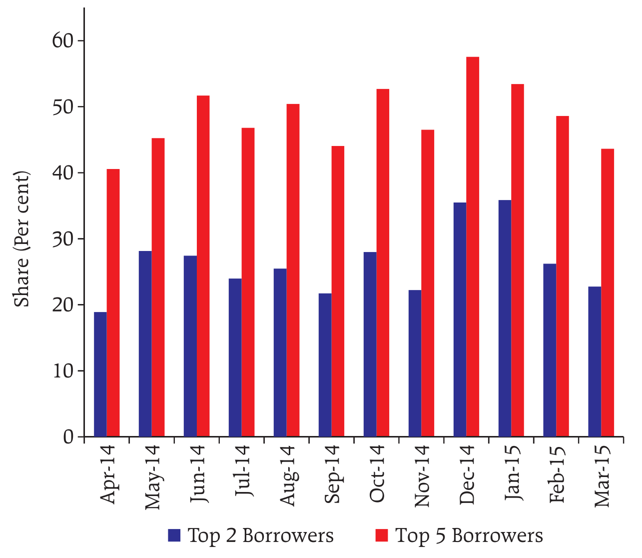


Chart IV.3: Call Money Market Volume – Major Borrowers



per cent, respectively. This reflected some substitution of short-term bank credit due to tight bank lending conditions. The weighted average discount rate of CPs softened from 8.9 per cent during the second half of September 2014 to 8.5 per cent in the second half of January 2015, before hardening to 8.8 per cent in the first half of March 2015.

In the Government securities (G-sec) market, yields softened through Q3, barring some spikes during the second half of December 2014 due to the Ukrainian crisis followed by the Russian currency crisis. Buoyant investor sentiment conditioned by the ongoing disinflation in India and expectations of monetary policy easing helped the market to shrug off the impact of the Federal Reserve completely exiting quantitative easing (QE) in October. The OPEC's decision in November 2014 not to cut production strengthened market sentiment and reinforced the decline in G-sec yields. During the global sell-off triggered by the depreciation of the Ruble, however, the 10-year generic yield jumped by 15 basis points on December 16 – the largest increase on any single day during the second half of 2014-15.

As the Russian currency crisis abated, G-sec yields declined in Q4, aided by the softness in international crude oil prices, fall in US treasury yields and resumption of flows into the domestic foreign exchange market. G-sec yields hardened transiently in response to the reduction in the SLR in February and the broadly unchanged size of the market borrowing programme announced in the Union Budget. As in the past, recourse to Treasury Bill auctions in February and March, notwithstanding large redemptions, inverted the G-sec yield curve, reflecting the reluctance of market participants to part with liquidity as the balance sheet date approached. Barring these episodes, the G-sec market was range-bound during Q3 and Q4 with a downward shift in the yield curve (Chart IV.4). The 10- year yield declined by 72 basis points from 8.52 per cent at the end of September 2014 to 7.80 per cent on March 31, 2015.

Foreign portfolio investors' (FPIs) investment in G-secs stood at ₹1,529 billion as on March 31, 2015. With the exhaustion of the limit for investment in G-secs (US$ 30 billion), FPIs invested in debt mutual funds allowed under the limit of US$ 51 billion for investment

Chart IV.4: Yield Curve of Government Securities

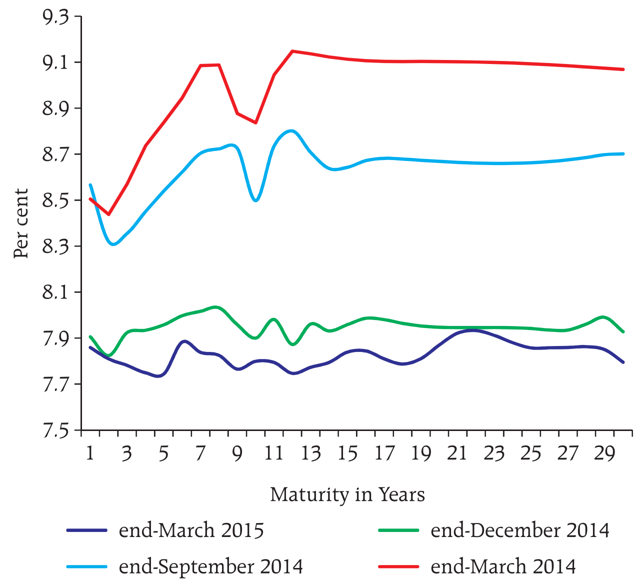


Chart IV.5: Debt Ceiling Utilised by FPIs

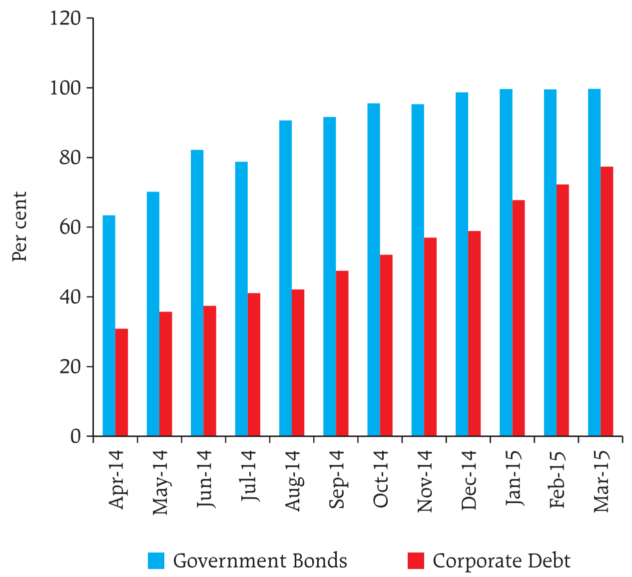
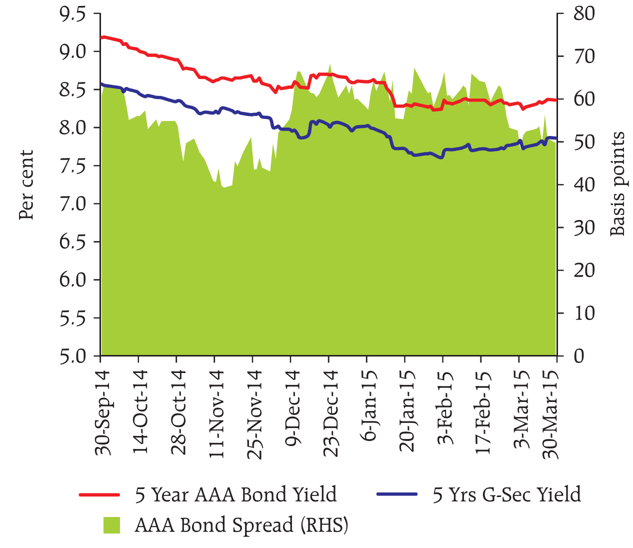


Chart IV.6: 5-Year AAA Corporate Bonds and G-sec Yields



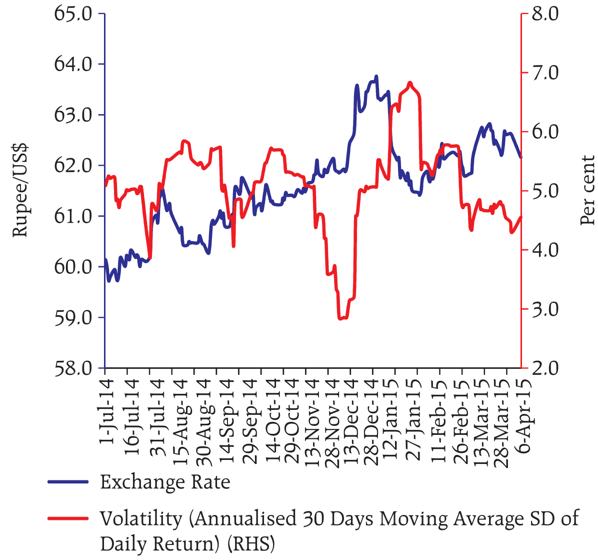
in corporate debt, indirectly expanding their investment in G-secs (Chart IV.5).

Activity in the corporate bond market also gathered pace in Q3 and Q4, driven by private placements which recorded a y-o-y growth of 112 per cent. On the other hand, amounts mobilised through public issues declined through this period (up to February). The significant increase in resource mobilisation through corporate bonds could be reflecting substitution effects since bank credit growth has remained subdued in conjunction with tight credit conditions. FPIs' investment in corporate bonds stood at ₹1,890 billion as on March 31, 2015, accounting for 77 per cent of the limit, and as a consequence, secondary market trading volumes surged by 51 per cent (y-o-y) in the second half of 2014-15. Yields of AAA rated corporate bonds generally moved in tandem with G-sec yields, but hardened somewhat in March (Chart IV.6).

Notwithstanding increased resource mobilisation through corporate bonds and CPs, the flow of financial resources to the commercial sector remained lower during 2014-15 than a year ago, mainly due to the deceleration in non-food credit.

In the foreign exchange market, the predominant driver has been robust capital flows that started from March 2014. The exchange rate of the rupee moved in a narrow range of ₹61.04 - 62.14 per US$ but with an upward bias through most of Q3. From December 10, however, the rupee experienced downward pressures, slipping to a recent low of ₹63.75 on December 30 on a combination of factors – spillovers from the Russian currency crisis; month-end purchases by oil marketing companies; profit booking by FPIs; weak readings on industrial output, and the relentless strengthening of the US dollar. By the second week of January 2015, volatility in the spot market ebbed and the rupee resumed trading with an appreciating bias on the resumption of FPI flows, abating of the Russian currency crisis and a sharp fall in the trade deficit (Chart IV.7). The ECB's announcement of QE on January 22 and sustained softening of international crude oil prices added to the positive sentiment in the exchange market. In the second week of February 2015, incoming strong US non-farm payroll data set off a slide across emerging markets' currency and equity markets. Range-bound trading with modest gains followed the dovish comments from the Federal Reserve in March

Chart IV.7: Rupee-US Dollar Exchange Rate and Volatility



regarding the timeframe for raising its policy rate. In real effective terms, the rupee appreciated over its level at the end of March 2014 on account of persisting inflation differentials *vis-à-vis* trading partners (Table IV.1).

The forward market also exhibited heightened activity in Q3, with the six-month forward premium declining from 8.16 per cent on October 9 to 7.13 per cent on December 26. In Q4, however, the forward premia hardened somewhat from the second half of February on increasing demand.

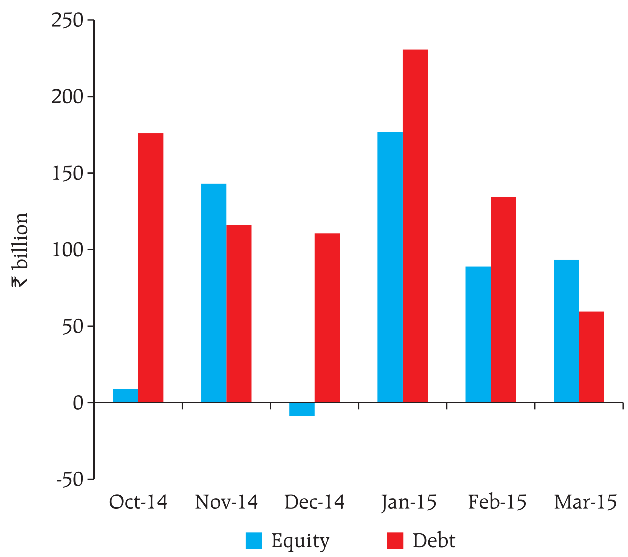
Table IV.1: Nominal and Real Effective Exchange Rates: Trade-Based (Base: 2004-05=100)

Item	Index Mar 2015 (P)	Appreciation (+) / Depreciation (-) (per cent)	
		Mar 2015 over Mar 2014	Mar 2014 over Mar 2013
36-currency REER	113.46	9.3	-3.9
36-currency NEER	76.85	6.9	-8.6
6-currency REER	125.22	11.9	-6.8
6-currency NEER	71.33	7.3	-12.6
₹/ US$ (As on March 31)	62.59	-2.4	-10.8
₹/Euro (As on March 31)	67.51	24.7	-16.3

P: Provisional.
Note: REER figures are based on Consumer Price Index (Combined).

Barring soft patches, equity markets rallied through the second half of 2014-15, scaling all-time highs. Indian indices were among the better performing in the world, with significantly attractive valuations relative to fundamentals and the cross-country EME experience. Some of these gains were pared during December 2014 by pessimism triggered by fears of earlier than expected reversal in the US interest rate cycle, uncertainty relating to Greece and geo-political tensions in the Ukraine and the Middle East. Equity markets, however, started gaining again from the beginning of January 2015 on resumption of portfolio investment flows (Chart IV.8). Buoyant sentiment bounced back with the Reserve Bank's announcement of a cut in the policy repo rate on January 15, and the BSE Sensex reached a historic high closing at 29,682 on January 29, 2015. In the early part of February, equity markets gave up some gains on concerns following the results of Delhi elections, weak results reported by some big corporates, poor Chinese trade data and decline in European stocks. In the second half of the month, however, equity markets recovered and gained strength with the announcement of the Union Budget 2015-16 as also passing of key legislations relating to

Chart IV.8 : Net Foreign Portfolio Investments – Equity and Debt



coal, mining and insurance susequently. During March 2015, the stock market eased moderately on global cues.

In the primary market, Qualified Institutional Placement (QIP) was moderate at ₹41 billion while equity and debt issues declined to ₹34 billion during Q3. On the other hand, private placements of corporate bonds and mutual funds spurted to ₹1,240 billion and ₹574 billion, respectively. There has already been some improvement in resource mobilisation in Q4 in response to investment-friendly measures announced in the Union Budget 2015-16 and steps taken by the SEBI to streamline existing regulations relating to public shareholding of state-owned companies.

In the credit market, subdued activity in the first half of the year picked up from Q3 as banks shifted their portfolios towards retail lending, especially housing. Credit flow to the industrial sector – particularly to food processing and basic metals – and services, also improved modestly (Chart IV.9). Reflecting the generally sluggish demand for credit as also regulatory requirements relating to the liquidity coverage ratio (LCR), banks' investments in G-secs, on the other hand, showed a sharp increase during 2014-15. Excess SLR holdings of banks increased significantly as a consequence. Banks have been rebalancing their lending portfolio away from sectors in which their assets are under stress to relatively stress free sectors such as retail housing and automobiles.

Following the 50 basis points reduction in the policy rate in Q4, 22 banks have reduced their median term deposit rates in the range of 7-53 bps while 14 banks reduced their base rates in the range of 10-50 bps.

IV.2. Liquidity Conditions

Broad money (M_3) growth remained low during Q3 and Q4. With credit and deposit growth moving broadly in tandem, liquidity conditions in the system remained comfortable throughout, barring transient liquidity mismatches due to frictional factors alluded to earlier (Chart IV.10). Currency demand started picking up since Q3 with the festival season and drained some liquidity, but timely liquidity provision by the Reserve Bank smoothened these short-lived spikes. The provision of primary liquidity was augmented by the large expansion in net foreign assets of the Reserve Bank. Active sterilisation operations, however, contained the growth of reserve money (Chart IV.11).

Chart IV.9: Sector-wise Bank Credit Flow

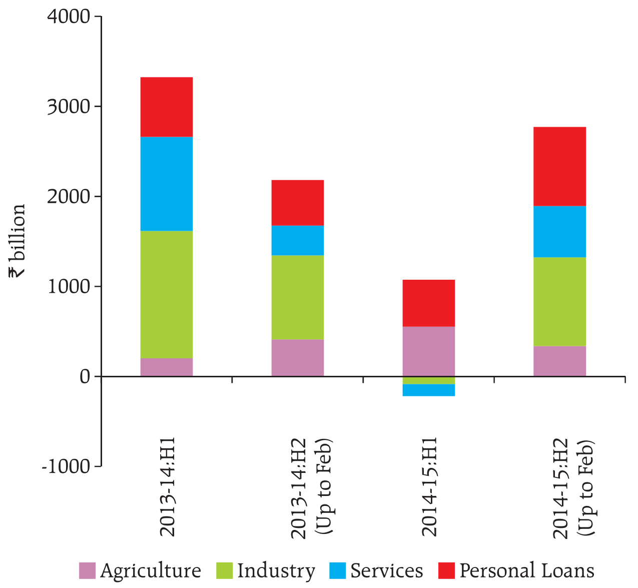


Chart IV.10: Credit and Deposit Growth

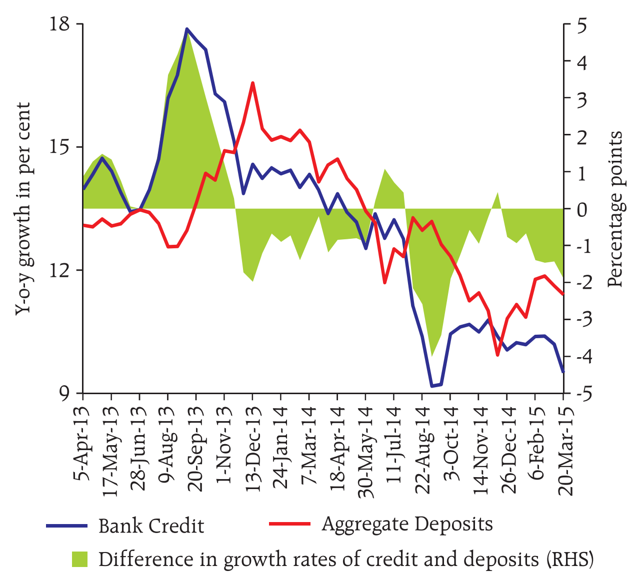


Chart IV.11: Movements in Main Sources of Reserve Money

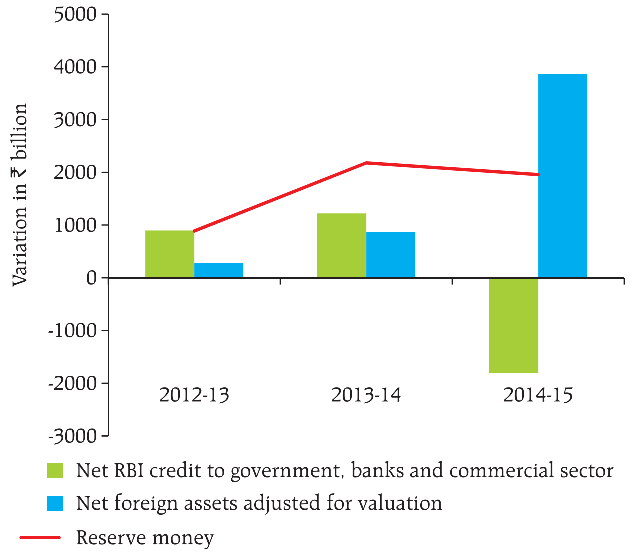
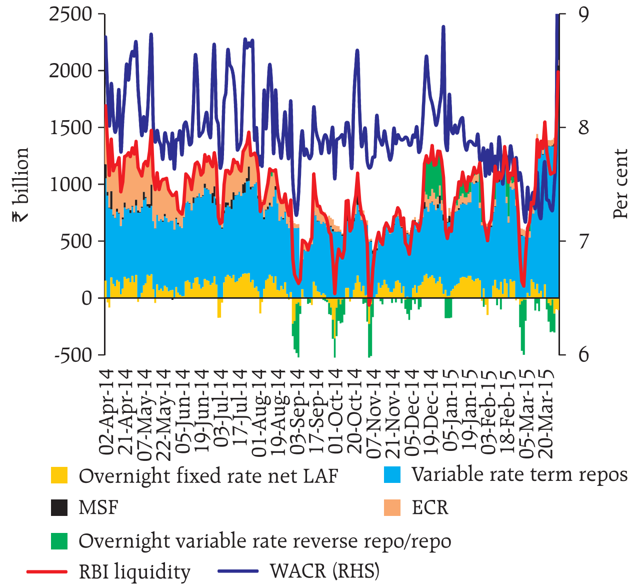


Chart IV.12: RBI Liquidity Provision



Liquidity conditions improved during Q3 of 2014-15, reflecting a confluence of structural and frictional factors, barring temporary pressures around festival days, mid-December advance tax payments and quarter-end window dressing. In Q4, liquidity conditions tightened since the second week of January 2015 with cutbacks in government spending, pick-up in credit demand and seasonal increase in currency demand. The Reserve Bank's pro-active liquidity management operations ensured that the call rates stayed range bound around the policy rate, reducing day-to-day volatility (Chart IV.12).

In pursuance of the Dr. Urjit R. Patel Committee's recommendation to move away from sector-specific refinance, the export credit refinance (ECR) limit was reduced in three phases starting June 2014 and finally subsumed in the provision of system level liquidity with effect from February 7, 2015. As a further measure to facilitate smoother operations, the Reserve Bank started conducting reverse repo and MSF operations on all Saturdays, effective February 21, 2015.

Overall, financial markets traded on a bullish note during the second half of 2014-15 against the backdrop of improved domestic fundamentals and a global appetite for risk. The evolution of overall global liquidity conditions has been conditioned by expectations relating to high intensity events such as the lift-off of US interest rates, monetary accommodation elsewhere and geo-political flashpoints. Liquidity conditions remained stable and movements in the overnight call money rate were, by and large, anchored around the policy repo rate.

V. External Environment

Global economic recovery remained tepid and divergent across economies, with most EMEs experiencing slowdown. While AEs remain susceptible to the risk of deflation, inflationary pressures subsided in key EMEs giving leeway for easing monetary policy. Global commodity prices continue to decline. Financial markets were buoyant but volatile in pricing in policy developments in major economies.

In the months following the MPR of September 2014, global economic activity appears to be stabilising, but with markedly divergent growth profiles between advanced and emerging economies, and between commodity exporters and importers. The collapse of international commodity prices, especially of crude oil, seems to have reallocated demand across economies. Monetary policy stances across countries have been easing, including unconventionally, and market expectations on the timing of the US monetary policy normalisation have been pushed back. In response, there have been large movements in exchange rates and other asset prices. Reflecting risk appetite and search for yield, long-term yields have fallen to record lows amidst heightened volatility in financial markets. For commodity exporters, however, risk spreads have widened and currency depreciations have been sizable. Thus, even though financial conditions are easy and are being reflected in financial asset prices, the outlook for global growth remains moderate, held back by still-weak demand.

V.1. Global Economic Conditions

In the United States, growth has been firming up, aided by improving labour and housing market conditions. The sharp appreciation in the US dollar in recent months could, however, dampen prospects for exports. In the Euro area, economic conditions remain weak although some pick-up in Q4 of 2014 and the early months of 2015 is being observed, supported by lower crude prices and the depreciation in the euro as well as increased bank lending. The contraction of activity in Japan moderated in the final quarter of 2014, with mixed signals from higher frequency data in the beginning of 2015 - consumer confidence and exports show improvement, but retail sales and industrial production have contracted.

Most EMEs continue to decelerate due to subdued external demand, political uncertainties and domestic supply-side constraints. In China, activity has slowed over the second half of 2014 and Q1 of 2015 as investment demand lost pace and the real estate sector weakened on deleveraging and financial repair among households and corporations. The Russian economy slowed sharply due to falling oil prices and Western sanctions. Contraction continues in Brazil as high inflation squeezes domestic demand. Falling oil and commodity prices also weighed on growth prospects of countries in the Middle East, Eastern Europe and Latin America (Table V.1).

Overall, although the near-term outlook is improving slowly, AEs are yet to fully recover from the after-effects of the global financial crisis. EMEs face the challenge of addressing persistent negative output gaps

Table V.1: Real GDP Growth (Y-o-Y, Per cent)

Period	Q1-2014	Q2-2014	Q3-2014	Q4-2014	2015P
Advanced Economies					
United States	1.9	2.6	2.7	2.4	3.6
Euro area	1.1	0.8	0.8	0.9	1.2
Japan	2.1	-0.4	-1.4	-0.7	0.6
United Kingdom	2.7	2.9	2.8	3.0	2.7
Canada	2.1	2.6	2.7	2.6	2.3
Emerging Market Economies					
China	7.4	7.5	7.3	7.3	6.8
Russia*	0.6	0.7	0.9	0.4	-3.0
Brazil*	2.7	-1.2	-0.6	-0.2	0.3
Mexico	0.9	2.8	2.2	2.6	3.2
South Africa	2.1	1.3	1.5	1.3	2.1
Memo Items:	2014				2015P
World Output	3.3				3.5
World Trade Volume	3.1				3.8

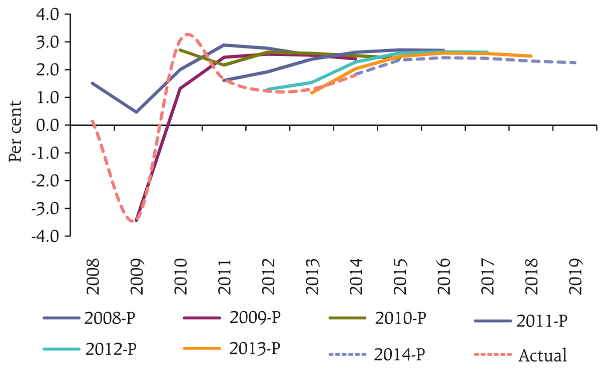
P: Projection.
*not seasonally adjusted
Sources: OECD, IMF and Bloomberg.

and falling growth potential, which yields a more subdued near-term outlook for them. In fact, the sluggish global recovery over the course of 2014 and 2015 so far has warranted successive downward adjustments to forecasts the world over, raising concerns of 'secular stagnation' (Box V.I).

Box V.1: Secular Stagnation: A Post-crisis Concern

Despite ultra accommodative monetary policies pursued for a considerable period, AEs continue to languish, raising fears that they may be suffering from secular stagnation. The theory of secular stagnation (Hansen, 1939) is Keynesian in emphasising the role of deficient demand evident in a saving glut. Supply-side factors are also at play in stagnating long-run growth - slow population growth and shrinking working-age labour supply; slow technological progress; and low returns on human capital (Gordon, 2014). The combination of these forces is driving down AEs to an equilibrium trap of lower investment and lower potential growth. Thus, the slowdown in AEs is more of a structural phenomenon, rather than a cyclical outcome of the financial crisis. On the other hand, deleveraging in the financial sector, balance sheet repair and resolution is taking its toll on growth in AEs (Chart V.B.1).

Chart V.B.1: Projections and Actual Growth for AEs by the IMF

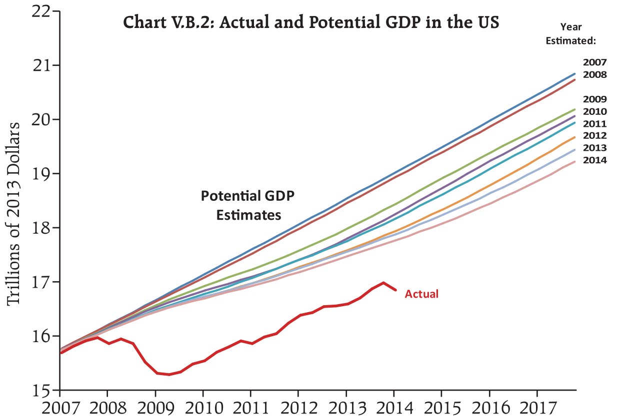


Source: WEO, IMF, Various Issues.

It has been argued that potential output in the US economy is now 10 per cent below its level in 2007 (Chart V.B.2), *i.e.*, no progress has been made in restoring GDP to its potential (Summers, 2014a). The aggregate employment/population ratio tends to corroborate this view, even when the working age population is considered.

Has the future potential of the economy become impaired? Slower total factor productivity accounts for the smallest part of the downward trend in potential, whereas the largest part is associated with reduced capital investment, followed closely by reduced labour input. Similar evidence is discernible in the case of Japan and Europe.

Chart V.B.2: Actual and Potential GDP in the US



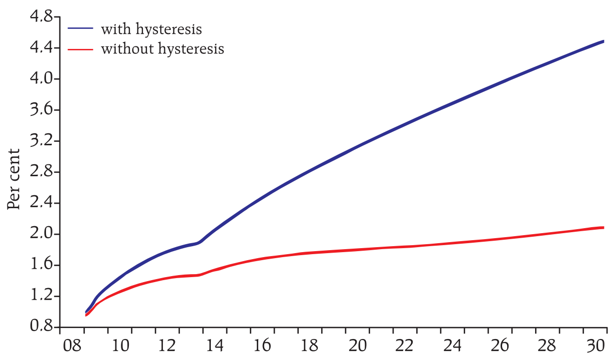
Source: Summers (2014a).

Changes in the structure of the economy have also led to a significant shift in the natural balance between saving and investment, causing a decline in the equilibrium or normal real rate of interest that is associated with full employment (King and Low, 2014). This could portend increased vulnerability to financial stability in the future on a global basis.

These developments suggest that as a long-term strategy, employing monetary policy to raise potential output appears to have reached its limits. Raising the level of demand through regulatory and tax reforms that would promote private investment, policies that promote exports and public investments could be a more effective strategy. Model simulations for the US suggest that a one per cent increase in the budget deficit directed at government spending maintained for five years produces a substantial demand response even after allowing for labour withdrawal effects (Chart V.B.3) - the potential multiplier can be quite large - with a reduction in the long-run debt to GDP ratio (Summers, 2014b).

(Contd...)

Chart V.B.3: Expenditure Multiplier, With and Without Hysteresis



Source: Summers (2014b).

The jury is still out on whether or not AEs face secular stagnation. An alternative view is that it is just a prolonged business cycle, reflection of temporary headwinds and misguided fiscal contraction (Beckworth, 2014). Understandably, there is no consensus on the appropriate policy responses: fiscal policy to stimulate aggregate demand through infrastructure investment; persistently low interest rates to encourage demand; structural reforms to address supply side constraints; technological innovations (Brynjolfsson and McAfee, 2014) or a judicious combination.

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Summers, L.H. (2014b), "US Economic Prospects: Secular Stagnation, Hysteresis, and the Zero Lower Bound", *Business Economics,* Vol. 49 (2), pp. 65-74.

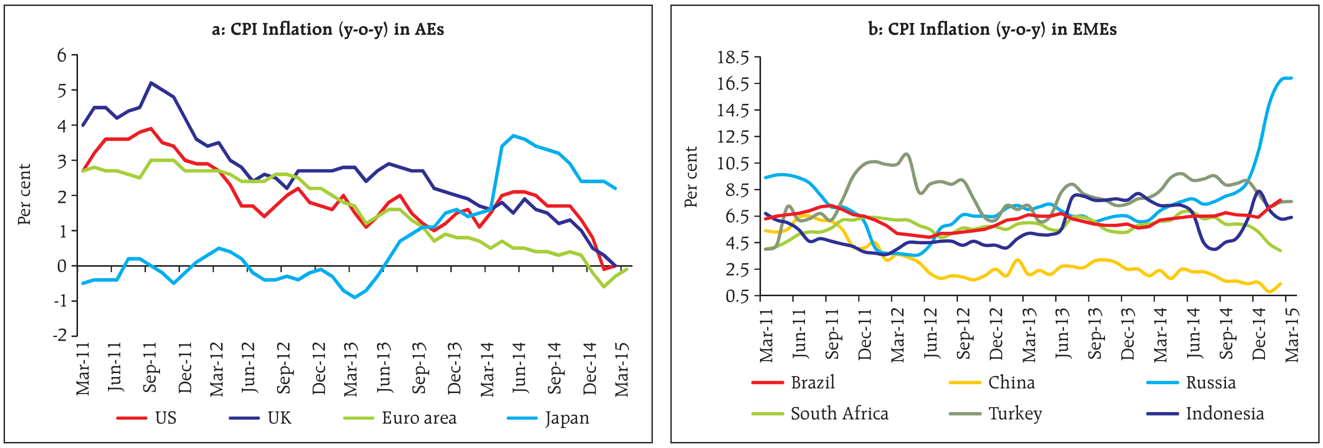
The pace of global trade continues to be weighed down by both cyclical and structural factors, with world trade volume growing by only 3.1 per cent in 2014 - well below the pre-crisis trend (IMF, 2015).[1] The impact of the growth slowdown in China, Russia, the Euro area and Japan on world trade has been significant, aggravated by weaker activity in some major oil exporters. Even though world trade growth is expected to pick up moderately along with improvement in global output in 2015 (IMF, 2015), risks continue to tilt downwards, given the subdued conditions characterising global demand and international commodity prices. Incoming data on most EMEs show contraction in exports in the first two months of 2015.

V.2. Global Inflation Developments

Inflation continues to drift downward in AEs and many EMEs *albeit* in varying degrees. Given weak demand conditions, falling commodity prices has made deflation a major concern for many AEs. The Euro area is struggling to emerge out of a deflationary spiral with CPI inflation of (-)0.1 per cent in March. In the US and the UK, inflation has been declining since the second half of 2014, with zero inflation in February in both countries. For the UK, low food and fuel prices have been the prime factors for keeping inflation low. In the US, appreciation of the dollar has also had a disinflationary effect. In Japan too, CPI inflation has shrugged off the effects of the hike in the consumption tax in April 2014 and has steadily fallen to 2.2 per cent, primarily driven down by falling commodity prices (Chart V.1a).

[1] International Monetary Fund (2015), World Economic Outlook, January update.

Chart V.1: Global Inflation



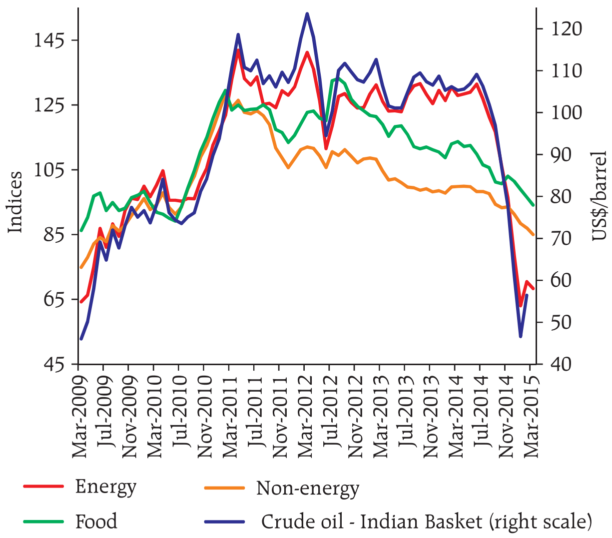
Source: Bloomberg.

Although EMEs, in general, have benefited from the sharp fall in commodity prices, inflation has remained stubbornly high in a few countries. While China faces the risk of deflation due to weak domestic demand and falling factory prices, the slump in oil prices has given some respite to inflation in Indonesia, South Africa and Turkey. By contrast, inflationary pressures remain high in Brazil and Russia, attributable to domestic factors and substantial currency depreciation (Chart V.1b).

Since August 2014, strong supply positions have led to a drastic fall in world energy prices, with Brent and WTI crude oil prices falling below US$ 50 per barrel in January 2015 (Chart V.2). Since then there have been intermittent bouts of volatility, driven by factors such as decline in US rig counts, relatively positive data on the US economy and disturbances in the Middle East. Most non-energy prices have also been on a steady decline. Global food prices continue to slide downward, underpinned by strong production expectations, robust inventories, the strong US dollar and limited demand from major importers like China.

Looking ahead, commodity prices will likely remain stable as slack in the global economy persists. Tepid and uneven economic recovery across major economies could intensify disinflationary pressures. On the other hand, monetary policy easing measures undertaken by major central banks should support demand.

Chart V.2: Commodity Prices



Sources: World Bank and Petroleum Planning and Analysis Cell (GoI).

V.3. Monetary Policy Stance

Faced by the combination of deflationary/ disinflationary pressures and weak growth, central banks in both AEs and EMEs have pursued accommodative monetary policies. In the US, monetary policy remains highly accommodative with interest rates close to zero even after the cessation of the Fed's asset purchases in October. Notwithstanding forward guidance in March setting the stage for lifting its policy rate, markets anticipate a relaxed approach from the Fed in this regard. Facing persistent deflation, the Bank of Japan has continued with its target of monetary base expansion of 80 trillion yen per year. The ECB began its asset purchase programme since March 2015 which, in turn, has produced sizable depreciation of the euro and taken long-term bond yields to new lows. Some countries have resorted to negative interest rate policy to counter high real interest rates arising due to deflationary pressures (Chart V.3a).

Many EMEs have eased their policy stances as inflationary pressures subsided on weak domestic demand and the sharp fall in energy prices. China followed up deposit/lending rate cuts in November 2014 and February with reduction in reserve requirements in February and other measures to reduce financing costs. Other EMEs such as Thailand and Korea have also reduced policy rates in quick succession to protect their external competitiveness. Turkey and Indonesia eased their policy rates as the inflation outlook improved. Stricken severely by the fall in global oil prices and Western sanctions, Russia cut its policy rate twice in Q1 of 2015 (January and March). Brazil has been an exception, relentlessly raising policy rates up to a six-year high in March; a weakening currency has further exacerbated already high inflationary pressures (Chart V.3b).

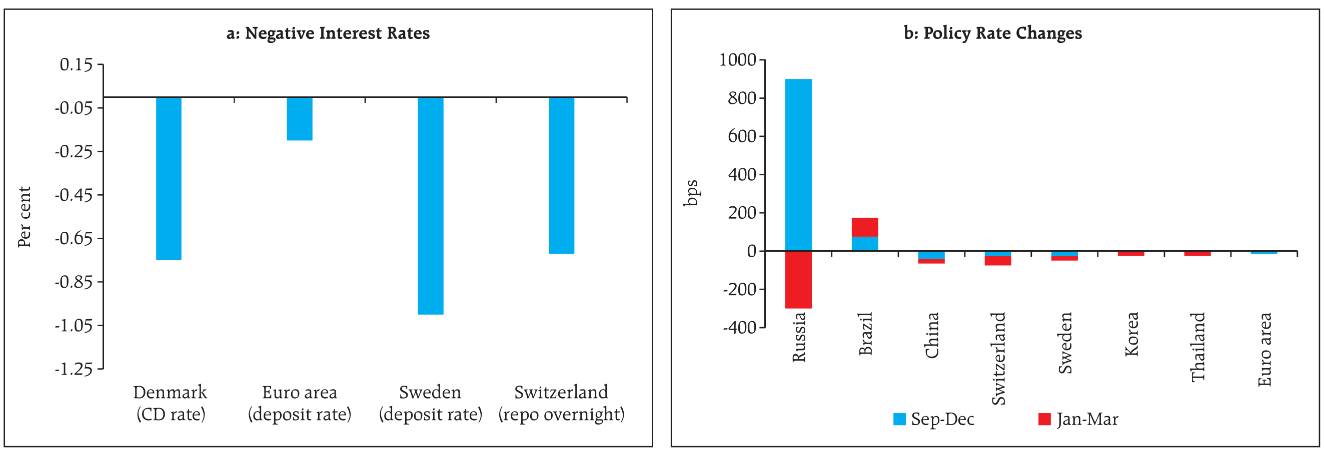
Yet most policy shifts by central banks have been apparently driven by the weak economy and exchange rate concerns rather than financial stability, implying competitive devaluations.

VI.4. International Financial Markets

Financial markets have been volatile since mid-2014, triggered by data releases in the US and the Fed's statements on the normalisation of monetary policy. Political tensions in Europe relating to Greece, lower oil prices and country-specific events have also impacted investor sentiment. Unprecedented low interest rates and compressed risk premia have led to a precipitous fall in long-term government bond yields while raising most asset prices to near record highs as the search for yield pushed investors to riskier assets (Chart V.4a). Further easing of monetary policy propped up global equity markets in Q1 of 2015, particularly in AEs, *albeit* preceded by bouts of volatility in the second half of 2014 (Chart V.4b).

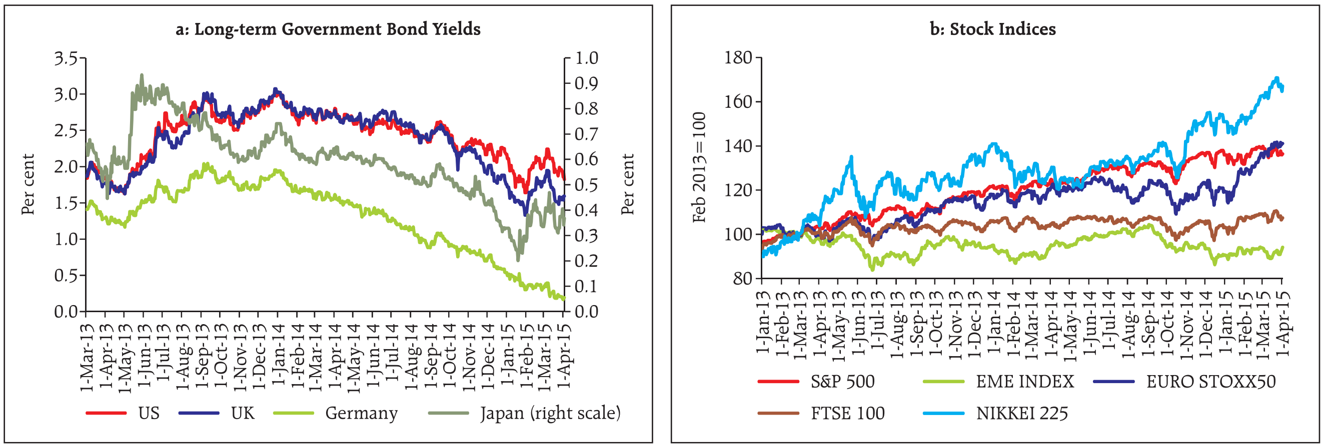
Capital flows to EMEs subsided in the second half of 2014, as growth remained lacklustre. Falling commodity prices and the shifting trajectory of US monetary policy heightened risk aversion. However, portfolio flows to a few EMEs rebounded in Q1 of 2015 following the announcement of the ECB's QE programme. With markets reading Fed's forward guidance in its March statement as dovish, volatility returned in portfolio flows to EMEs and investors

Chart V.3: Interest Rates Across Countries



Source: Bloomberg and central bank websites.

Chart V.4: Global Financial Markets



Source: Bloomberg.

tended to discriminate against countries with relatively weaker domestic macroeconomic fundamentals.

The US dollar has gained against major currencies and most EME currencies. Since end-June 2014, the dollar index has gained about 20 per cent both in nominal and real terms against major currencies.

In sum, the uncertainty surrounding near-term prospects and the underlying drivers of future crude oil prices have added a new dimension to the global growth outlook. While on the upside, lower oil prices could spur global demand by increasing the purchasing power of oil importers, on the flipside, oil exporters could be adversely affected. With divergent monetary policy stances across major economies, risks related to shifts in market sentiment and resultant bouts of volatility in capital flows and currency markets remain elevated.

RBI CELEBRATES ITS 80th ANNIVERSARY

Opening remarks by Dr. Raghuram G. Rajan, Governor, Reserve Bank of India

Prime Minister's remarks at the inaugural session of RBI Conference on Financial Inclusion

*Opening remarks by Dr. Raghuram G. Rajan, Governor, Reserve Bank of India**

आदरणीय प्रधान मंत्री श्री नरेंद्र मोदी जी, महाराष्ट्र गवर्नर श्री विद्यासाग्गर जी, वित्त मंत्री श्री अरुण जैटली जी, मुख्य मंत्री श्री देवेंद्र फड्नवीस, अन्य विशिष्ट अतिथिगण, मेरे RBI के साथियों, देवियों और सज्जनों।

आज भारतीय रिज़र्व बैंक ने अस्सी वर्ष पूरे कर लिए हैं। आदमी के जीवन में अस्सी वर्ष काफी लंबा समय होता है। दक्षिण भारत में अस्सी वर्ष पूरे करने पर सदाभिषेकम नाम से एक समारोह मनाया जाता है। तो एक तरह से आज हम भारतीय रिज़र्व बैंक का सदाभिषेकम मना रहें है। लेकिन इसका मतलब यह नहीं है की अब रिजर्व बैंक की जिम्मेदारियाँ समाप्त हो गईं हैं, आज तो केवल हमारे सफर के शूरुआत की समाप्ति है।

The Reserve Bank was set up in 1935 when India was under British rule. But the RBI was certainly not a British institution, and has been working right from the outset for Indian economic interests.

It has also nurtured Indian talent. In 1943, Chintaman Dwarkanath Deshmukh, one of India's finest financial minds, was appointed as the first Indian governor of the Reserve Bank. Amongst the problems he had to confront was how to deal respectfully but firmly with the debts the colonial power had accumulated to India during World War II.

Over the years, the Reserve Bank has been blessed with a number of such great leaders, a reflection also of the importance the government places in having a strong central bank. The list of past governors and deputy governors reads like a who's who of the Indian economic establishment, with governors like Benegal Rama Rau, M. Narasimham, Dr. I. G. Patel, Dr. Manmohan Singh, Dr. Rangarajan, Dr. Bimal Jalan, Dr. Y. V. Reddy, and Dr. Subba Rao, ably assisted by deputy governors such as S. S. Tarapore, Vepa Kamesan, Dr. Rakesh Mohan, K. Udeshi, Shyamala Gopinath, and Usha Thorat. The RBI's board has also been superb, with people like Sir Purshottamdas Thakurdas and Yezdi Malegam guiding it.

Interestingly, many of the governors were from the administrative services, with only one, M. Narasimham, from the RBI itself. Nevertheless, all understood that the Reserve Bank's role is to safeguard the monetary and financial stability of the country even while working towards its financial development. There has always been a constructive dialogue between the Government and the Bank, informed by their respective time horizons and attitudes towards risk. And history records that successive governments have invariably appreciated the wisdom of the Reserve Bank's counsel.

Over the years, the Reserve Bank has addressed many concerns. Inflation control has been foremost – and the Reserve Bank has done an admirable job over time, despite the price pressures created by food shortages, oil prices and wars.

Financial sector development has been another concern. The RBI's role has included setting up new institutions, encouraging the use of technology, developing markets, and expanding financial inclusion.

In the coming year, we will have many new players in the banking eco-system, such as payments banks, small finance banks and possibly a postal bank competing with existing universal banks, regional rural banks, cooperative banks and a variety of non-bank finance companies.

The use of technology has also expanded from the days when accounts were maintained manually in ledgers and unions called for strikes at the very mention of the word computers. Today, some banks allow customers to do all their banking transactions on a mobile phone, without entering a branch or touching a pen.

* Opening remarks by Dr. Raghuram G. Rajan, Governor, Reserve Bank of India at the inaugural session of Financial Inclusion Conference, held at Mumbai on April 2, 2015.

The Reserve Bank's intent is to create an ownership neutral, institution neutral, technology agnostic level competitive arena. For example, technologies enabling touch-and-go payments will find use even as banks focus on acquiring and analysing information and reducing transactions costs as they compete to extend financial services to all. The RBI's state-of-the-art payments system will support technology, even as the RBI strengthens its cyber-supervision and cyber-security.

We also need deep markets to absorb risks that stay too often in banks or in corporations. Here too our track record has been strong. Though many developing country governments are forced to borrow only in foreign currency, the Reserve Bank has fostered a liquid rupee government bond market, where the government today is able to contemplate issuing 40 year bonds. The rupee is truly becoming international as foreign institutions queue up to issue rupee denominated bonds. New products supported by the RBI, such as the recently introduced interest rate futures contract, are doing a roaring business on exchanges.

Our tasks are far from over. The nation has enormous financing needs in infrastructure, and far too many of our banks already have too much exposure. Big corporate infrastructure players have also taken too much debt. The required national push to finance infrastructure should not override financial stability, which is key to national security. Going forward, we need to develop new sources of risk capital so that our infrastructure needs can be financed with moderate amount of debt, even as we help the system deleverage.

Perhaps the country's most important financial challenge, which is the theme of the Conference today, is to bring financial services to every doorstep and to every small enterprise. The poor are still too far away from, or too uncomfortable stepping into, bank branches.

With government initiatives like Pradhan Mantri Jan Dhan Yojana and the MUDRA Bank, as well as new technologies, new institutions, and new processes such as direct benefits transfers, I am confident that our country can empower the poor and the small with both choice and opportunities. The Reserve Bank in turn has to ensure greater consumer protection and consumer literacy.

Finally, if the Reserve Bank is respected today, it is because of the many thousands who have worked over the years for the Bank, with capability and dedication. Let me recognise two. Rani Durve, a DGM in the Bhopal office, has created numerous films, books, and street plays on themes such as fictitious emails and excessive interest rates so as to educate and inform the public. Nirmal Pattnayak, an AGM in the Department of Information Technology, enabled the pan-India electronic transfer of funds for government departments through the national electronic payment systems, thus overnight making the government one of the largest users of electronic payments. Both have gone beyond the ordinary call of duty, but they are only representative of many others in the Bank.

The RBI is also respected for its integrity. It is a matter of great pride for me today that when someone enters our building to persuade us to change a regulation, they come armed not with money but with arguments about what is right.

Let me conclude. Strong national institutions are hard to build. Therefore existing ones should be nurtured from the outside, and constantly rejuvenated from the inside, for there are precious few of them. In the 81st year of this great institution let us rededicate it to helping the nation secure prosperity and economic opportunity for all. Thank you for joining us in this celebration.

वित्तीय समावेशन पर भारतीय रिज़र्व बैंक के सम्मेलन के उद्‌घाटन सत्र में प्रधानमंत्री की टिप्पणी

वित्त विश्व के सभी महानुभाव,

रिज़र्व बैंक की 80 साल की यात्रा पर हम लोग आज मिले हैं। हमारे देश में 80 साल का विशेष महत्व रहता है। दुनिया में 25 साल, 50 साल, 75 साल, 100 साल, उस हिसाब से अवसरों को याद किया जाता है लेकिन शायद भारत इकलौता ऐसा देश है कि जिसमें 80 साल को भी एक बड़ा महत्वपूर्ण पड़ाव माना जाता है और उसका कारण ये है कि हमारे यहां इसको सहस्त्र-दर्शन, चंद्र-दर्शन के रूप में माना जाता है। जब 80 साल होते हैं तब Full moon एक हजार बार देखने का अवसर मिलता है, तो रिज़र्व बैंक को एक हजार पूर्ण चंद्र के शीतलता के आशीर्वाद मिले हैं और उस अर्थ में इस अवसर का एक विशेष महत्व होता है।

मैं ज्यादा इस दुनिया का इंसान नहीं हूं, इसलिए जो भाषण आपने सुने अभी, वो मेरे Software के विषय नहीं हैं। ईश्वर ने मुझे जो Software दिया है, उससे ये सब बाहर है। लेकिन मैं इतना कहूंगा कि प्रधानमंत्री बनने के बाद इन सब चीजों को समझना पड़ता है, सीखना पड़ता है। हर दो महीने में एक बार रघुराम से मिलना होता है और मैं देखता हूं वो 3 या 4 Slides लेकर के आते हैं और मुझे इतना Perfectly समझाते हैं यानी शायद वो Best teacher भी रहे होंगे? मुझे कोई Question नहीं करना पड़ता। मुझे बिल्कुल समझ आता है कि हां वे ये...ये कहना चाहते हैं और इसका ये मतलब होता है, इसका ये परिणाम होता है और इसका मतलब ये हुआ कि शायद सरकार की और आरबीआई की सोच में बहुत साम्यता होगी तभी ये संभव होता होगा और मैं मानता हूं ये बहुत आवश्यक होता है और उस विषय में मैं एक सरकार के प्रतिनिधि के रूप में अपना संतोष व्यक्त करता हूं। आरबीआई अपनी जो भूमिका अदा कर रहा है, मैं रघुरामजी और उनकी पूरी टीम को बहुत-बहुत बधाई देता हूं और 80 साल की यात्रा में श्रीमान देशमुख और उनकी टीम से लेकर के अब तक जिन-जिन लोगों ने योगदान दिया है, कई लोगों ने अपनी जवानी इस काम के लिए खपाई होगी? तब जाकर के ये Institution इस ऊंचाई पर पहुंची है।

Global Perspective में भी अपने आपको ढाला होगा, बदले हुए वैश्विक परिवेश में आरबीआई के Relevance को बनाए रखने के लिए यहां भी काफी जद्दोजहद हुई होगी। इस समय पर जिन्होंने नेतृत्व दिया होगा, वे सब भी अभिनंदन के अधिकारी हैं और मेरी तरफ से अब तक जिन-जिन लोगों ने इस काम को आगे बढ़ाया है, उन सबको भी हृदय से बहुत-बहुत बधाई देता हूं। बहुत-बहुत अभिनंदन करता हूं और देशवासियों की तरफ से उनका आभार भी व्यक्त करता हूं। अमीर से अमीर व्यक्ति भी अपने Family doctor को Time देता हो या न देता हो, लेकिन Banker को अवश्य Time देता है। उसके जितने Lunch-dinner होते होंगे, उसमें ज्यादातर Banker के साथ होते होंगे। अमीर को भी जहां जाना पड़ता हैं मांगने के लिए, वो जगह है बैंक तो मैं भी आज यहां मांगने के लिए आया हूं और मैं भी यहां मेरे परिवार के लिए मांगने के लिए आया हूं और मेरा परिवार है, जिनके बीच में पैदा हुआ, जिनके बीच में पला-बढ़ा, वो गरीब परिवार हैं। गरीबों के बीच में मैं पला-बढ़ा हूं। मेरा बचपन वहां गया है। मैंने जिंदगी की उन चीजों को देखा है और अब प्रधानमंत्री बना हूं तो मेरा ये परिवार इतना विस्तृत हो गया है कि एक प्रकार से Below poverty line के नीचे जीने वाले सारे गरीब, एक प्रकार से marginal farmer, एक प्रकार से दलित, पीड़ित, शोषित, वंचित, आदिवासी ये सभी मेरे परिवार के सदस्य हैं और उस परिवार के एक प्रतिनिधि के रूप में मैं आज, इस वित्त विश्व के पास कुछ मांगने आया हूं और जब आप 80 साल मना रहे हो तो जरूर किसी को निराश नहीं करोगे, ये मुझे पूरा विश्वास है और मैं आरबीआई के सभी नीति-निर्धारकों का अभिनंदन करता हूं, उन्होंने Financial inclusion को अपना विषय के रूप में पसंद किया है और 80 साल के समय इस अवसर को मना रहे हैं। इसका मतलब आप जब 100 साल के होंगे और जब शताब्दी मनाते होंगे, वो शताब्दी इस Financial inclusion को लेकर के कहां पर पहुंची होगी? मैं समझता हूं आप उसके Target भी Set करोगे तो 20 साल के अंदर भारत की बैंकिंग व्यवस्था गरीब के दरवाजे तक किस प्रकार से काम कर रही है इसका एक खाका तैयार हो जाएगा और जब 20 साल का पड़ाव आप सोचते हैं तो मैं आपको सुझाव दूंगा।

2019 में महात्मा गांधी के 150 वर्ष हो रहे हैं। 2022 में देश की आजादी को 75 साल हो रहे हैं। 2025 में आपको 90 हो रहे हैं और 2035 में आपके 100 होंगे। ये चार महत्वपूर्ण पड़ाव

मानकर के हम अपना एक मैप तैयार कर सकते हैं कि Financial inclusion में जाने के लिए ये-ये हमारे Target group होंगे, ये हमारा रोडमैप होगा और हम ये Achieve करके रहेंगे और पूरे भारत में चाहे Corporative Sector का बैंकिंग हो या Micro Finance करने वाले Institutions हो या हमारी Nationalized बैंक हो या हमारी रिज़र्व बैंक स्वयं हो, हम सब एक ही दिशा में सोचे, ऐसा हो सकता है क्या?

अगर प्रधानमंत्री जन-धन योजना सफल न होती, मैं नहीं मानता हूं कि वित्त व्यवस्था से जुड़े हुए लोगों को इसकी इतनी ताकत का अंदाजा था। ये बड़ा ही उपेक्षित वर्ग रहा। आजादी के इतने साल के बाद भी 50 प्रतिशत से ज्यादा लोग, अर्थव्यवस्था की जो रीढ़ होती है, बैंकिंग व्यवस्था उसके दरवाजे तक नहीं पहुंची थी। मैं सभी बैंकों के छोटे-मोटे हर व्यक्ति को आज बधाई देना चाहता हूं कि उन्होंने पुरुषार्थ किया, परिश्रम किया और आज देश ने Achieve किया है। ये छोटा Achievement नहीं है। भारत की आज़ादी के बाद गरीब से गरीब व्यक्ति का देश की आर्थिक मुख्यधारा से जुड़ना ये अपने आप में बहुत बड़ा Achievement है। उसने Financial world में एक नया विश्वास पैदा किया है और एक नई दिशा का संकेत दिया है।

दूसरी तरफ जब तक हम गरीब की तरफ देखने का अपना नजरिया नहीं बदलेंगे Individual level पर नहीं, एक समाज के आर्थिक ढांचे के रूप में तब तक हम शायद Project लेंगे, परिणाम लेंगे लेकिन जब तक वो Conviction नहीं बनता है, Article of faith नहीं बनता है, हम शायद परिणाम प्राप्त नहीं कर सकते और Article of faith बनने के पीछे या Conviction बनने के पीछे कुछ घटनाएं होती हैं, जो हमारी सोच को बदलती है।

मैं मानता हूं प्रधानमंत्री जन-धन योजना की सफलता उस बात की ओर संकेत करती है। सरकार ने तो तैयार किया था, आरबीआई ने माना था, बैंकों ने मदद की थी कि हम Zero balance account खोलेंगे और आप देखिए गरीब की अमीरी देखने का इससे बड़ा कोई अवसर नहीं हो सकता है। बैंक वालों ने अमीरों की गरीबी बहुत बार देखी होगी, समय पर पैसा न जमा करने वाले कई अमीर उन्होंने देखे होंगे। Risk लेने वाले बैंक मैनेजर भी परेशान रहते होंगे? यार March ending नहीं हुआ, तो मर जाऊंगा मैं तो? तो आपने अमीरों की गरीबी देखी होगी लेकिन इस जन-धन की योजना से गरीबों की अमीरी देखने का सौभाग्य मिला है। Zero balance से account खोलने को कहने के बावजूद भी, जो 14 करोड़ लोगों ने Bank account खोले, उसमें 41 Percent लोग ऐसे हैं कि जिनको लगा कि नहीं-नहीं मुफ्त में नहीं करना चाहिए। कुछ न कुछ तो रखना चाहिए और 14 हजार करोड़ रुपया उन्होंने जमा कराया। 14 हजार करोड़ रुपया। देश का गरीब Zero balance account खोलने के बावजूद भी 14 Thousand crore रूपया बैंक में जमा करता है, मैं समझता हूं कि इससे बड़ी गरीबी की अमीरी नहीं हो सकती है।

अगर इसको हम एक ताकत समझे और ये जो उनके संस्कार हैं, उनकी मनोवैज्ञानिक भूमिका है, उनके जो मन के आदर्श हैं, ये भी राष्ट्र की एक बहुत बड़ी ताकत होते हैं। हमें उनको nurture करना चाहिए, उस सामर्थ्य को हमें पहचानना चाहिए और मैं मानता हूं Banking sector के लोगों के लिए ये बहुत बड़ी आवश्यकता है। हमारे पुरुषार्थ से 14 करोड़ Bank account खुल गए, हम बधाई के पात्र हैं लेकिन 41 Percent लोग पैसे जमा कराएं, वो मैं समझता हूं वो हमारे लिए inspiration का कारण हैं। हमारी नई योजनाओं के लिए वो हमारे लिए एक land mark बन सकता है और मैं आशा करूंगा कि आने वाले दिनों में, ये बात ठीक है कि 5-50 client के साथ बड़ा काम करना, सरल रहता है और हम जब स्कूल में पढ़ते थे, तभी सिखाया जाता है कि जो सरल example है, वो पहले solve करो, तो उसी से हम पले-बढ़े हैं, इसलिए कठिन example की तरफ कोई जाएगा नहीं लेकिन अब सोच बदलने की आवश्यकता है और ये आवश्यकता है कि हम इस बड़े mass को हम कैसे अपने में समेटे? हमारी विकास यात्रा का वो हिस्सा कैसे बनें? उसके लिए हमारा रोडमैप क्या हो? अब मैं मानता हूं कि हमारे सामने सबसे बड़ा महत्वपूर्ण काम है कि एक सामान्य से सामान्य व्यक्ति जिसका बैंक खाता खुला है, वो operational कैसे हो?

सरकार ने कुछ योजनाएं बनाई हैं। वो योजनाएं ऐसी हैं जो बैंक के route से ही आगे बढ़ने वाली हैं। बैंक के route से आगे बढ़ने वाली हैं, करने के बाद न हो इसके लिए क्या? ये योजना है। जिसमें प्रधानमंत्री जन-धन योजना और direct cash transfer की व्यवस्था और 8 हजार करोड़, मैं बताता हूं

कि, मैं ये आंकड़ा बताता नहीं हूं, लेकिन अभी बताऊंगा कि political पंडित जरा निकाले कि कितनी extra subsidy जाती थी। जिसमें cylinder भी नहीं होता था, cylinder लेने वाला भी नहीं होता था लेकिन cheque फटता था। अब इस व्यवस्था से यानि transparency भी लाई जा सकती है। बैंकिंग व्यवस्था से इतना बड़ा reform हो सकता है वो शायद हमारे यहां सोचा नहीं गया था, आज हो रहा है और उस अर्थ में बैंक के लोगों के लिए एक बड़ा गौरव का विषय है कि देश में transparency लाने में बहुत बड़ी भूमिका आज बैंकिंग सेक्टर ने करना शुरू किया है। ये भी हमें एक नया विश्वास पैदा करता है हमारे में, एक नई आशा को जन्म देता है।

कुछ बातें ऐसी हैं कि हमने, आपने देखा होगा कि आपके बैंक में नबंर 2, नबंर 3, नबंर 4, नबंर 5, नबंर 6, नबंर 7, नबंर 8, नबंर 9, नबंर 10, जितने भी लोग होंगे, उनको खुश रखने के लिए आपको कितनी मेहनत पड़ती है। हर काम की तारीफ करनी पड़ती है, हर बार लेकिन आपको जो वर्ग 4 का कर्मचारी है, उसके लिए आपको कुछ नहीं करना पड़ता। सुबह-शाम ऐसे, चलो भई ठीक हो? बस वो दिन-भर दौड़ता रहता है, ये आपका अनुभव होगा। आपके ड्राइवर को इतना पूछ ले, अरे यार तुम्हारे बेटे की exam है, फिर भी तुम आज नौकरी पर आए? बस उसका जीवन धन्य हो जाता है अरे! मेरे बेटे की exam है और मेरे boss ये भी याद रखते हैं। आपने देखा होगा गरीब को बस इतना सा चाहिए। आपका नबंर 2, नबंर 3, आपका नबंर 2, नबंर 3, नबंर 4 उसको दौड़ाने के लिए आपका पसीना छूट जाता है। उस गरीब को दौड़ाने के लिए सिर्फ दो शब्द काफी होते हैं। कहने का तात्पर्य है कि ये जो जिसको हमने चौथी पायदान पर रखा हुआ है। उसके डीएनए में वो कौनसी चीज है, जो इतना बड़ा परिणाम देती है, आपके लिए risk लेती है, रात भर सोता नहीं है। जो वो आपके लिए करता है, वही वो देश के लिए भी कर सकता है। ये गरीब जो है, उसको थोड़ा सहारा चाहिए। जो आपके व्यक्तिगत जीवन में परिणाम देता है, वही गरीब राष्ट्र जीवन में परिणाम दे सकता है। जब तक intellectual इस चीज से convince नहीं होंगे, जब तक ये हमारा article of faith नहीं बनेगा और हमारी रोजमर्रा की घटनाओं को मैं जिस नजरिए से कह रहा हूं, उस नजरिए से नहीं देखें, तब तक inclusion एक programme बनेगा, inclusion स्वभाव नहीं बनेगा।

मुझे inclusion programme नहीं, inclusion स्वभाव बनाना है और एक बार आप सोचिए फिर आपका आनंद कुछ और होगा। आपने देखा होगा, women self-help group को जो पैसा देता हैं बैंक, आप उनमें से किसी का भी interview ले लीजिए, 100 लोगों को सर्वे करा लीजिए, वो आपको बताएंगे कि women self-help group में जो महिलाएं हैं, गरीब से गरीब हैं लेकिन अगर उसको बुधवार को 100 रुपया वापस करना है तो मंगल को आकर दरवाजा खटखटाती है कि मेरे 100 रुपए ले लो। आप देखिए इतनी बड़ी ताकत है, इस ताकत को हम राष्ट्र के विकास में कैसे जोड़े? मुझे विश्वास है, अब जो माहौल बना है और वो परिणाम बहुत बड़ा देंगे। अभी हम जो मुद्रा बैंक का concept आगे लेकर के बढ़ रहे हैं। मैं चाहता हूं कि वो आगे एक mobile banking के रूप में ही evolve हो जाए। इस देश में गरीब सवा 5 करोड़ से ज्यादा ऐसे छोटे-छोटे लोग हैं जो सबसे ज्यादा लोगों को रोजगार देते हैं और आज finance की जो स्थिति देखें तो average इन लोगों का 17 thousand rupees से ज्यादा कर्ज नहीं है। Only 17 thousand rupees, Only 17 thousand rupees के कर्ज से वो किस प्रकार से economy को drive कर रहा है, कितने लोगों को रोजगार दे रहा है, GDP में कितना बड़ा contribution कर रहा है।

अगर ये 5-6 करोड़ लोग हैं। जो कोई सब्जी बेचता होगा, दूध बेचता होगा, अखबार बेचता होगा, छोटे लोग हैं। उनको क्या चाहिए? हजार रुपया, दो हजार रुपया, पांच हजार रुपए, उसको कुछ नया करने की ताकत आएगी। सुबह अखबार बेचता है, अगर दो हजार रुपया है तो दोपहर को गुब्बारे बेचने जाएगा, शाम को बर्फ की लॉरी चला लेगा। वो अपना दिन भर में चार प्रकार के काम करके, अपनी income को 2 हजार से 20 हजार तक ले जाएगा और देश की economy को drive कर देगा और 6 लोगों को रोजगार देने की उसकी ताकत होगी। क्या हम उन चीजों पर ध्यान दे सकते हैं क्या? हम हमारा किसान आत्महत्या करता है ये दर्द सिर्फ अखबारों के पन्नों पर और टीवी स्क्रीन पर नहीं होना चाहिए? ये हमारा किसान जब मरता है क्या बैंकिंग सेक्टर के हृदय को हिला देता है? साहूकार से पैसे लेने के कारण कभी-कभी उसको मरने की नौबत आ जाती है। 60 साल के बाद हम आज 80 साल मना रहे हैं आरबीआई के तब, हमारे दिल में ये आवाज उठ सकती है कि भई हम हमारी बैंकिंग व्यवस्था के हाथ इतने पसारेंगे कि किसान को कम से कम कर्ज

के कारण आत्महत्या करने की नौबत नहीं आएगी? क्या ये सपना हमारा नहीं हो सकता है?

मैं नहीं मानता हूं कि इसके कारण कोई बैंक डूब जाएगी? हम कभी ये तो सोचते हैं कि कोई कंपनी हमारे पास आए और वो कहे कि भई हमारा जो factory है, हम उसकी technology upgrade करना चाहते हैं, हम environment friendly technology लाने वाले हैं, carbon emission कम करने वाली लाने वाले हैं, हमें बैंक से इतना पैसा चाहिए। हम खुशी से देते हैं कि नहीं देते? हमारे brochure में भी छापते हैं कि हमने carbon emission कम करने वालों को इतना-इतना initiative किया, बड़ा गर्व करते हैं लेकिन कोई किसान आकर के कहे कि मुझे 50 पेड़ लगाने हैं, मुझे बैंक की लोन दो। मुझे बताइए carbon emission के लिए ये बहुत बड़ी-बड़ी से फैक्ट्री लगा रहा है कि नहीं लगा रहा? लेकिन मुझे, मेरे तराजू में वो तो है, लेकिन ये नहीं है। क्या हमारा बैंकिंग सेक्टर आप देखिए हम timber import करते हैं, किसान मर रहा है। अगर हम initiative लें, एक नई योजना बना सकते हैं कि हमारे देश में जो marginal farmer है, उसकी ज्यादा जमीन एक खेत से दूसरे खेत के demarcation में जो ज्यादा जगह जाती है, उसमें वो बाड़ लगा देता है, इतना wastage है। भारत जैसे देश को ये जमीन बर्बाद होने की चिंता करने की आवश्यकता है। उसकी दिशा में कोई ध्यान नहीं देता है लेकिन हम बैंकिंग के द्वारा initiative लें कि भाई जो demarcation का जो तुम्हारा border है वहां अगर तुम पेड़ लगाते हो तो हम तुम्हें इतना finance करेंगे और ये पेड़ तुम्हारी मालिकी बनेगा आगे चलकर के हमारी partnership होगी, तुम्हारी बेटी की शादी होगी और चार पेड़ काटने होंगे, टिम्बर के रूप में बेचना होगा तो बैंक को इतना पैसा देना, तो मुझे बताइए कि होगा कि नहीं होगा?

हम carbon neutral development की दिशा में हमारा contribution होगा कि नहीं होगा और जिस किसान की फसल तो बर्बाद हो जाएगी, लेकिन पेड़ खड़ा होगा तो उसको लगेगा, अभी तो मेरी कोई छाया है, मैं जिंदगी में मरने की जरूरत नहीं है, ये पेड़ के सहारे मैं फिर से एक नई जिंदगी खड़ी कर दूंगा। विश्वास पैदा हो सकता है कि नहीं हो सकता है? और इसलिए मैं कहता हूं कि हमें समाज के भिन्न-भिन्न तबके और बड़े creative mind के साथ हम किस प्रकार से finance की व्यवस्था करें, जिसके कारण वो एक long term stability के लिए फायदा कर सके। हम उस एक नए तरीकों को कैसे सोचें? जिस प्रकार से finance inclusion में immediately हमारा दो चीजों पर ध्यान जाता है।

एक आर्थिक layer income के आधार पर, रहन-सहन के आधार पर दूसरा सामाजिक ताने-बाने, जाति-प्रथा का थोड़ा प्रभाव रहता है लेकिन inclusion में एक नए parameter की ओर देखने की जरूरत है और वो है geography inclusion। आज भी देश में देखिए हमारी economy को और ये हम सबने सोचना चाहिए। गोवा हो, कर्नाटक हो, महाराष्ट्र हो, गुजरात हो, राजस्थान हो, हरियाणा हो, देश का पश्चिमी छोर वहां तो आर्थिक गतिविधि दिखती है लेकिन जो देश का पूरब का छोर, जिसके पास सर्वाधिक प्राकृतिक संपदा है, वहां आर्थिक गतिविधि नहीं है। हमारे financial inclusion के model में, मैं देश के पश्चिमी छोर पर तो हमारी आर्थिक व्यवस्था, हमारी बैंक व्यवस्था सबसे ज्यादा काम कर रही है लेकिन पूरब का इलाका जहां पर इतनी बड़ी प्राकृतिक संपदा पड़ी हुई है, जहां पर इतना सामर्थ्यवान मनुष्यता का बल है, मैं उसके विकास के लिए क्या करूंगा? इसलिए हमारे geographical inclusion आवश्यकता है, वो कौन से इलाके हैं जिसमें Potential है लेकिन हमारी reach नहीं है, हमारे inclusion में जिस प्रकार से समाज के भिन्न-भिन्न तबको की ओर देखने की आवश्यकता है उसी प्रकार से भारत के भिन्न-भिन्न भू-भाग की ओर देखने की आवश्यकता है कि वो कौन सा भू-भाग है? कि जिसमें सामर्थ्य है लेकिन अवसर पैदा नहीं हुआ है और विकास करना है तो उसकी परंपरागत ताकत को सबसे पहले पहचानना पड़ता है। क्या हमारी बैंकिंग व्यवस्था में district को अगर एक block माने तो हमारे पास मैपिंग है क्या? कि भई वहां का Potential ये है, un-potential इतना है, tap करना है तो इतना। सरकार और बैंकिंग व्यवस्था मिलकर सोचें कि आप raw material के लिए decision ले लीजिए, आप human development resources के लिए कोई decision ले लीजिए, आप manager skill के लिए कोई decision ले लीजिए, आप वहां पर energy supply करने के लिए कर लीजिए, आप infrastructure के लिए कर लीजिए, banks are ready, हम यहां के नक्शे को बदल देंगे।

Inclusion में हमने, हमारे देश के विकसित इलाके, विकास की संभावना वाले इलाके, विकास से वंचित रहे गए

इलाके इनके सारे parameter बनाकर के हमारे inclusion के मॉडल में इसको कैसे प्रतिस्थापित करें? मैं समझता हूं कि अगर ये हम करेंगे, तो बहुत है। भारत को दुनिया में आर्थिक ताकत की ओर बढ़ना है। 3 साल का बच्चा, 6 साल का होता है तो उसकी ऊंचाई बढ़ने में फर्क तुरंत आता है कि पहले वो दो फुट का था, अभी वो चार फुट का हो गया लेकिन 20 साल वाले को चार साल बाद भी दो इंच बढ़ाना मुश्किल हो जाता है। आप जहां बढ़ चुके हैं, वहां बढ़ने की गति धीरे रहेगी लेकिन जहां कुछ नहीं है वहां थोड़ा सा डालने से बढ़ना शुरू हो जाएगा और वो एक नए Confidence को जन्म देगा और आज विश्व में भारत के next 10 year के growth rate की जो चर्चा हो रही है, उसका potential यही है।

हिंदुस्तान की second green revolution करने की जगह अगर कहीं है तो हिंदुस्तान का पूर्वी इलाका है। हिंदुस्तान के mines और mineral में अभी हमने जो decision लिए हैं। आप कल्पना कर सकते हैं कि हिंदुस्तान के सभी धनी राज्य बनने की संभावना, जिनके पास कोयला था वो राज्य बन रहे हैं। छत्तीसगढ़ हो, झारखंड हो, उड़ीसा हो, बंगाल हो, ये राज्य एक नई ताकत के साथ उभरने वाले हैं। क्या हम बैंकिंग सेक्टर के लोगों को ध्यान है? कि भई इतना बड़ा वहां कल्पना भर का एकदम से Jump आया है, हम बैंकिंग व्यवस्था के द्वारा वहां कैसे बदलाव लाएं? अगर हम इस बात को करेंगे, मैं मानता हूं कि परिणाम बहुत प्राप्त होंगे। एक और क्षेत्र है, जिसको भी मैं financial inclusion का एक महत्वपूर्ण हिस्सा मानता हूं, जिसका संबंध न आर्थिक स्थिति से है, न सामाजिक स्थिति से है और न ही इसका संबंध भौगौलिक परिस्थिति से है और वो है Knowledge में हम financial partnership कैसे बने?

हमारे देश को सौभाग्य प्राप्त हुआ है कि 65 percent population, 35 से नीचे है। ये 35 से नीचे का जो population है, हमारी जो young generation है, उसे या तो skill चाहिए या Knowledge चाहिए। आज जो वर्तमान institution हैं, उससे उसको जो प्राप्त होता है, globally competitive बनने के लिए कुछ कमी महसूस होती है। जब हम globally competitive knowledge institution लाते हैं तो हमारे देश के नौजवान के लिए वहां पढ़ना कठिन हैं क्योंकि उसके पास उतने पैसे नहीं है। क्या बैंक एक ऐसा mediator बन सकती हैं? कि कितना fee वाली institution क्यों न हो? गरीब से गरीब का बच्चा भी वहां पढ़ने जाएगा, हम खड़े हैं। हम ज्ञान उपार्जन के प्रयास में कभी पीछे नहीं हटेंगे। गरीब का बच्चा भी कितना ही धन खर्च करके अगर पढ़ाई करने की ताकत रखता है, हम पूरा करेंगे। मैं समझता हूं कि लंबे समय के लिए benefit करने वाला ये सबसे बड़ा investment है, सबसे बड़ा financial inclusion है और इसलिए हम हमारी education system, हमारे students उनके अच्छे institution में पढ़ने का इरादा और उसको, अगर हमारा human resource development की ताकत जितनी ज्यादा होगी, देश को आने वाली शताब्दी में नेतृत्व करने की ताकत आएगी। हमारी इमारतें कितनी अच्छी बनीं हैं, इससे दुनिया में हिंदुस्तान की ताकत बढ़ने वाली नहीं है, हिंदुस्तान की ताकत बढ़ने वाली है, हिंदुस्तान की युवा पीढ़ी के पास कितना सामर्थ्य है, कितना ताकत है इनके अंदर, उस ताकत का आधार दंड-बैठक से नहीं आता है, उस ताकत के लिए ये शिक्षा का अवसर होना चाहिए।

अगर कोई educational institution world class बनाता है, बैंक मदद करें, student पढ़ने के लिए जाना चाहता है, बैंक मदद करें और मैं विश्वास दिलाता हूं जी। अब तक का आपका जो NPA का अनुभव है, इसमें कभी ऐसा कटु अनुभव नहीं आएगा, मुझ पर भरोसा कीजिए। देश का नौजवान पाई-पाई लौटा देगा, लौटाएगा लेकिन देश बहुत आगे बढ़ेगा और इसलिए हम financial inclusion एक सब्जी बेचने वाले से लेकर के एक top class, high qualified man power तैयार करने तक पूरा chain कैसे बनाएं? मैं समझता हूं कि एक बहुत बड़ा role कर सकते हैं और एक विषय मेरे मन में है। Make in India, मैं Make in India की विस्तार में और बातें नहीं करना चाहता हूं। मुझे पूरा ज्ञान भी नहीं है शायद सोचा जाए। हम आज आरबीआई के 80 साल मना रहे हैं। आज हम संकल्प कर सकते हैं क्या? कि फलां तारीख को जो हमारी currency छपेगी, उस currency का कागज भी Indian होगा और Ink भी Indian होगी। ऐसा नहीं चल सकता, जिस गांधी ने स्वदेशी के लिए इतनी लड़ाई लड़ी, तो विदेशी कागज पर उसकी तस्वीर छपती रहे, वो शोभा देता है क्या? क्या मेरे देश के पास ऐसे उद्योगकार नहीं हैं? उनको compel किया जाए कि ये फैक्ट्री लगानी है, पैसा नहीं है, दूंगा लेकिन ये लगाओ बगल में, जाओ दुनिया से technology लाओ और हमारी currency हमारी नोट, कागज हिंदुस्तानी

होना चाहिए, ईंक भी हिंदुस्तानी होनी चाहिए और मैं चाहता हूं कि आरबीआई इस बात को समझकर के एक नेतृत्व दे, ये Make in India तो यहीं से शुरू होता है जी।

मैं मानता हूं कि हम इन चीजों को कर सकते हैं, लेकिन मैं ये भी मानता हूं कि देश आज जहां पहुंचा है, उसमें आप सबका बहुत योगदान है, इन institutions का बहुत योगदान है और वो इंसान हैं, मैं मानता हूं कि idea कितने ही होनहार क्यों न हो? अगर institutional frame ताकतवर नहीं हैं तो सारे विचार बांझ रह जाते हैं और इसलिए institutional strengthen हो, आरबीआई की गरिमा और कैसे बढ़े? बैंकिंग सेक्टर की अपनी गरिमा कैसे बढ़ें? सभी संस्थाएं अपने आप में ताकतवर कैसे बनें? जितना संस्थाओं का नेटवर्क ताकतवर होगा, स्वतंत्र रूप से निर्णय करने का होगा, ultimately देश का लाभ होने वाला है। जरूरी नहीं है कि प्रधानमंत्री की इच्छा के अनुसार देश चलना चाहिए, देश, आपने जिन values को स्वीकार किया है उन values के अनुसार चलेगा और देश आगे बढ़ेगा। ये मेरा विश्वास है और उस बात को ले करके हमको चलना चाहिए।

हमने एक छोटा सा initiative लिया देखिए देश की ताकत देखिए। कभी-कभी हम अपने देशवासियों को कुछ भी कह देते हैं, मेरा अनुभव अलग है। हमने ऐसे ही कानों-कानों में एक बात शुरू की थी कि भई जो लोग afford करते हैं, इन लोगों ने gas subsidy नहीं लेनी चाहिए। अब जो लेते थे, वो कोई सरकार से 500 रुपया मिलने वाले थे, भूखे नहीं रहते थे लेकिन ध्यान नहीं था, ऐसा चलता है यार, ध्यान नहीं था। सहज रूप से हमने बातों-बातों में कहा, मैंने कहीं publically रूप से नहीं कहा था और मैं हैरान था, मैं सचमुच में हैरान था, 2 लाख लोगों ने voluntarily अपनी gas subsidy surrender कर दी। कानों-कानों पर बात पहुंची, ये देखकर के मेरा विश्वास बढ़ा तो मैंने अभी officially मैंने पिछले हफ्ते launch किया कि जो भाई afford करते हैं, उन्होंने gas subsidy को surrender करना चाहिए और सरकार का इरादा subsidy बचाकर के तिजोरी भरने का नहीं है, हमारे इरादे ये हैं कि आप अगर एक सिलेंडर छोड़ते हो, तो मैं वो सिलेंडर उस घर को देना चाहता हूं, जिसमें लकड़ी का चूल्हा है और जिसके कारण pollution होता है और जिसके कारण उनके बच्चों को धुएं में पलना पड़ता है और बीमारी का घर हो जाता है। मैं financial inclusion की जब बात करता हूं तब आप जिस गैस सिलेंडर को छोड़ें, वो उस गरीब के घर में सिलेंडर जाएं ताकि उस महिला को लकड़ी जलाकर के धुएं में अपने बच्चों को पालने की नौबत न आए। मुझे बताइए ये सेवा नहीं है क्या?

मैं विश्वास करता हूं कि हमारे सभी बैंक अपने सभी कर्मचारियों को विश्वास में लें, एक-एक बैंक resolve करे कि हमारे बैंक के 20 हजार कर्मचारी हैं, हम subsidy छोड़े देंगे, सारे industrial house decide करें कि हमारे यहां जो 5 हजार employee हैं, हम subsidy छोड़ देंगे और इसका मतलब ये नहीं कि वो industry उनको पैसे दे, ये मैं नहीं चाहता। voluntarily देना यानि देना, हर व्यक्ति को। अगर हिंदुस्तान में हम एक करोड़ लोग ये गैस सिलेंडर की subsidy छोड़ दें इतनी ताकत रखते हैं। एक करोड़ गरीब परिवारों में जहां लकड़ी का चूल्हा जलता है, जिसके कारण जंगल कटते हैं, जिसके कारण carbon emission होता है, जिसके कारण गरीब के बच्चे को धुएं में पलना पड़ता है, financial inclusion हर छोटी चीज में संभव होता है। अपने आचरण से, अपने व्यवहार से, अपने vision से ये संभव होता है। मैं फिर एक बार आप सबका बहुत आभारी हूं, मैंने काफी समय ले लिया।

लेकिन मुझे विश्वास है मैंने पहले ही कहा था मेरे ये software नहीं है, मैं इस क्षेत्र का नहीं हूं लेकिन मैं जिस बिरादरी में पैदा हुआ हूं, गरीबी मैंने देखी है और गरीब की गरीबी से बाहर निकलने की ताकत है। थोड़े hand holding की आवश्यकता है, थोड़ा सा hand holding करने की ताकत, बैंकिंग सेक्टर के पास है। आइए हम सब मिलकर के देश को गरीबी से मुक्त कराने के अभियान को, financial inclusion के इस mission से आगे बढ़ें।

मेरी आप सबको बहुत-बहुत शुभकामनाएं हैं। धन्यवाद।

SPEECHES

*Spillovers from Unconventional Monetary Policy – Lessons for Emerging Markets**

Christine Lagarde

Introduction

Good afternoon, Ladies and Gentlemen.

Governor Rajan, thank you for your generous introduction, and for inviting me to speak before this distinguished audience today.

It is indeed a privilege to share the stage with Dr. Rajan, one of the world's most highly regarded financial economists, one whom the Fund is fortunate enough to have had as its Economic Counselor. Dr. Rajan certainly has been very busy since he took over as Governor of the RBI in September 2013. He has deftly steered the Indian economy to safer waters after it was hit by the market turmoil following the 'taper tantrum' episode of mid-2013 – a point I will come back to shortly.

More recently, India has introduced flexible inflation targeting as the new regime for conducting monetary policy – a very welcome step.

As India's monetary policy rests in good hands, let me talk about a topic that I know has been as important a concern for this central bank – as it has been for your colleagues in other emerging market countries. I am referring, of course, to the unconventional monetary easing in the large advanced economies following the global financial crisis.

We are perhaps approaching the point where, for the first time since 2006, the United States will raise short term interest rates later this year, as the first country to start the process of normalising its monetary policy. Even if this process is well managed, the likely volatility in financial markets could give rise to potential stability risks.

Let us think today about the risks of such monetary policy 'spillovers' – as we have called them – and what can be done to minimise their potentially adverse consequences.

1. State of the Global Economy and Challenges

It is best to begin this discussion by placing it into the context of current global developments, and the risks that the world economy is still facing.

Global growth is still fragile and uneven. Despite a boost to global growth from a decline in oil prices, we now expect the world economy to grow by about 3.5 per cent this year, picking up modestly next year to 3.7 per cent.

The outlook differs significantly across countries and regions. In **advanced economies**, growth has rebounded in the United States and the United Kingdom and is expected to remain above trend in the near term, but activity is strengthening only gradually.

By contrast, in the *euro area* and *Japan*, domestic demand, especially credit to private sector and investment, has yet to recover fully.

In **emerging markets and developing countries**, growth is projected to pick up from less than 4.5 per cent this year to a little more next year, but it will vary widely across countries as well.

Among the emerging markets, **India** is shining brightly. No doubt India has seen a windfall gain from a sharp drop in oil prices – as have other oil importing countries. More importantly, however, India is reaping the benefits of good policies and policy announcements.

My meetings with Prime Minister Mr. Modi and Finance Minister Mr. Jaitley yesterday have left me strongly convinced that the new government is skillfully shifting the focus to good macroeconomic management, clean and efficient government, and inclusive development. This has raised business

* Christine Lagarde, IMF Managing Director at Reserve Bank of India, March 17, 2015.

confidence and hopes for all levels of Indian society, and is borne out by the latest GDP statistics which suggest a strong pace of economic activity this year and next.

Challenges

Yet many challenges lie ahead for the global economy, *of which* two are particularly relevant for India.

The **first challenge** is the recent strengthening of the US dollar that has resulted from the relatively strong US recovery combined with the divergence of monetary policy paths in advanced economies. This has put pressure on countries whose exchange rate regimes are linked to the dollar but yet conduct a substantial share of their external trade in other currencies, as well as on sovereigns who have borrowed in foreign currency heavily.

The appreciation of the US dollar is also putting pressure on balance sheets of banks, firms, and households that borrow in dollars but have assets or earnings in other currencies. India's corporate sector, which has borrowed heavily in foreign currency, is not immune to this vulnerability. Corporate sector debt has risen very rapidly, nearly doubling in the last 5 years to about US$120 billion.

The **second challenge,** and here we come to the main theme of my remarks, is the prospective normalisation of monetary policy in the United States and its spillovers to emerging markets. The risk of financial market and capital flow volatility, along with sudden increases in interest rate spreads, remains a real possibility as US interest rates begin to rise.

Let us look at this topic in some detail.

2. Spillovers from Unconventional Monetary Policies – Lessons for Emerging Markets

Unconventional monetary policies – including large purchases of government debt – has been used to provide policy accommodation in advanced economies since the 2007 global financial crisis. These policies have had both positive and negative spillovers.

Unconventional monetary policies helped avoid a financial market meltdown in the initial stages of the crisis, and later supported a recovery in advanced economies and elsewhere. I am convinced that these policies were necessary to avert a 1930's style global depression. To that extent, the unconventional monetary policies have had **strong positive spillovers** for the global economy, and by implication for India and other emerging markets.

However, it is also true that these policies led to a **build-up of risks** in this part of the world. Between 2009 and the end of 2012, emerging markets received about US$ 4½ trillion of gross capital inflows, representing roughly one half of global capital flows. Such inflows were concentrated in a group of large countries, including India, which received about US$ 470 billion.

As a consequence, bond and equity prices rallied, and currencies strengthened. Recent work by Fund staff suggests that spillovers to asset prices and capital flows in emerging market economies from expansionary *unconventional* monetary policies were even greater than from earlier *conventional* policies.

The danger is that vulnerabilities that build up during a period of very accommodative monetary policy can unwind suddenly when such policy is reversed, creating substantial market volatility.

We already got a taste of it during the 'taper tantrum' episode in May and June of 2013, when most emerging market economies suffered indiscriminate capital outflows. India was also affected.

I am afraid this may not be a one-off episode. This is so, because the *timing* of interest rate lift-off and the *pace* of subsequent rate increases can still surprise markets.

As economic conditions improve in at least some advanced economies, portfolio rebalancing out of emerging market economies can be expected, and some volatility cannot be ruled out. Emerging markets need to prepare in advance to deal with this uncertainty.

Lessons for the international community and emerging markets

There are many important lessons we have already learnt from the 'taper tantrum' episode that I would like to share with you.

First and foremost, advanced economies can help. Clear and effective communication of policy intentions can reduce the risk of creating very large market volatility. While admittedly it is a difficult task, I would also agree that there is scope for greater international policy cooperation to minimise the negative spillovers.

Second, emerging markets need to prepare well in advance. Evidence from our research suggests that emerging markets that had already addressed their economic vulnerabilities before the taper tantrum, fared better during episodes of market volatility.

In particular, higher GDP growth, stronger external current account positions, lower inflation, and more liquid financial markets helped dampen market volatility. In addition, more resilient financial sectors contained the effects of such volatility. The reforms initiated here in India are, therefore, going in the right direction, are very timely, but will also need to be pursued with the utmost speed.

Third, if market volatility materialises, central banks need to be ready to act. Temporary – though aggressive – domestic liquidity support to certain sectors or markets may be necessary, along with targeted foreign exchange interventions. Moreover, cross-country foreign currency swaps lines have proven helpful in enabling necessary access to foreign exchange liquidity at times of market stress.

There are a few examples where **good fundamentals**, as well as decisive and swift **policy responses**, helped countries reduce, and cope with, market volatility. Think of Korea, which improved the resilience of its financial sector with measures that reduced banks' short term external debt by half – to 27 per cent – between 2008 and 2013. Other countries such as Brazil, Uruguay, and Indonesia used some form of capital flow management measures to discourage short term inflows and thus, decrease the build-up of risks. Peru intervened directly, though temporarily, in the foreign exchange market to limit excessive volatility.

Here in India too, the **RBI took decisive action** during and after the taper tantrum episode. It provided foreign currency liquidity support to key sectors, allowed the rupee to depreciate, and provided judicious foreign exchange interventions to minimise disruptive movements in the rupee. The RBI also arrested the surge in gold imports, narrowed its current account deficits sharply, and started to rebuild foreign exchange reserves.

So I am very pleased to say that, in a very short time span, India successfully contained its domestic and external vulnerabilities more than in many other emerging economies.

Does this mean the work is done? Well, you would be surprised if I answered 'yes' to this question.

3. Rethinking Financial Development

Indeed, there is more work to be done. Apart from short term policy responses to deal with acute economic crises, it is equally important to continue building a **safe and inclusive financial system** – which will serve well in good times in supporting broad based growth and provide an effective buffer in bad times in ensuring financial stability.

But there are questions about the extent and speed with which financial development should be pursued. The experience of advanced economies has shown the dangers that can arise from oversized financial systems.

IMF economists have done some work on rethinking financial development and its implications for stability and growth in emerging markets. This work is still being finalised and will be published in the next month or so. Allow me to share with you a few encouraging findings.

First, there are many **benefits still to be reaped from further financial development in most emerging markets**, including India. By financial development, I mean greater depth and efficiency of institutions and markets, as well as higher access of all its citizens to banks and financial instruments.

The RBI has taken several encouraging steps. By allowing for a greater role for the private sector in India's public sector banks, there will undoubtedly be a striking increase in efficiency in the banking sector. Moreover, Prime Minister Mr. Modi's commitment to broadening access to formal finance to all segments of the population through the ambitious *Jan Dhan Yojana* is impressive, and so are the results which were achieved in just a few months.

The **second** and related finding of the IMF study is that when it comes to financial deepening, *there are speed limits!* When done too fast, deepening financial institutions can lead to more instability, both economic and financial. It encourages greater risk-taking and higher leverage, particularly when poorly regulated and supervised.

This puts a premium on developing good institutions and regulatory frameworks.

India's record in promoting good practices has been positive in recent times. It is making progress toward addressing bad loans in public sector banks, and in developing a sound regulatory and supervisory regime for banks, insurance and securities market.

Best international practices are also being adopted. For example, India is well ahead of many countries in implementing Basel III standards. The government's recent announcement to introduce legislation on a new Indian Financial Code, which will simplify and revamp India's financial regulatory architecture, is a revolutionary step.

The **third** finding of the IMF study relates to **potential tradeoffs of financial regulations**. One view is that tighter and more regulations to help safeguard financial stability can hamper financial development.

The IMF study provides a new angle. It finds that, among a large number of regulatory principles, there is a small subset that is truly critical for financial development as well as for financial stability. Some examples include regulations related to capital buffers, non-performing loans, financial disclosures and compensation. And, it is essentially the same small subset that matters for both!

In other words, there is very little or *no conflict between promoting financial stability and financial development if you choose the right regulations* to focus on.

On this note, let me conclude.

4. Conclusion

I am fascinated by the vibrance I see wherever I go in India. I see hope in the eyes of the small sellers by the street side. I see dreams in the eyes of young people, and there are so many young people! But above all, I see change, change for the better.

The world is looking to India to lead the path to higher, sustainable, and inclusive growth.

Thank you.

*Recent Policy initiatives in Credit Information Sharing**

R. Gandhi

Shri M. V. Nair, Chairman, CIBIL; Ms. Arundhati Bhattacharya, Chairman, SBI; Shri T.M. Bhasin, Chairman, IBA; Shri Arun Thukral, Managing Director, CIBIL; delegates to the Conference; ladies and gentlemen! It is a pleasure for me to be present here this morning to deliver the keynote address at the Seventh Annual CIBIL TransUnion Credit Information Conference.

Background

2. Consequent to the recommendations of the 'Working Group to explore the possibilities of setting up a Credit Information Bureau in India' (Chairman: N. H. Siddiqui), set up by the Reserve Bank in 1999, in which I had the privilege of being a member, credit information companies (CIC) were established – CIBIL was the first to come on the scene and the Credit Information Companies (Regulation) Act (CICRA) was enacted in 2005.

3. By early 2013, Credit Information industry in India had seen more than ten years of operation of CIBIL and more than three years of operation by the other three Credit Information Companies (CICs). There was, however, a need to strengthen the infrastructure for credit information sharing involving credit institutions and the CICs. Particular areas where changes were considered necessary included increasing depth and width of the credit information, harmonising the reporting formats across CICs, rationalising the classification of accounts and their nomenclature based on payment history, and putting in place best practices for CICs and credit institutions. Against this backdrop, the RBI in March 2013 constituted a Committee under the chairmanship of Shri Aditya Puri, MD, HDFC Bank to examine reporting formats used by CICs and other related issues. The Committee submitted its report on January 31, 2014.

Recent policy initiatives

4. Based on the Aditya Puri Committee recommendations, a number of policy instructions have been issued by the RBI.

a) Major policy changes made vide the guidelines on June 27, 2014 are as follows:

   i. data formats for reporting corporate, consumer and MFI data by all credit institutions have been standardised thereby streamlining the process of data submission by credit institutions to CICs

   ii. a Technical Working Group comprising of representatives from various categories of banks, CICs, NBFCs, HFCs, IBA and MFIN has been constituted to institutionalise a continuing mechanism for reviewing / modifying data formats, and

   iii. certain best practices for credit institutions and CICs have been prescribed to improve the working of the credit institutions and CICs and redressal of consumer complaints.

b) Further, the banks and All-India notified financial institutions have been instructed to report non-suit filed accounts in respect of wilful defaulters (₹ 25 lakh and above) and defaulters (₹ 1 crore and above) to the CICs for the period ending December 31, 2014. CICs will disseminate this information to all the stakeholders.

c) In terms of Section 15 of CICRA, every credit institution has to become member of at least one CIC. Since four CICs are functional, there is the consequent issue of data existing in silos. As of now, when enquiry is made with one CIC about a certain borrower or prospective borrower, only the information that has been

* Keynote Address delivered by Shri R. Gandhi, Deputy Governor, Reserve Bank of India on March 3, 2015 at Seventh Annual CIBIL TransUnion Credit Information Conference, Hotel Trident, Mumbai. Assistance provided by Shri Rajesh Jai Kanth is gratefully acknowledged.

provided to the CIC by its own members would be available at that CIC. The information from the credit institutions from whom the borrower may have availed a credit facility but who are not members of that particular CIC may not be included in the credit information. To mitigate this problem, all credit Institutions have been directed on January 15, 2015 to become members of all the CICs and submit current and historical data to them. CICs and credit institutions have been also directed to keep the credit information collected and maintained by them, updated regularly on a monthly basis or at such shorter intervals as may be mutually agreed upon between them. To help credit institutions make transition from one / two bureau membership to all bureau membership, the one-time membership fee charged by the CICs, for CIs to become their members, shall not exceed ₹ 10,000 each. The annual fees charged by the CICs to CIs shall not exceed ₹ 5000 each.

Work in progress

5. Though we have implemented most of the recommendations of the Aditya Puri Committee, let me mention a few recommendations of the committee, still being examined in the RBI:

a. Introducing a Common Credit Information Report on the lines of the tri-bureau report available in the USA, in consultation with all CICs and in a manner customised to the credit information infrastructure existing in the country.

b. Including information relating to Commercial Paper in the data format of CICs for collecting credit information from credit institutions.

c. Reporting information on derivatives of clients *e.g.*, unhedged foreign currency exposures by credit institutions in the commercial data format.

d. Examining pricing related aspects of Credit Information Reports and providing on an annual basis a base level consumer CIR free of cost to each customer of a credit institution by each CIC.

e. Evolving a suitable mechanism for providing a fast and cheap redressal of customer grievances *vis-a-vis* CICs, including expanding the scope of the Banking Ombudsman Scheme.

f. NBFCs, UCBs, RRBs, SFCs, HFCs may also report data on wilful default to all the CICs.

Benefits of Access to Credit Information

6. Global Financial Development Report[1] inter alia states, 'ensuring equitable and transparent access to credit information allows customers to use their credit histories as reputational collateral, strengthens credit market competition, and enhances access to finance'. In this context, let me highlight the major benefits of credit information for the different stake holders in the system:

a. Consumers – Credit information empowers consumers to obtain loan products based on their credit history and promote them to maintain credit discipline and repay debts timely. Competition in the credit market is enhanced as even positive information on borrowers becomes available to other lenders thereby benefiting the deserving and better borrowers to obtain loans on easier terms and lower interest rates.

b. Credit Institutions - Information sharing assists in screening of borrowers as well as monitoring of credit risks. This reduces cost of intermediation and allows credit institutions to effectively price, target, and monitor loans. It facilitates realistic, transparent and judicious risk based lending. By leveraging information from CICs, lenders can obtain a holistic overview of their customer relationships. At present, different product offerings of CICs

[1] Global Financial Development Report 2014: Financial Inclusion. Washington, DC: World Bank.

viz., credit information report, credit score, watch lists, alerts and triggers, portfolio reviews, are increasingly being used by the lenders to improve their portfolio quality, control NPAs and increase profitability. These solutions enable risk mitigation and optimise performance at every stage of the customer lifecycle- acquisition, portfolio management, collections and recoveries.

c. Economy - Risk based pricing environment would improve transparency and soundness in the lending process. Borrowers with a good credit history will be rewarded for their discipline while delinquent borrowers will no longer be subsidised by lower-risk consumers. In the aggregate, lending is increased, leading to greater economic growth, rising productivity and greater financial inclusion. Reduction of default rates and average interest rates, facilitated by increased credit information sharing, leads to increased lending. Research has shown that sharing of credit information results in deepening of credit markets. Borrowers are incentivised to maintain a good credit record, thus leading to a reduction of NPAs, better quality of credit portfolio, higher capital adequacy ratios and consequently increased lending by credit institutions.

d. Bank supervisors – By accessing credit information from CICs, supervisors can assess and monitor build-up of systemic risks more effectively, especially regarding high exposure to certain sensitive sectors by highly interconnected and systemically important financial institutions.

7. The scope of 'credit information' is really very vast; much larger than what the CICs in India are actually collecting and disseminating. I would like to describe about a few initiatives in this area, initiatives taken by entities other than the CICs.

Central Repository of Information on Large Credits (CRILC)

8. First is the CRILC. Last year, the Reserve Bank has set up a Central Repository of Information on Large Credits (CRILC) in order to collect, store and disseminate information on large credits (₹ 50 million and above) of banks, systemically important non-banking financial companies (NBFC-SI) and NBFC-Factors. The avowed objectives of the CRILC includes reduction of information asymmetry for improved credit risk assessment and improve recovery climate. Although the CRILC has been set up essentially to help banks and other financial institutions in improving their credit administration, it is also expected to provide vital inputs in supervisory risk assessment in terms of build-up of risk concentration and emerging asset quality related vulnerabilities.

9. I would like to be candid here. Ideally, the CRILC should have been thought about and built by the CICs. The fact that we as the regulator had to take this step indicates that the credit information industry needs to develop much more. It is also a pity that our credit institutions do not feel the necessity to voluntarily share credit information among themselves through, of course, the CICs, when they all do want to receive, from the CICs, credit information about their constituents – whether current or prospective. I look forward to the CICs themselves building and managing such a repository going forward.

Central Registry of Securitisation Asset Reconstruction and Security Interest of India (CERSAI)

10. Another related development is CERSAI. Transactions relating to securitisation and reconstruction of financial assets and those relating to mortgage by deposit of title deeds to secure any loan or advances granted by banks and financial institutions as defined under the SARFAESI Act are to be registered in the Central Registry. All NBFCs have also been advised to file and register the records of all equitable mortgages created in their favour with the Central Registry. Under

the Factoring Act, 2011, every factor is under obligation to file the particulars of every transaction of assignment of receivables in his favour with the Central Registry.

11. The records maintained by the Central Registry can be searched by any lender or any other person desirous of dealing in property on payment of fees prescribed under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (Central Registry) Rules, 2011.

12. Availability of such records would prevent frauds involving multiple lending against the security of same property as well as fraudulent sale of property without disclosing the security interest over such property. While the Central Registry addresses the encumbrance status of a property, at present Central Registry is not able to check the genuineness of the title of a property. With land being a state subject governed by respective state laws, there is a need for the Central Registry to enter into arrangements with the state registries for information sharing. This will be beneficial for the Central Registry, State governments and the lenders by way of providing information on the existence of the property and genuineness of the title.

Challenges facing Credit Information sharing

13. **Data Quality:** The efficiency and effectiveness of any credit bureau depends on the quality of data collected in its database. We have time and again issued circulars for submission of timely, accurate and error free data to the bureau. However, it is learnt that the data submitted to the CICs by member credit institutions is not regular or accurate. There are many instances of junk values, incorrect data and incomplete identifier field information being submitted to the bureaus. It becomes imperative for credit institutions to ensure the quality and timeliness of data submitted to the CICs.

14. **Consumer education and awareness:** It is vital for consumers to understand the importance of maintaining financial discipline and paying their loan EMIs and credit card dues regularly. CICs have an important role to play in this regard. Increased awareness by individuals, SMEs and MFI borrowers on consequences of default in repayment of loans leading to lowering of their credit scores and possibly denial of new loans would lead to better credit discipline and also prevent deterioration in the asset quality of banks. I am aware that CIBIL and other CICs are working on several consumer education programs to drive awareness amongst consumers on concepts relate to credit information. I also understand that CICs have been partnering with the consumer education cells of banks and other credit institutions. This partnership will be highly effective in reaching out to consumers across geographies and sensitising them on the necessity of maintaining good credit discipline. I would like to urge the CICs that such an awareness campaign needs to be specifically focussed on new generation, even before they enter into a credit relationship, about the long lasting effect and consequences of credit history. In terms of developing a credit culture amongst the future generation, the most important financial product is the education loan. With an NPA percentage of over 7.54 per cent (for loans below ₹ 4 lakh) as on 31st March 2014, it is clear that the borrowers are oblivious of the consequences of non- repayment on their credit track record. Can the CICs and banks look at a 'catch 'em young' policy for credit counselling and developing a credit culture? Can the CICs provide a periodic non-chargeable credit report to the student loanees?

15. **Speedier and transparent dispute resolution mechanism:** Good customer service through speedier and transparent dispute resolution mechanism has been the thrust of the Reserve Bank. Of late, we have been receiving many disputes from consumers related to their credit information reports. I would urge CIBIL and other CICs to invest in processes and technologies for speedier resolution of customer disputes. Another aspect about these disputes actually relates to the banks. These disputes are related to non-updation of data and/ or incorrect submission of data by member banks. In many of these cases, the CIC has not been able to receive timely response from the banks even after following up regularly. This causes significant

delay in redressing the customers' disputes. Therefore, I would remind the credit institutions to put in place a proper system for consumer complaint redressal at their end as well.

16. **Reporting of data on corporates including MSME borrowers:** While the CICs have a rich database in respect of consumer segment *i.e.* retail borrowers, they have largely neglected the corporates including MSME borrowers. I have already stated that vide our guidelines dated June 27, 2014 we had advised the CICs to collect and provide credit data in respect of this segment but the process has been rather tardy in this regard. However, I am happy to learn that CIBIL has made some progress on this count. I believe CIBIL today has 20 million records in respect of corporates. I would urge the various lending institutions to furnish data in respect of their corporate borrowers to the CICs and start utilising the various solutions such as commercial triggers that CICs presently offer to mitigate the risks associated with changes in credit profile in commercial lending.

17. **Bridging Asymmetry of Information:** MSME units in general, and Micro units among them in particular lack adequate information about credit reporting process and the consequences thereof. It is essential that lending organisations build structured pre-credit counselling sessions to Micro borrowers educating them about the long term consequences of non-repayment & default. Counselling currently is provided only when the account is NPA or near NPA. This has to be done at the time of sanctioning the loan. This may also give the borrower an opportunity to review whether the quantum sought for is in excess of repayment capacity. 90 per cent of the micro units have no access to organised credit. They are dependent on a plethora of diversified last mile sources for their financing. This would involve MFIs, NBFCS, PACs, Money lenders (both registered and un- registered) *etc.* Can the credit information companies be innovative enough to bring this credit history also into the ambit of credit reporting?

Further Ideas

18. While India has fallen by 2 ranks from 140 in 2014 to 142 in 2015 in the ease of Doing Business Rank[2], in respect of depth of credit information, it performs quite high scoring 7 out of a total of 8 score. Where we did not score was, in respect of our retailers / utilities companies not distributing the data to the CICs.

19. Potential benefits of including electric and telecom data in the database of CICs are:

a. Positive data from telecom companies and electric utilities would help in assessing credit worthiness of small and medium borrowers in rural, hilly and tribal areas presently not having access to banking credit and thereby extend penetration of banking in India.

b. Alternate data also improves the performance of analytical models that help lenders better predict the 'ability to pay', as a means of guarding against consumer over-indebtedness.

c. Globally, electric utilities and telecom companies that report payment records to credit bureaus have evidenced improved consumer payment behavior with regard to their bills.

d. Would help in widening and deepening the database of CICs on individuals for the purpose of 'Know your customers' verification by financial institutions.

20. FICCI, BCG and IBA in their paper on Digital Banking[3] have inter alia stated that introduction of periodic utility bill payments (electricity, telecom) and periodic insurance premium payments information into information bureau records would increase the bureau coverage from current 20 per cent to almost 70 per cent and would be a major boost to credit eligibility of low ticket borrowers who are largely self-employed or in the unorganised sector. The Reserve Bank has

[2] Doing Business 2015, World Bank.

[3] Digital Banking – Opportunity for extraordinary gains in reach, service and productivity in the next 5 years, September 2014.

introduced positive data sharing in India which allows good repayment behaviour in one product to be of use in predicting behaviour of the consumer in other areas. Telecom / Utilities positive data is hence likely to help support making credit worthiness decisions on the segment of the population that does not have access to banking credit.

21. The Committee on Comprehensive Financial Services for Small Businesses and Low Income Households (Chairman: Dr. Nachiket Mor) has recommended that the Reserve Bank should constitute a Working Group involving the various stake holders such as TRAI, CERC and CICs to develop a framework for sharing of data between telecom companies, electrical utilities, and credit information companies. The underlying acts, rules and regulations governing credit information companies, electric and telecom sectors need to be examined to make suitable legislative and regulatory changes for this purpose. We, in consultation with various stakeholders, are examining the feasibility of incorporating alternative data sources, *viz.*, electric and telecom data of consumers, within the purview of credit information.

22. Another area which requires attention is the need for populating member level data of Self Help Groups (SHGs) and Joint Liability Groups (JLGs) in the database of CICs. Aditya Puri Committee deliberating on this issue considered the practical problems faced by banks in gathering individual borrower level information of SHGs as loans under the SHG Bank Linkage Program was given by the banks directly to the SHGs and not individually to its members. The disbursement of loan funds is done at a member level only within a SHG (by the SHG internally) and the respective quantum / tenors of the same is decided by the group, from time to time. This financial flexibility provided to the group is an inherent feature of the SHG structure. However, the Committee has emphasised that to assess the ability of individual members to repay, it is necessary to consider their prior borrowings, else it might result in their becoming over-indebted and consequent default in repayment of loans. It therefore recommended that banks may be required within a reasonable period of, say, eighteen months, to arrange for capturing the required data from SHGs for reporting to CICs.

23. The present regulatory framework only mandates NBFC-MFIs to share their clients' data with CICs. NGO-MFIs which include section 25 companies, societies, trusts, *etc.* play a significant role in the micro finance sector, however they are not yet mandated to share their data with credit bureaus, though some NGO-MFIs are voluntarily participating. Some study shows sizable overlaps between SHG Bank linkage and MFI clients. This indicates the severity of over-indebtedness / ghost borrowing, asymmetric information, moral hazard, *etc.*.

24. Another prospective area where credit information can help is in respect of those companies that supply vehicles and equipment on operating lease to users (lessees) on payment of a periodical rent by them. The lessee in case of a vehicle lease has to pay a fixed monthly cost and can use the vehicle for a defined period and mileage and has to return the vehicle to the company at the end of the contract. Since the company providing such a facility to its clients takes a credit risk on them at the time of entering into such a contract till the time the lease is in vogue, it needs to assess the credit worthiness of the lessee. Presently such vehicle leasing companies are not being regulated by the RBI or a financial regulator in India. We would examine whether such leasing companies can be specified under the Credit Information Regulations, 2006 for the purpose of obtaining and providing credit information from / to the CIC.

25. To conclude, let me say that the credit information business has played a significant role in improving credit offtake and management of credit risk by the credit institutions. An enormous responsibility has been cast on the four Credit Information Companies to see that there is qualitative improvement in credit information. The RBI would take suitable regulatory and supervisory measures to make the credit information system safe, efficient, reliable and customer-friendly. I once again thank CIBIL for providing me this opportunity to share my thoughts with all of you.

26. Thank you !

*Corporate Debt Market: What needs to be done – A Reaffirmation**

R. Gandhi

Good morning ladies and gentlemen!

2. I would like to thank CARE Ratings for taking this initiative of holding this Summit on the corporate debt market. As I can see, the seminar is quite exhaustive in content and we will be having some excellent speakers representing various segments of the industry and hence it will be very interesting to hear their views. As a regulator, we in the Reserve Bank do have our own approach to the development of any market, but to hear the market participants is always important for us as it is only when we debate the issues that we can come to a workable solution. I am sure that we will have a lot to pick up from these deliberations that take place here today.

Corporate Bond Market in India – Current Status

3. Indian Corporate Debt market has seen some growth in recent years, both in terms of number of issues and amount. The outstanding issues which were at 12,155 as at end March 2011 increased to 18,664 by end Dec 2014. During the same period, the amount outstanding increased from ₹8,895 billion to ₹16,485 billion. While the types issued included fixed rate bonds, floating rate bonds, structured notes and other types, the fixed rate bonds were predominant both in number and value. Another characteristic of the issuances was that almost all issuances were by financial sector entities. Yet another peculiar feature of our Corporate Bond market is that private placements are the norm. The public issuances which were ₹94.51 billion in 2010-11 increased to ₹423.83 billion in 2013-14, though it fell back to ₹90.49 billion in the current year till Feb 2015. The private placements were ₹2,187.85 billion in 2010-11, ₹2,612.82 billion in 2011-12, ₹3,614.62 billion in 2012-13, ₹2,760.54 billion in 2013-14 and ₹2,692.45 billion in the current year till Dec 2014. The secondary market trading was ₹6,053 billion in 2010-11, ₹5,938 billion in 2011-12, ₹7,386 billion in 2012-13, ₹9,708 billion in 2013-14 and ₹10,043 billion in the current year till Feb 2015.

4. Though the above mentioned figures do indicate a healthy growth in number and volume of corporate bond market activity, in comparison with government bonds market, the corporate bond market is dwarfed. A comparative position of the governments bonds and corporate bonds as on March 2013 as a proportion of GDP among the major Asian countries in the Table below, reflects India at a very low position *vis-a-vis* some of the major Asian countries.

Government and Corporate Bonds as percentage of GDP March 2013

Debt as per cent of GDP	Government	Corporate	Total
Peoples Republic of China	33.1	13.0	46.2
Hong Kong	37.8	31.4	69.2
Indonesia	11.4	2.3	13.7
Republic of Korea	48.7	77.5	126.2
Malaysia	62.4	43.1	105.5
Philippines	32.2	4.9	37.1
Singapore	53.1	37.0	90.1
Thailand	58.6	15.9	74.4
Vietnam	19.8	0.7	20.5
India	49.1	5.4	54.5

Indian Corporate Debt Market – An Enigma

5. Thus corporate debt market in India has been quite an enigma. We keep talking of the issues that are in the way of its progress and the solutions that could

* Inaugural address delivered by Shri R. Gandhi, Deputy Governor, Reserve Bank of India at the "CARE Ratings Debt Market Summit -2015" at Hotel Taj Mahal Palace, Colaba, Mumbai. Assistance provided by Ms Anupam Sonal is gratefully acknowledged.

address them. Yet, there has been limited movement in this area despite several attempts and there is some kind of gravity keeping us down. We had the R. H. Patil Committee Report on corporate bonds and securitisation of 2005 which has served as a reference point for all of us. However, the progress in the growth of the corporate debt segment has not been too satisfactory and there is evidently a pressing requirement to revisit this subject. There have been several suggestions made – some have been implemented with mixed success.

6. Yet, as noted earlier, the debt market remains confined largely to financial institutions, and corporates are not much in the picture. Even within this limited perimeter, public issues are less frequent and the preference has been for private placement of debt paper. This is the starting point of the puzzle which we need to analyse.

7. Another part of the puzzle relates to our own achievement. We did experience close to double digit GDP growth in FY 2007-08 and our investment ratio was 38.1 per cent in that year – with financing issues not coming in the way. On the face of it one may tend to conclude erroneously that there is no need to get too worried about the absence of development in corporate debt market. After all, have we not got investment rate of 38.1 per cent? The reason why the problem does not appear to be magnified is because we are working at well below our potential. We are not realising that the paucity in long term resources can severely come in the way of investment. Therefore, the question to be asked is as to for how long can we carry on with this situation.

8. We do have fairly large numbers that are required for financing both industrial growth of 8-10 per cent in the next five years and funds required for infrastructure development. Presently as industrial growth is in the phase of stagnation and infrastructure well below satisfactory levels due to a varied set of factors around policy action, the demand for funds has not really reached the expected levels. Evidently this should not give rise to complacency and we should work in this period in building structures for growing our corporate debt market.

Need to Develop the Corporate Debt Market

9. The government has its own limitations when chipping in as the fiscal responsibility targets leave little scope for finding funds. Though the commercial banks do cater to the investment needs of corporate and infrastructure sectors, they are also reaching their own limitations. We have gotten support from FDI and external borrowings, but they have their own pace and size. External borrowings are a good way out when global interest rates are low. But, the repercussions on our external debt are significant, and while we have been permitting ECBs into various sectors, the external debt levels have been rising which has servicing implications. Intuitively we can see that the capital market has to become progressively more relevant in this process of garnering long term funds.

10. Economists contend that the absence of an adequately sized corporate debt market leads to an oversised banking system in any economy. It also results in a large portion of the lending market being excessively regulated, without being subjected to free market forces. Such an imbalance is not desirable, because this becomes the perfect breeding ground for crony capitalism, sloppy lending by banks and careless investments by corporates. Financing of resources through corporate bonds rather than bank finance instills a greater sense of credit discipline among the borrowers as the default events are captured immediately and placed in the public domain. The disclosure requirements act as a big disincentive for default or delayed payment. It has been observed that

borrowers take the regulatory norm of 90 days period for a default to be recognised as a Non-Performing Asset as a leeway for withholding the payment till the 89th day from the due date. On the other hand, even a single day default by an issuer of corporate bond will be recognised as default in the market and the information of default will be publicly available. Further, such information/risk will also be reflected in external credit ratings and traded credit derivatives on a real time basis. Pricing of credit also gets diluted in bank financing as credit facilities are extended not only on the basis of credit worthiness of the borrower but also the relationship between the banks and their borrowers. Financing through corporate bonds might remove such distortions to a large extent as investors will demand higher coupon for issues with lower credit worthiness, while borrowers with strong fundamentals and sound business get rewarded by lower cost of financing. Thus there are many advantages of an efficient, well developed and liquid corporate debt market.

11. The importance of a developed debt market *viz.*, the corporate debt market for a country like India, which has an huge and ever growing capital funding requirement is widely acknowledged and although various measures on the regulatory and policy front have been introduced in recent times, concerted efforts from all market participants is required to develop and grow the largely untapped potential of the country's corporate debt markets.

Expert Committees

12. In India, progressively, a number of Committees and Groups were set up by the RBI to study the bank financing/funding patterns *vis-a-vis* the corporate funding requirements. Prominent among them were the Tandon Committee, Chore Committee, *etc.* The committees uniformly recommended that corporate reliance on bank finance for short term recurring expenses need to be brought down. Chore Committee specifically recommended *the need for reducing the over-dependence of the medium and large borrowers – both in the public and private sectors on bank finance.*

13. More recently, a High Level Expert Committee on Corporate Bonds was set up under the chairmanship of Shri R. H. Patil which submitted its report in December 2005 and made several recommendations including the need for rationalisation of stamp duty structure and issuance costs, tax deducted at source, encouraging securitisation, repos and CDS in corporate bonds, enhancing issuer and investor base, simplifying issuance procedures, *etc.*

14. In the year 2009, the Committee for Financial Sector Reforms (CFSR) (Chairman: Dr. Raghuram G. Rajan) also looked into the issues inhibiting the corporate debt market and made several recommendations on similar lines. Some of the highlights were to bring all trading related regulation within the purview of the SEBI, improve coordination between various concerned agencies where multiple regulators share concern, set up a working group on financial sector reforms with Finance Minister as Chairman, the Committee, had recommended the sequencing approach for corporate finance, which entails developing a number of missing markets as well as complementary development of other sectors in the economy for a healthy development of the corporate bond market.

Current Issues

15. There are some key issues that the corporate debt market faces. These need to be tackled to facilitate improvement and growth of this segment. Foremost among these are as follows:

a. The abysmal liquidity and the consequent lack of depth in the corporate debt markets. The absence of a liquid corporate bond market acts as a deterrent to investor participation. Trading in Indian bond markets are characterised by trading in certain maturities and tendency of investors to 'buy and hold' instruments, both of which inhibit liquidity. Here the role of institutional investors such as pension funds, provident funds and insurance companies must be reassessed. They do need to take some more initiative and be aggressive in actively managing their portfolios. Their investment horizon should not be confined to AA and above only. This will add a lot of buoyancy to the market.

b. Low investor base – The investor base in the corporate debt market is confined to banks, insurance companies, PFs, pension funds and primary dealers. Retail participation remains low due to absence of knowledge and understanding of bonds as an asset class. It is imperative to consider innovative ways for expanding the investor base. The fund management industry can contribute significantly in attracting the retail investor to corporate debt.

c. Preference of public debt – The huge supply of government papers in the country is one of the major impediments to growth of the corporate bond markets. Government borrowing and thereby the supply of government papers are seen to grow unabated year on year. We have seen that the government is progressively trying to rein in the deficit at the absolute level which will put less pressure on the market. Also the move of the Reserve Bank to gradually lower the SLR which can also be positive for the corporate bond market.

d. Limited instruments and products – There is need for a wide array of instruments and products to be available in the markets that would meet the diverse needs of its participants. There is lack of these in the Indian context which in turn inhibits development of these markets. credit default swaps (CDS) and interest rate futures (IRFs) have been some of the instrument that have come in of late and it is expected that these will grow. Of late, there has been some element of buoyancy in the IRF market which is a good sign. Securitisation of the corporate debt instruments would provide a big fillip to the market as it would improve risk transference and diversification and provide liquidity to the issuers.

e. Market Infrastructure also finds mention as a factor affecting corporate bond market trading and thereby transparency and vibrancy in the market. Infrastructure facilities such as screen based automated order matching, central clearing and settlement, negotiated dealing system, *etc.* on the lines available to the government securities market would certainly facilitate and encourage secondary market trading, enhance market transparency and liquidity as well as develop scientific risk pricing. We need to improve the credit rating mechanism for corporate bonds and encourage market for lower grade ratings which inhibits the market.

f. Ease of issuances – Bond issuance is viewed as being costly and cumbersome compared with bank lending. For it to be attractive to the issuers to approach the corporate debt market, the ease and cost of issuance has to improve. The listing and disclosure requirements and procedures have to be simple and less complicated. The size, scale and tenure of issues must improve and need to be made more attractive by encouraging public offers instead of the current preference for private placements. It is expected that consolidation of bond issues through reissuance/s would improve liquidity and encourage secondary market transactions. However, care would need to be taken to prevent excessive batching of redemptions and consequent liquidity stress.

g. Market making – The growth and development of any market is dependent on market makers who can provide both buy and sell quotes. Although prevalent in the government securities markets, they are lacking in the corporate bond segment. Market makers not only assume risk, they add diversity to the markets. Therefore, we need to develop a class of underwriters and market makers in corporate debt bonds on the lines of Primary Dealers in the government securities market.

Policy Initiatives

16. What are we doing to tackle these issues affecting the corporate bond market? Several measures are being undertaken at the policy level to address these. Some of the recent initiatives by Government, the Reserve Bank, SEBI and other agencies in the direction of developing the corporate debt market are as follows:

a) *Trade reporting platform*: For improving transparency, reporting platforms for OTC trades in corporate bonds, Commercial Paper, Certificates of Deposit, Non-Convertible Debentures and securitised debt has been set up. Till recently, reporting of trades in corporate bonds was done at three different places (FIMMDA's FTRAC, reporting platform of NSE and BSE). Though multiple reporting platforms were available, majority of trades were reported on FIMMDA platform and cleared through one of the clearing houses of the stock exchanges. The reporting of secondary market trades in corporate bonds and securitised debt by the RBI regulated entities has been shifted to stock exchanges with effect from April 1, 2014.

b) *Pooling account:* Clearing houses of the stock exchanges have been permitted to have a pooling fund account with the RBI to facilitate DvP-I based settlement of trades in corporate bonds.

c) *Repo in corporate bond:* In 2010, repos in corporate bonds were permitted to regulated and other RBI permitted entities. Guidelines were further relaxed in terms of reduction of minimum haircut requirements and expanding the list of eligible collateral by permitting short term instruments like CP, CD and NCDs of original maturity less than 1 year. Scheduled Urban Cooperative Banks (UCBs) have also been permitted to participate in the repo market subject to adherence to conditions prescribed.

d) *Credit Default Swaps (CDS) on corporate bonds:* CDS on corporate bonds has been permitted to facilitate hedging of credit risk associated with holding corporate bonds. Based on market feedback, short term instruments like CP, CD & NCDs and unlisted but rated corporate bonds have also been permitted as eligible reference obligations.

e) *Encouraging participation of banks and PDs in corporate bonds:*

i. In July 2014, banks have been permitted to issue long-term bonds with a minimum maturity of seven years to raise resources for lending to (a) long term projects in infrastructure sub-sectors, and (b) affordable housing. These bonds have been exempted from computation of net demand and time liabilities (NDTL) as well as Adjusted Net Bank Credit (ANBC) and are therefore not been subjected to CRR/SLR or priority sector lending requirements.

ii. The Reserve Bank has issued the instructions asking banks to consider raising Tier II capital through public issuance to retail investors.

iii. In order to encourage active participation of standalone PDs in corporate debt, investment norms have been relaxed by allowing them to invest funds borrowed from call money market subject to certain limits, enhancing investment limit in Tier II bonds of other PDs/banks/FIs from 5 per cent to 10 per cent of NOF and increasing the Inter Corporate Deposit (ICD) borrowing limit from 75 per cent to 150 per cent of NOF.

iv. Banks and standalone PDs have been allowed to become direct members of stock exchanges for undertaking proprietary trades in corporate bonds.

v. Credit enhancement by banks – As per a recent policy announcement made, it is proposed to permit banks to offer partial credit enhancement to corporate bonds by way of providing funded and un-funded credit facilities for infrastructure projects but not by way of guarantee. The final instructions are expected to be issued shortly.

f) *Foreign Portfolio Investors (FPIs):*

i. Rationalisation of investment limits: FPI investment limits have been rationalised, whereby existing limits and subdivisions have been merged in two broad categories – government securities and corporate bonds. The sub-limits for FPIs in Government securities ($10 billion) and dated securities ($15 billion) and other categories have been merged to retain the overall cap of $25 billion. In case of corporate bonds, the ceiling of $1 billion for qualified foreign investors (QFIs), $25 billion for FPIs and $25 billion for FPIs in long-term infra bonds, have been merged – retaining the overall cap for corporate bonds at $51 billion.

ii. Rationalisation of allocation of debt limits: Method for allocation of debt limits in corporate bond market through auction has been changed. As per revised scheme, FIIs can now invest in Corporate Debt without purchasing debt limits till the overall investment reaches 90 per cent after which the auction mechanism would be initiated for allocation of the remaining limits. Consequent to the changes, the restrictions on re-investment by FPIs, shall no longer apply in respect of limits held/investments made by FIIs in the Corporate Debt category, till the limits are available on tap.

iii. Withholding tax rate: The rate of withholding tax on interest payments on the borrowings of Infrastructure Debt Funds (IDF), investments made by a non-resident in rupee denominated long-term infrastructure bonds and interest on FIIs' investment made in bonds issued by Indian companies and Government securities have been reduced from 20 per cent to 5 per cent.

iv. New Foreign Portfolio Investor (FPI) Regulations: Recently, the SEBI has notified new FPI regulations to put in place an easier registration process and operating framework for overseas entities seeking to invest in Indian capital markets. The new regulations replace the existing SEBI regulations for FIIs and the new class of investors, FPIs, would encompass all FIIs, their sub-accounts and QFIs.

v. The Budget for 2015-16 has proposed to extend the period of applicability of reduced rate of tax at 5 per cent in respect of income of foreign investors (FIIs and QFIs) from corporate bonds and government securities, from May 31, 2015 to June 30, 2017.

g) *Credit enhancement by IIFCL:* It has been mentioned in the Union Budget 2013-14 that IIFCL will provide partial credit guarantee to enhance ratings of bond issues, enabling channelisation of long-term funds for infrastructure projects. IIFCL is presently undertaking pilot transactions under its Credit Enhancement initiative.

h) *Introduction of Rupee linked offshore bonds by International Finance Corporation (IFC):* With an objective to signal confidence in the Indian economy and encourage inflows of USD in India, IFC was permitted to float a rupee linked bond overseas for an amount of USD 1 billion. IFC received very good response and the limit has been fully utilised by IFC.

i) Domestic Issuance of bonds by IFC: Approval has also been given to IFC to issue bonds in India worth ₹15,000 crore for infrastructure financing. This will also facilitate development of benchmark yield for long term corporate bonds.

Way Forward

17. Going forward, we expect a special impetus to the growth of corporate debt market in our guidance to the banks to issue long term bonds to support infrastructure and housing projects. Further, in order to meet the capital requirements under the Basel III Framework, banks will tap the market with their Additional Tier 1 bonds, besides Tier 2 bonds. These developments can usher in emergence of quasi government yield curve, which can serve as benchmark for corporate issuances. When the Basel III Framework relating to Large Exposure norms take effect, and as banks reach their limits in supporting direct lending to the corporate sector, corporates be nudged to resort to market borrowing. On top of this, the expected robust economic growth will also compel the corporate sector to approach the market. Keeping all these in perspective, we need to ready ourselves with the following measures to usher in a vibrant corporate debt market:

a. regulatory and administrative reforms to institutionalise debt markets,

b. involvement of market-makers who can provide two-way bid-ask quotes,

c. enhancement of investor base,

d. increasing the efficiency of these markets through better reporting, settlement and clearing platforms.

e. emphasis on the reduction of information asymmetry.

Conclusion

18. To conclude, the debt markets is undoubtedly a very essential segment of the country's financial markets and vibrancy in these markets is imperative to meeting the massive funding requirements of the country. I am confident that this Conference proceedings and discussions will lead to specific suggestions for action and provide clarity on issues.

19. I thank you all of you for your time and attention.

*Defeating Poverty: Issues and Challenges**

S. S. Mundra

Mr. Sameer Kochhar, Chairman, Skoch Group; other dignitaries on the dais and in the audience; delegates to the Summit; members of the print and electronic media; ladies and gentlemen! It is a pleasure and privilege for me to be present here today at the inaugural session of the 39th Skoch Summit on the theme of 'Defeating Poverty'. The theme of this conference is extremely relevant at the current juncture when the groundwork on linking each household to the banking sector in a mission mode under the Pradhan Mantri Jan-Dhan Yojana (PMJDY) is nearing completion. I congratulate Skoch for choosing this particular theme for its Summit.

2. The ILO Declaration of Philadelphia, 1944 states *'Poverty anywhere is a threat to prosperity everywhere.'* Poverty, therefore, has implications for global stability which has been well appreciated by the policy makers the world over. As across the globe, policy makers in India *i.e.,* Government of India and the financial sector regulators, particularly the RBI have also endeavored to ensure that poverty is tackled in all its forms and that the benefits of economic growth reaches the poor and excluded groups in the society.

3. Franklin D. Roosevelt said 'the test of our progress is not whether we add more to the abundance of those who have much; it is whether we provide enough for those who have too little.' If we were to apply this yardstick for measuring our progress, we would be considered to have failed miserably. Even after nearly sixty eight years since achieving our independence, poverty remains one of India's largest and most pressing problems. There is no gainsaying that a nation cannot become great when the lives of millions of its citizens are benighted by poor nutrition, limited by poor learning opportunities and shriveled by gender discrimination.

* Keynote Address by Shri S. S. Mundra, Deputy Governor, Reserve Bank of India at the 39th Skoch Summit in New Delhi on March 20, 2015.

What is poverty?

4. The Merriam Webster Dictionary defines poverty as 'the state of one who lacks a usual or socially acceptable amount of money or material possessions.' However, poverty is not simply characterised by a lack of adequate income. It has far reaching implications. People who suffer from poverty experience a number of deprivations and restrictions. Its manifestations include hunger and malnutrition, limited access to education and other basic services, social discrimination and exclusion, as well as the lack of participation in decision-making and in civil, social and cultural life. One important thing to note is that poverty cannot be defeated through charity. Empowering people with a means to sustaining themselves in the long term is the solution that can defeat poverty.

5. Unemployment is at the center of poverty. For the poor, labour is often the only asset that can be used to improve the lives and wellbeing. It is crucial that we empower the poor who have the potential but often lack opportunities to shape their lives.

Bidirectional cause-effect relationship between financial exclusion and Poverty

6. As I said earlier, poverty is generally associated with a low level of income. This income is primarily directed towards consumption thereby leaving very little for saving/investment. A low level of savings obviates the need for a banking account thereby creating financial exclusion and lack of investment opportunities. This creates a barrier for financial inclusion from the demand perspective. Conversely, financial exclusion can deprive people of the benefits and the incentives offered by the financial system. Poverty can, therefore, be self-fuelling from generations to generations.

How to break this vicious circle?

7. I am not an economist. Many eminent speakers would dwell on this issue during the day. However, I wish to put forward some perspectives as I see them. Let me begin with measurement of poverty. I am not on whether those spending below ₹32 in rural areas or below ₹47 in urban areas (as defined by the Rangarajan committee) or ₹27 and ₹33 respectively as fixed by Tendulkar Panel earlier, are to be considered poor. My question is whether such income levels across countries or states (even after adjusting for purchasing power parity) are comparable without taking into account the availability, quality and cost of such basic amenities as health care, education, transport, sanitation *etc.* Would not a composite index (if one can be devised) of these two elements would be a truer indicator of real poverty level? This can be elaborated with several measurable examples but time limit does not permit to do so.

8. Extending that argument further, would it mean that there could be two ways to address the challenge of defeating poverty?

a. State ensures availability of quality amenities I mentioned earlier to all needy citizens – question is, whether it is feasible?

b. Empower and facilitate all citizens to earn such levels of income that they can buy these services from the open market. Issue to contemplate is whether this can be done in a short term or even in the medium term.

9. Then would it be fair to assume that a combination of above two would be a more realistic goal to pursue for quite some time to come considering the dimension of the work involved? Would it also be fair to assume that pursuing only one of the above or even both but with varying emphasis would not serve the purpose?

10. Leaving this broader issue for wider discussion, let me now turn to the various initiatives taken in past few years in respect of poverty alleviation/financial inclusion/employment generation *etc.*

Priority Sector Lending

11. Efforts are also underway to reorient the priority sector lending guidelines to serve today's growth and inclusion agenda. An Internal Working Group at the RBI has revisited the existing guidelines and suggested revisions for ensuring channeling credit to segments that get crowded out in the absence of specific targets. These include small and marginal farmers, micro enterprises and the weaker sections while broadening the scope to include other underserved categories of national priority, such as agriculture infrastructure, social infrastructure, renewable energy, exports and medium sized enterprises.

Financial Inclusion Plan

12. Let me briefly highlight what the RBI has been doing for mainstreaming the marginalised sections of the society and for ensuring an equitable growth in the country. The RBI has been relentless in its pursuit of achieving universal financial inclusion by following a structured and planned approach. As I mentioned earlier, the focus is not only on ensuring access to financial services and products but also taking efforts to address issues emanating from the demand side through Financial Literacy initiatives. Phase II of the Financial Inclusion Plan is currently under operation which seeks to connect all the 600,000 plus villages in the country to banks either through a brick and mortar branch or a BC agent by the end of the year.

PMJDY

13. To say that Government's PMJDY scheme has been a success would be a massive understatement. One must admire the vision and intent behind the program. Lot of efforts has gone into opening the bank accounts and most households have been connected to the formal financial system. The need of the hour now is to ensure that services are easily accessible to the account holders, are cost-effective and service efficient & most importantly the accounts remain active. For the account to remain active, the holders would need income and benefits to flow into them. Focus should

also be placed on inculcating savings habit among the people. Once the saving habits take root, people would look for investments. Only then this massive exercise would be meaningful.

Direct Benefit Transfer

14. In order for the new bank account holders to continue to remain engaged with the formal financial system, Government's DBT program is expected to play a big role. It would ensure that the benefits are transferred directly to the targeted population and the leakages are avoided.

Licensing of Payment and Small Finance banks

15. With the objective of furthering financial inclusion and supply of credit to small business units, small and marginal farmers, micro and small industries and other unorganised sector entities the RBI has decided to license a number of small finance banks. Also, licensing of a few payments banks is envisaged to provide payments/remittance services to migrant labour workforce, low income households, small businesses, other unorganised sector entities and other users.

Promoting Entrepreneurship and Self-employment

16. Preparing the poor people for self-employment is perhaps the most lasting solution for poverty alleviation. The role of entrepreneurship as a key driver of economic growth and development and alleviating poverty and unemployment has been well researched and documented in both developed and developing countries. Entrepreneurship promotes innovation, creates competitive advantage and economic prosperity and helps create wealth and job opportunities thereby improving the standard of living of individuals, their families and communities.

Empowerment through microfinance

17. Microfinance is an influential means of empowerment for the poor and vulnerable and helps in extricating them out of their poverty and misery. It basically works on the premise that it is better to teach someone to fish rather than simply giving them a fish. It gives the poor the necessary tools, skills, and resources to help them engage in productive activities and grow their way out of poverty.

SHG Bank linkage model

18. SHG (Self Help Group) bank linkage programme piloted by NABARD in 1992 with 500 SHGs of rural poor has now transformed into the world's largest microfinance initiative with over 7.4 million SHGs representing 97 million rural households becoming part of the movement. This has been the predominant form of lending to women as 84 per cent of SHGs are women SHGs as on March 31, 2014. The scale of the programme is huge given savings of women SHGs in banks stands at over ₹80 billion as on March 31, 2014 and bank loan outstanding against women SHGs is over ₹360 billion as on March 31, 2014. The emphasis of the SHGF program is now to shift towards livelihood opportunities to SHG members apart from the expanding outreach across the country.

Role of MSMEs in poverty alleviation

19. Promoting growth of micro, small, and medium enterprises (MSMEs) is critical from the perspective of job creation which is recognised as a prime mover of the development agenda in India. MSMEs sector contributes about 45 per cent of the total industrial output, 40 per cent of the export and 8 per cent in the GDP. Also, the sector employs largest amount of workforce after agriculture and promotes balanced regional development. In terms of the recommendations of the Prime Minister's Task Force on MSMEs, banks are advised to achieve a 20 per cent year-on-year growth in credit to micro and small enterprises and a 10 per cent annual growth in the number of micro enterprise accounts. It is also mandated that 60 per cent of MSE advances should go to the micro enterprises keeping in view large scale exclusion of micro enterprises from the formal banking system.

Focus on Skill development

20. Globally, most students after completing their class 12th are considered to be ready for a job as the education system prepares them for a vocation of their choice. In India, however, the lack of employment

opportunities after getting the basic education necessarily results in two outcomes – one of disillusionment with the education system and second, keep on pursuing higher education for want of a job.

21. Dearth of formal vocational education, high school dropout rates, inadequate skill training capacity, negative perception towards skilling, lack of industry ready skills even in professional courses, continue to stand out as some of the major causes of poor skill levels and lack of entrepreneurship in India's workforce. There is a pressing need to scale up the skills of the unorganised workforce within the sector as well as those of the MSME employers through training inputs. Integrating the skill development initiatives with secondary and intermediate level education would address the challenge of low education levels and also provide school dropouts with employability skills.

22. It is heartening to note that the Government is committed to encourage entrepreneurship in the country through a revision of the national skill development policy of 2009 so that schemes of different ministries can be routed through the newly formed skills ministry. This would be vital considering the current Government's thrust on 'Make In India.'

Conclusion

23. Before I conclude, let me raise a few concerns which can be detrimental to the consolidation and furtherance of the significant work done in the area of financial inclusion and poverty alleviation in the recent past.

- Is too much demand being placed on the banking system resources? The banks are presently almost alone expected to identify & enrol new customers, educate them, conduct Aadhaar registration, carry out administration of linked life/non-insurance schemes & pension products and so on. The issue is whether it would encroach upon their other obligations of credit dispensation, maintaining asset quality, maintaining service standards *etc.*
- Loan waiver schemes or employment not resulting into creation of social infrastructure/ productive assets raise risk to broader work culture/credit culture in the country
- Non-adherence to basic economic discipline by the states *e.g.* in fixing the Minimum Support Price can be counterproductive in the long run
- Weakened Governance and multiplicity of regulations in the co-operative sector – Are we doing enough to exploit potential of co-operative sector?
- Need we draw lessons from the history of RRBs while pursuing BC model?

Then there are two larger issues – one each in respect of rural and urban poverty alleviation

- Don't we need a new model to enhance productivity & stop further fragmentation of already smaller land holding – Are DBT/ interest subvention long-term answers to these problems?
- Migration from rural India and rapid urbanisation is a reality with social, infrastructural, employment and inclusion dimensions – are we adequately prepared to deal with them?

24. It must thus be appreciated that poverty alleviation is a long drawn process and needs support from all quarters – the Government, other policy makers, the media and the society at large. Each one needs to do his/her bit to ensure that the poverty is defeated so that prosperity thrives. An ecosystem needs to be created which can fight poverty in all its manifestations. I once again thank Mr. Kochhar and SKOCH for inviting me to this Conference and wish the deliberations all success!

Thank you.

*Banker-Borrower Interplay: Synergies & Challenges**

S. S. Mundra

Shri A. C. Mahajan, Chairman, BCSBI; Shri M. Narendra, Chairman, Assocham National Council for Banking & Finance; Shri Ashvin Parekh, MD APAS LLP; other dignitaries on the dais; colleagues from the banking fraternity; members of Assocham; representatives of the print and electronic media; ladies and gentlemen! Let me begin by complimenting ASSOCHAM for flagging an issue that is so relevant and contemporaneous for the banking industry. Banks face immense challenges in the area of management of loans and advances in view of the mounting non-performing assets. These challenges exist in spite of the normal rigors that are specified by the regulator and banks' own Head and controlling offices. An increasing number of enabling statutes and enactments coupled with fair practice lending codes make the job of a lender extremely challenging and open to scrutiny. It is against this backdrop that the bankers – borrowers 'love-hate' relationships need to be analysed. It seems to be an imaginative idea on part of ASSOCHAM to invite the banking supervisor to inaugurate the session in a bid to arbitrate between the banker and borrower and invite the wrath of both! On a more serious note, a determining aspect of the banker-borrower relationship is built on trust and understanding. It is also important that these relationships neither get too cosy nor do they get too strained as either would have deleterious consequences for the sector and the larger economy. The banking regulations in a way set the ground rules for bank-borrowers relationship, while the supervisory process ensures that this relationship remains healthy. Based on my own practical experience in the field – first as a commercial banker and now as the banking supervisor, I intend to highlight some of the behavioral practices that the RBI expects from the bankers and the borrowers. I would also emphasise some regulatory/supervisory concerns that currently exist and could arise from unhealthy relationships between the two.

Banker-borrower relationship: Built on foundation of trust and understanding

2. Relationships demand honest discharge of certain responsibilities by the parties concerned and that alone leads to development of mutual trust and respect. This is equally applicable to a banker-borrower relationship as well. A non-receptive banker or a truant borrower is a malady that the credit system can ill-afford. The banker-borrower relationship is essentially symbiotic as both need each other. Both have certain expectations from the other and when these don't get fulfilled on account of a malafide or fraudulent intent on the part of either of them, the relationship gets strained.

Recent spurt in instances of forensic audit being conducted by bankers on their borrowers signifies a breakdown in the implicit trust. There has also been an increase in incidence of suits filed against defaulters and cases of wilful default – an unwillingness to pay, despite an ability to pay. These problems could have their genesis in a failure to exercise the right amount of prudence and due diligence on part of the banker or an *ab initio* intent of the borrower to defraud the bank. This, however, is not a one-way street. The bankers have also been known to be indifferent and

* Inaugural address delivered by Shri S. S. Mundra, Deputy Governor, Reserve Bank of India during the 'Bankers-Borrowers-Business Meet' organised by ASSOCHAM at New Delhi on March 23, 2015. Assistance provided by Shri R. Kesavan is gratefully acknowledged.

negligent of the genuine needs or problems of the borrowers in many cases. More often than not, it is due to a lack of basic understanding of the borrowers' business. At times it is due to factors which are beyond the borrowers' control. In fact, both extremes – excessive or too little trust and due diligence can prove detrimental to banking business. A middle course perhaps would be the most ideal mix with the bankers following the right regulatory rigor and the borrowers following a model code of conduct in their dealings.

3. Having set out the broader realm of the banker-borrower relationship; let me now turn to some specifics insofar as the expectations from bankers and the borrowers are concerned and non-observance of which can vitiate the relationship between the two.

4. **Expectations from bankers**

i) **Timely sanctioning and disbursal of the loans** – Borrowers approach the banks because they need finance. The business needs varying quantum of money at different stages. I do not need to go into the details but what is of essence is observing timeliness by the banks in sanctioning the loans and disbursing as per the needs of the borrower. The borrower would have his commitments to its creditors, suppliers *etc.* and if these are not met his projections can go haywire. This issue is of far greater significance in case of small borrowers like MSMEs. Unlike large corporate they do not have multiple sources of finance and they could quickly go out of business. The banks also need to provide handholding support to the borrowers, especially in times of stress.

ii) **Adequacy of finance-** A related issue is to ascertain how much finance should the bank give when the borrower approaches. It is at this stage that the efficacy of the credit appraisal process of the bank comes under scrutiny. The bankers should be able to appreciate the business prospects of the borrower and be able and willing to logically reason with the borrower about the projections and assumptions. Excessive financing might result in funds being siphoned off for other purposes and inadequate finance could mean stalled projects and idling of resources. The lending decisions cannot, however, be made alone on an idiosyncratic analysis of the riskiness of the project/business that the borrowers seeks funds for. A very important dimension to contend for the banks is risk of concentration in a particular segment. There is a need to eschew the urge to lend to a sunrise sector following the herd mentality. Concentration risk can hurt the banks badly as has been the case in past in lending to steel, mining, gems and jewellery and infrastructure sector. Exposure concentration in one sector in a geographical area (*e.g.* Exposure to sugar mills in UP) also suffers from political risk.

iii) **Pricing of loan** – An aspect related to adequacy of finance is the pricing of loan. Not only does the finance need to be adequate but also the price charged to the borrower. Bestowing finer pricing of loans on an inferiorly rated or an unrated borrower does raise red flags from the banking supervisor. Loan pricing needs to be risk-based, fair and transparent. If the interest rate being charged is too coercive, the borrower would be squeezed, the business would suffer with banks being forced to take the ultimate hit.

5. **Expectations from the borrowers:**

i) **Refrain from Q to Q existence**– The pressure from shareholders tends to drive many imprudent business managers and owners to look for short-term wins. This is reflected in their approach whereby they look to report better financial results than the preceding quarter. In the process, they end up diluting their own internal norms such as extending larger credits than normal and also extending credit for longer periods *etc.* It must be understood that while the business managers may be temporary, the businesses themselves are going concerns and they cannot be expected to perform miracles even under unfavourable business environment. The efforts to appease the shareholders by all means 'Fair or foul' must end.

ii) **Focus on core competencies** – Rather than looking to make quick bucks by diversifying into so – called 'hot' but unrelated activities, the businesses must focus on their core competencies. Diversification, if at all, must be a well-considered and long-term measure rather than 'quick-fix' decision. Another trend that has caught the attention of the borrowers is taking a view on the movement of exchange rates and keep unhedged positions. The disturbing part is that even businesses with no earnings/expenses in foreign currency are taking such bets and are likely to burn their fingers. Taking a view on currency is a job of the domain experts and the businesses having no core competency in the area & hence should resist the temptation as wrong -way bets can potentially obliterate a firm overnight.

iii) **Over leverage** – Excessive leverage run up by the Indian corporate is a matter of great concern. Over-leveraging is like having blood pressure – too low or too high, both are detrimental to the health. While banks need to do proper due diligence taking into account a consolidated balance sheet of the group; on their part the borrowers and the large business houses must end over-reliance on borrowed funds for achieving extraordinary growth rates. Operating with too little equity in the enterprise is like treading on thin ice. Too much leverage dilutes promoter's responsibility and has implications for banks' ability to recover loans. Double leveraging, where promoters pledge their own shares for funding their other companies needs to be viewed with caution. This, then denigrates to a possibility where the promoter is responsible only to the extent of such shares pledged with banks while funds solicited on the strength of such securities finds its way to the books of SPVs floated or the company's subsidiaries. I am sure that responsible corporate borrower behavior and banks' mechanisms to counter the same will be given due thought in this seminar.

iv) **Diversion of funds** – There are several instances of borrowers diverting money to real estate or capital market for short term gains without deploying them for purposes borrowed. Rather than de-risking the balance sheet, such short-term misadventures often prove very costy.

6. Let me now briefly touch upon some other issues which we as regulators/supervisors of the banking sector feel uncomfortable about.

The regulatory/supervisory view

7. As members of global standard setting bodies, we are committed to implementation of the global best practices in regulation and supervision. While, we continue to apply discretionary judgments in contentious issues in the best national interest, it must be understood that our actions are liable for scrutiny. We have been subjected to a peer review by a BCBS committee for regulatory consistency on Basel III capital standards already and a FSB peer review is scheduled later in the year. These developments signify the importance of being consistent in rule making and supervisory assessments. The scope for extending regulatory forbearances is getting limited by the day. With this backdrop, let me highlight some issues which should help shape the behavior of banks and borrowers alike.

- While on one hand, there are issues around delaying of sanctions to borrowers resulting in escalation of project costs, very often as banking supervisors we also observe instances where bankers appear to be too liberal in sanctioning loans or bringing in restructuring or CDR dispensation for the benefit of the borrower.
- The level of stressed assets in the system underscores the need to improve the monitoring of performance of banks as lenders as also the need for the borrowers to adhere to the loan covenants. A key point in this context for the banks is that they cannot afford to outsource their responsibility of credit appraisal which is a basic function to a third party. Lending is the most critical of banks' functions and that cannot be outsourced.
- Pricing of loans does not always follow the corresponding rating. Similarly, the computation of Base Rate by the banks has not been found to be very scientific and transparent.
- Often the smaller borrowers allege bias by banks in favour of corporate entities in matters of lending. An oft heard grievance from SME borrowers is the insistence on collaterals where it is neither mandated nor necessary. Perhaps there is also a need for significant percolation of regulatory intent across the wide network of branches and offices of banks.
- The transparency in disclosures of fees/ charges payable by borrowers for processing of loan *etc.* needs improvement.
- The regulatory intent of resolving stressed assets through the means of a Joint Lender forum framework, sometimes gets undermined due to differences amongst the bankers. There are instances of banks complaining about non-cooperation by other lenders, taking unilateral action in reaching compromises or restructuring outside the JLF, declaring wilful defaults to stall the concerted operation of JLF.

- Innovation is important but let us not innovate to the extent of securitising the receivables of a project which is yet to fully come into existence.

Early Recognition of Stress in Loan Accounts

8. A very common occurrence that strains the banker-borrower relationship is recognition of stress in loan accounts. An account can turn non-performing on account of genuine difficulties– an unfavorable business environment, certain unforeseen political, legal or judicial development. Projects do suffer from delays due to delay in getting permissions and witness cost and time – overruns. It may be difficult for even the most precise of business projections or the most efficient of credit appraisals to foresee these problems. It would be irrational on part of either the supervisor or the banker to cast aspersions on the intent of the borrowers in such cases. However, it is important in such cases that the bankers as well the borrowers do admit the problem at the earliest and initiate measures to revive the account including infusion of new equity, sanction of new debt, induction of new promoters *etc.* Restructuring of problem accounts is a perfectly genuine banking tool and must be used if in the bankers' assessment the business is worthy of revival and holds economic value. Any delay in reviving a project showing signs of incipient sickness would only lead to loss of further value which the banking system/ economy can ill afford.

Dealing with errant behavior

9. It is a presumption in banking that all borrowers will be scrupulous and adhere to a general code of conduct. The issue is how to deal with imprudent and non-co-operative borrowers, wilful defaulters or for that matter, fraudsters? It is important that the errant borrowers are quickly brought to book and recovery proceedings be completed as early as possible. A non-performing account of whatever origin and pedigree, is a drag on the banking system and increases the cost of intermediation, which pinches an honest borrower the most. It is important for the system to weed out the unethical elements at the earliest opportunity to ensure the credibility and the efficiency of the credit system in the country. Several attempts are already underway, one of which is the establishment of a central fraud registry, which will enable quick sharing of information on entities found to be defrauding banks. The RBI and the IBA together have also taken upon themselves the circulation of 'caution advices' relating to all types of frauds, including those pertaining to loans and advances. Efforts also need to be made to alienate the willful defaulters and fraudsters and debar them from accessing the banking system for further finance. Similarly, there would also be a need to the deviant behavior within the banking community through effective vigilance practices, quick staff accountability measures and timely institution of criminal cases in fraud cases. A message needs to go down loud and clear that intentional wrong-doings will not go un-punished and lax credit monitoring or reckless sanctions will be appropriately dealt with.

Conclusion

10. I am sure that not just the RBI, but an industry body like the ASSOCHAM, the large assembly of bankers and borrowers gathered here are all seized of the real problems that beset the financial sector today. The need is for taking strong and timely measures. I hope the seminar would deliberate on some of the issues that I have raised today and do some soul-searching. With giant strides that have been made in IT, the banks should not find it difficult to exercise a stricter oversight regime to identify early sign of

impending default. I would also exhort the borrowers (individual or corporate) to understand their basic responsibilities, co-operate with lenders and adhere to a general code of conduct and discipline. The minimum one can do is to adhere to the loan agreements. Use of judicial channels should not be too prolific and frequent; instead, these should be used to foster better borrower protection rather than to undermine the credit discipline in banks. Any lender-borrower relationship can only survive on mutual trust and co-operation; breach of trust can ultimately become either an offence (under criminal law) or a civil wrong thereby defeating the credit system in India.

11. I thank you all for inviting me here to share my thoughts. I wish the conference all success.

Thank you.

ARTICLES

*Finances of Non-Government Non-Financial Public Limited Companies, 2013-14**

The aggregate results of the select non-government non-financial public limited companies in 2013-14 revealed moderation in growth rates of major parameters as compared to those in 2012-13. Growth in earnings before interest, tax, depreciation and amortisation (EBITDA) declined and net profit contracted in 2013-14. Profit margin and return on equity declined in most segments in 2013-14. Leverage of the companies continued to increase and interest coverage ratio witnessed declining trend. There was increase in funds raised through external sources by the companies. Share of funds used for fixed assets formation was lower whereas that of non-current investment was higher.

This article presents the financial performance of select 4,388 non-government non-financial (NGNF) public limited companies for the financial year 2013-14 based on their audited annual accounts during the period April 2013 to March 2014[1]. Revision in the Schedule VI of Companies' Act 1956 effective financial year 2011-12 brought about significant changes in the format of preparing financial statements, especially balance sheet, by companies. The current study analyses data in the revised format for the three year period from 2011-12 to 2013-14. The detailed data have been made available in the website of the Reserve Bank. The select 4,388 companies covered in the latest data release accounted for 32 per cent of population paid-up capital (PUC) (provisional estimate supplied by Ministry of Corporate Affairs, GoI) of all NGNF public limited companies as on March 31, 2014.

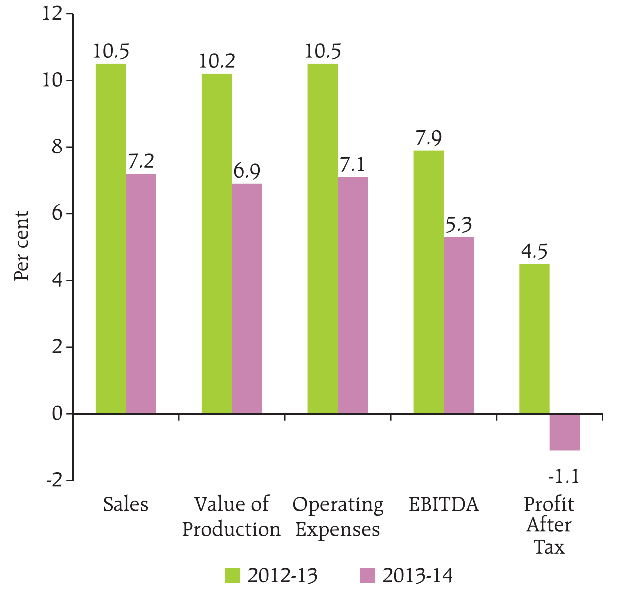
1. Sales growth decelerated and net profit contracted

1.1. The performance of select NGNF public limited companies deteriorated in 2013-14. Growth in sales as well as operating expenses declined in 2013-14 indicating lower demand (Statement 1 and Chart 1). Earnings before interest, tax, depreciation and amortisation (EBITDA) witnessed a lower growth of 5.3 per cent as compared to 7.9 per cent increase in the previous year. Net profit (PAT) contracted by 1.1 per cent in 2013-14 as compared to 4.5 per cent increase in the previous year.

1.2. The share of major expenditure items as percentage of sales revealed that expenditure on 'raw materials' declined continuously during the study period , *i.e.,* 2011-12 to 2013-14. On the other hand, 'staff cost' and interest expenses increased gradually during this period (Table 1).

1.3. The smallest sales-size[2] companies *i.e.,* companies with their sales 'less than ₹1 billion' experienced

Chart 1: Major Growth Rates



* Prepared in the Company Finances Division of the Department of Statistics and Information Management, Reserve Bank of India, Mumbai. Reference may be made to the June 2014 issue of the RBI Bulletin for the previous year study. In the present study, 1,659 new companies have been covered in addition to the 2,729 companies' common with the previous study, which might have changed the figures as reported in the previous year's article. Data of some of the companies in the sample were procured from Accord Fintech Pvt. Ltd.

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

2 Sales-size classifications are based on the current year's, *i.e.,* 2013-14, sales of the companies.

Table 1: Major items as share of sales

(Per cent)

Item	2011-12	2012-13	2013-14
Raw Materials	56.6	56.1	54.7
Staff Cost	7.1	7.4	7.9
Interest Expenses	3.4	3.7	4.0
Other Income	2.0	2.1	2.2

contraction in sales as well as in operating profits in both the years 2012-13 and 2013-14. Companies having sales between ₹1 billion to ₹ 5 billion registered contraction in net profits in both the years. Even for the largest sale-size companies (companies with sales greater than ₹10 billion and above), sales as well as net profit growth declined in 2013-14 as compared to previous year.

1.4. Construction sector continued to register contraction in sales as well in net profits in both the years. Services sector witnessed decline in EBITDA growth due to higher growth in operating expenses. Companies in 'electricity, gas, steam and air conditioning supply' improved their EBITDA as well as net profits growth in 2013-14 (Statement 1).

1.5. Performance of various industries in the manufacturing sector in 2013-14 was mixed. 'Chemical and Chemical products' industry and 'electrical machinery and apparatus' industry recorded improvement in sales growth in 2013-14 over 2012-13 contrary to general trend. 'Electrical machinery and apparatus' as well as 'machinery and equipments' industry recorded improvement in net profit growth in 2013-14 as compared to previous year. Net profit growth in the 'pharmaceuticals and medicines' industry slowed down sharply. 'Iron and steel' as well as 'cement and cement products' industry recorded contraction in profit in both the years, whereas for 'textile' and 'chemical and chemical products' industries, net profit witnessed contraction in the current year.

1.6. In the services sector, aggregate sales as well as profit of the companies in 'real estate' industry contracted in 2013-14. 'Transportation' industry's profit recorded sharp fall in 2013-14. In contrast, companies in 'telecommunications' as well as 'computer and related activities' industries recorded higher growth in profits in 2013-14 as compared to the previous year.

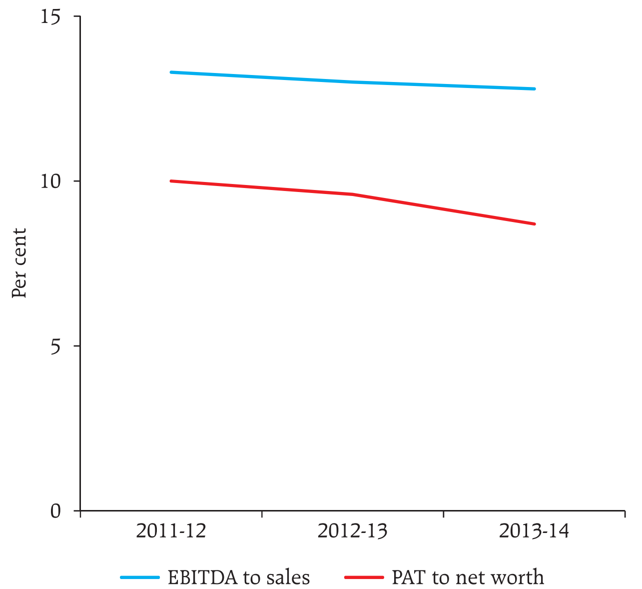
2. Profit Margin as well as return on equity declined in most segments

2.1. The operating profit margin or EBITDA margin (EBITDA as percentage of sales) of select public limited companies declined from13.0 per cent in 2012-13 to 12.8 per cent in 2013-14. Return on equity (PAT as a percentage of net worth) also declined in the similar way (Chart 2).

2.2. The fall in profit margin was observed across all sales-size groups except for companies in the largest sales-size group which recorded an average EBITDA margin of 13.5 per cent in the last two years (Statement 2). Return on equity declined for all sales size groups except for companies having sales-size between ₹ 1 billion to ₹10 billion which witnessed marginal increase.

2.3. Profit margin for'electricity, gas, steam and air conditioning supply' sector improved in 2013-14 as compared with 2012-13, while for other sectors,it declined. 'Mining and quarrying' sector recorded the highest profit margin in 2013-14 among all sectors but witnessed a sharp decline from 38.3 per cent in 2012-13 to 23.4 per cent in 2013-14. Profit margin of companies

Chart 2: Profit margin and return on equity



manufacturing machinery and motor vehicles improved marginally in 2013-14 as compared to 2012-13. Companies in 'food products and beverages' industry in manufacturing sector recorded the lowest profit margin (Statement 2).

2.4. During 2013-14, return on equity was the highest in services sector followed by 'mining and quarrying' and 'manufacturing' sector. Return on equity for the 'construction'sector was the lowest during the study period. 'Food products and beverages'industry in the manufacturing sector recorded loss in 2013-14 as compared to the previous year mainly on account of sugar industry. Among services sector, 'transportation' industry recorded loss at the aggregate in 2013-14.

3. Marginal improvement in total net assets for select companies

3.1. The total net assets growth of select companies witnessed a marginal improvement in 2013-14 over 2012-13 (from 10.1 per cent to 10.2 per cent). Total net assets of companies in the smallest sales-size group as well as in the largest sales-size group grew at a higher rate (10.1 per cent and 12.2 per cent, respectively) in 2013-14 whereas for the companies in sales-size group '₹1 billion - ₹5 billion' grew at a slower rate. The companies in the sales-size group '₹5 billion - ₹10 billion' suffered contraction in their total net assets (Statement 1).

3.2. Among various sectors, total net assets of companies in services sector as well as in mining sector grew at a higher rate in 2013-14, whereas for the companies in manufacturing, electricity and construction sectors,its growth rate moderated.

3.3. At the industry level, companies in 'pharmaceuticals and medicines', 'electrical machinery', 'transportation', 'telecommunication' and 'computer and related activities' expanded their net assets at a higher rate. 'Food products and beverages', 'textile', 'chemical and chemical products', 'cement and cement products', 'iron and steel', 'machinery and equipments', 'motor vehicles and other transport equipment' and 'real estate' industries recorded decline in net assets growth (Statement 1).

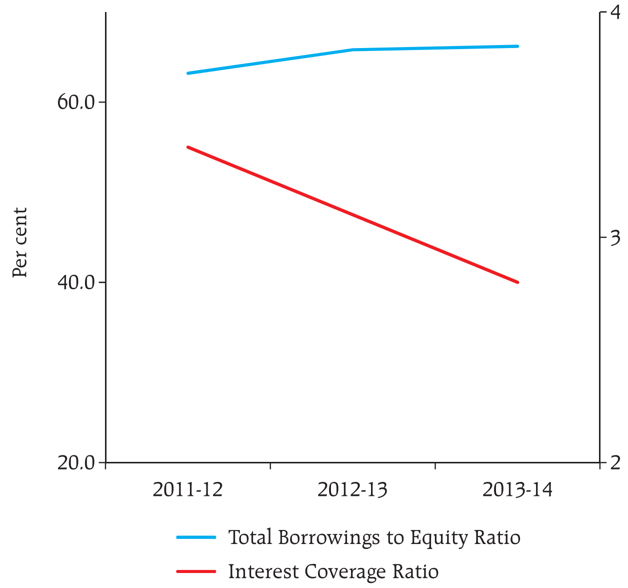
4. Gradual increase in leverage and decline in interest coverage ratio

4.1. Although there was contraction in the net profit of select companies, their net worth grew at a marginally higher rate due to increase in share capital in 2013-14.

4.2. Though there was some deceleration in the growth of total borrowings, it still exceeded the net worth growth. As a result, leverage, as measured by debt (long term borrowings) as a percentage of equity (net worth) has risen steadily in all three years' of study period. A broader measure, *viz.* total borrowings to equity ratio also presented similar movement and has gone up from 63.2 per cent in 2011-12 to 66.2 per cent in 2013-14. On the other hand, interest coverage ratio (measured by EBIT to interest expenses ratio) which reflects ability of companies to service debt witnessed declining trend from 2011-12 to 2013-14 (Chart 3).

4.3. Companies in the sales-size group '₹1 billion-₹5 billion' were the most leveraged companies during 2013-14 and their total borrowings to equity ratio increased from 75.4 per cent in 2011-12 to 79.8 per cent in 2013-14. Companies in the sales-size group of '₹5 billion- ₹10 billion' which were the most leveraged till last year witnessed sharp decline in their total borrowings to equity ratio in the current year. Leverage

Chart 3: Leverage and Interest Coverage Ratio



of the largest sales-size group (sales-size greater than ₹10 billion each) recorded continuous increase (Statement 2).

4.4. At sectoral level, services sector and its major constituent industries had relatively lower borrowings to equity ratio except for 'transportation' industry whose ratio was higher at 119.9 per cent in 2013-14 as compared to 108.8 per cent in 2012-13. The manufacturing sector had increasing total borrowings to equity ratio during the past three years mainly due to 'food products and beverages', 'textile', and 'iron and steel' industries (Statement 2).

4.5. Number of companies having low interest coverage ratio (ratio of EBIT to interest expenses less than one *i.e.*, companies unable to service their debt) has increased over the last three years. Such companies accounted for 47.1 per cent share in total paid-up capital of the select 4,388 companies. Their share of long term borrowings (debt) in total borrowings was 66.3 per cent in 2013-14. Similar trend was observed for the loss making companies. Also, though the number of companies with low liquidity ratio *i.e.*, ratio of current assets to current liabilities less than 0.5 was lower; it has been increasing over the years. For such companies, share of long term borrowings to total borrowings is high and has increased in 2013-14 to 76.7 per cent (Table 2).

Table 2: Share of long term borrowings to total borrowings for companies as per different parameters

(Per cent)

	Share of Companies	Share in Paid-up Capital	Long term borrowings to total borrowings
For Companies with ICR<1			
2011-12	28.3	38.4	71.3
2012-13	29.3	39.5	71.4
2013-14	32.1	47.1	66.3
For Companies with Profitability<0			
2011-12	23.6	35.6	70.9
2012-13	24.2	39.0	71.8
2013-14	27.0	43.0	66.2
For Companies with liquidity ratio<0.5			
2011-12	7.7	23.7	79.5
2012-13	7.7	18.2	75.4
2013-14	8.7	27.1	76.7

5. Share of funds raised through external sources increased

5.1. During the three year period, *i.e.*, 2011-12 to 2013-14, composition of liabilities of the select companies was characterised by increase in the shares of 'share capital' and 'long term borrowings', and marginal decline in the share of 'reserves and surplus' (Statement 3A and Chart 4). On the assets side, share of non-current investments increased whereas that of 'cash & cash equivalents' declined gradually during the three year period (Statement 3B and Chart 5).

5.2. Of the funds raised during 2013-14, borrowings had the largest share but there was preference for long term over short term borrowings. This together with a rise in the share of funds raised through 'share capital' resulted in increase in share of funds raised through external sources (*i.e.*, other than companies own). Among internal sources, share of provisions (including depreciation provision) declined (Statement 4A, Chart 6).

5.3. Share of gross fixed assets formation in uses of funds declined during 2013-14 mainly due to lower investment in tangible assets (*i.e.*, 32.1 per cent in 2013-14 as compared to 41.9 per cent in 2012-13).

Chart 4:Composition of Liabilities

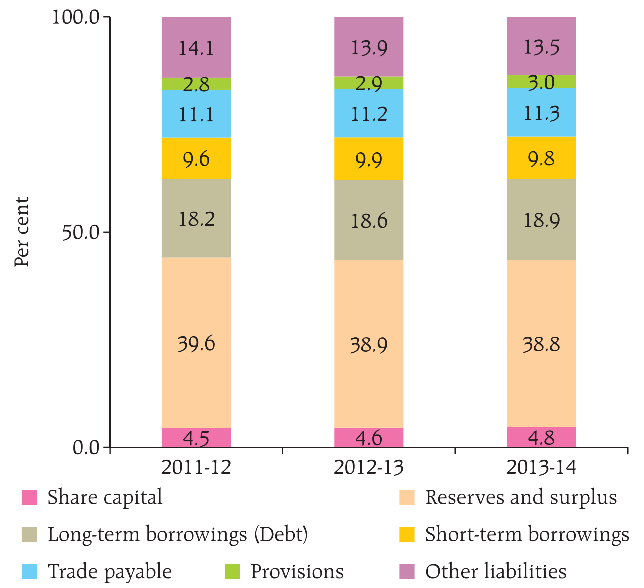


Chart 5: Composition of Assets

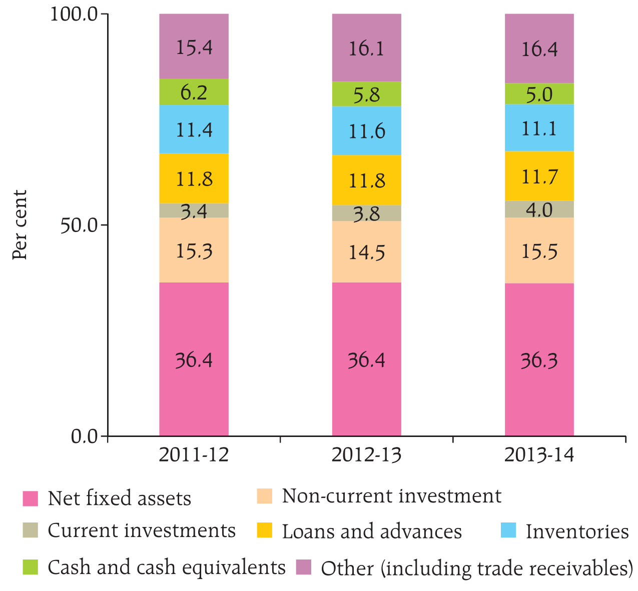
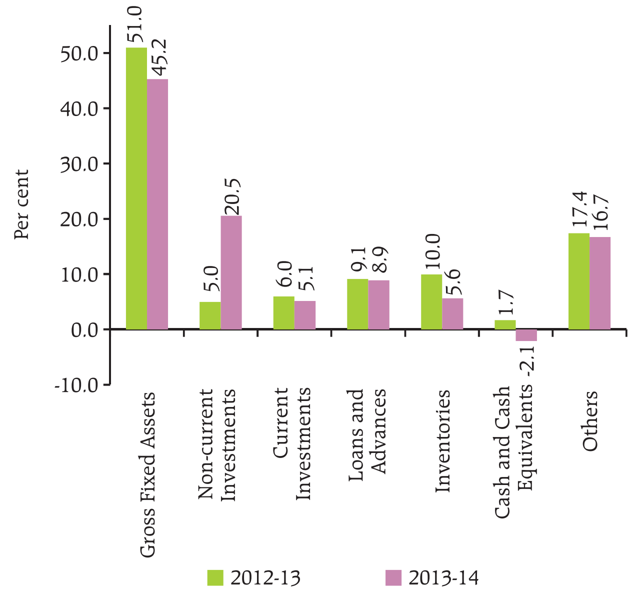
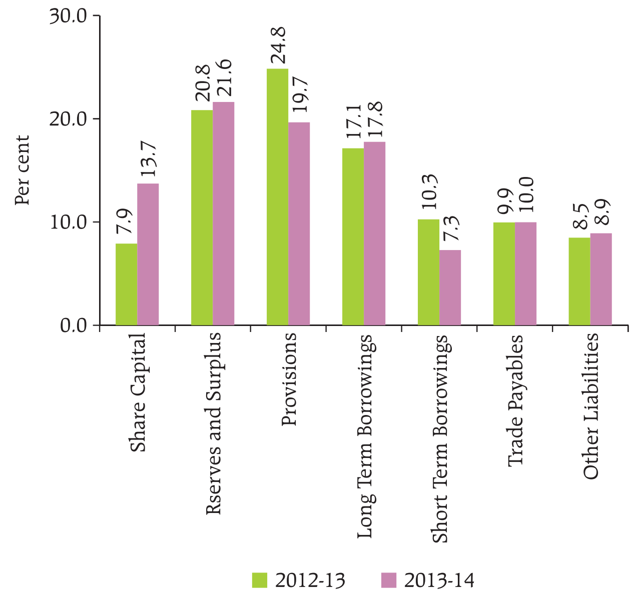


Chart 7: Pattern of Uses of Funds



Share of funds parked in non-current investments increased sharply from 5.0 per cent in 2012-13 to 20.5 per cent in 2013-14. However, there was marginal decline in share of current investments and loans and advances in 2013-14. There was a drawdown in funds kept idle as 'cash and cash equivalents' (as against its share of 1.7 per cent in previous year) (Statement 4B, Chart 7).

Chart 6: Pattern of Sources of Funds



6. Conclusion

The aggregate results of the select NGNF public limited companies in 2013-14 revealed moderation in growth rates of major parameters reflecting subdued economic activities. Growth in EBITDA declined in 2013-14 over 2012-13 and also the net profit contracted in 2013-14. However, net worth of select companies grew at a higher rate with fresh issue of share capital. Leverage ratios of the select companies continued to increase while interest coverage ratio declined during the study period. Share of funds used for fixed assets formation was lower whereas that for non-current investment was higher as compared to the previous year.

Statement 1: Growth rates of select parameters of select 4,388 NGNF public limited companies								
	Growth Rates							
	Sales		Operating expenses		EBITDA		Net profit (PAT)	
	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14
Aggregate (All Cos.)	10.5	7.2	10.5	7.1	7.9	5.3	4.5	-1.1
Sales-wise								
Less than ₹1 billion	-10.7	-12.6	-10.3	-10.4	-19.6	-24.3	#	#
₹1 billion - ₹5 billion	4.3	2.2	4.4	5.5	-4.2	-21.5	-36.3	-97.4
₹5 billion - ₹10 billion	7.2	4.2	6.0	3.3	16.3	1.2	-8.9	9.3
₹10 billion and above	12.3	8.5	12.5	8.1	9.0	8.4	8.5	3.3
Industry-wise								
Mining and quarrying	25.7	75.6	6.6	118.5	81.4	7.3	147.7	18.5
Manufacturing	9.8	5.0	10.3	4.8	3.7	2.8	2.0	-7.9
Food products and beverages	13.6	5.3	12.9	7.6	14.8	-17.9	6.2	-135.3
Textile	8.9	7.1	6.4	7.4	29.3	7.0	63.5	-15.9
Chemicals and chemical products	8.3	8.9	8.5	9.2	0.4	5.1	10.7	-10.7
Pharmaceuticals and medicines	13.6	12.8	13.1	12.2	12.2	17.1	51.4	2.4
Cement and cement products	10.1	-0.1	12.6	3.8	6.8	-23.5	-4.7	-37.5
Iron and steel	10.0	6.7	10.9	5.5	4.1	7.1	-25.0	-21.1
Machinery and equipments *n.e.c.*	9.2	1.6	8.2	1.9	4.6	3.2	1.3	7.0
Electrical machinery and apparatus	3.1	3.4	6.7	1.7	-22.3	6.1	-75.0	136.8
Motor vehicles and other transport equipments	3.3	-3.2	3.7	-3.3	-6.6	-1.7	-13.3	0.8
Electricity, gas, steam and air conditioning supply	19.7	7.8	19.3	4.9	19.0	22.3	-24.1	37.8
Construction	-0.3	-0.1	1.3	0.2	-7.4	-11.0	-31.0	-46.6
Services	16.4	15.5	14.9	16.8	18.1	13.0	14.4	18.7
Transportation and storage	18.5	-1.5	17.6	4.0	17.8	-28.3	25.2	-200.9
Telecommunications	9.2	9.0	9.0	5.7	9.8	19.3	32.2	125.6
Real Estate	8.2	-7.4	-0.6	-0.5	16.4	-10	50.8	-39.2
Computer and related activities	16.0	25.9	15.0	23.3	18.8	33.3	9.5	38.0

Denominator negative, nil or negligible.

Statement 1: Growth rates of select parameters of select 4,388 NGNF public limited companies *(Concld.)*						
	Growth rates					
	Net worth		Total borrowings		Total net assets	
	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14
Aggregate (All Cos.)	8.6	9.9	12.9	10.8	10.1	10.2
Sales-wise						
Less than ₹1 billion	4.4	9.9	6.2	9.5	6.9	10.1
₹1 billion - ₹5 billion	8.6	2.1	12.4	4.9	10.1	5.2
₹5 billion - ₹10 billion	7.2	7.0	9.6	-11.5	7.5	-0.3
₹10 billion and above	9.2	11.1	14.1	15.3	10.6	12.2
Industry-wise						
Mining and quarrying	4.9	39.2	9.2	182.5	8.3	78.7
Manufacturing	9.6	7.7	13.8	9.1	10.4	7.8
Food products and beverages	13.2	-2.6	4.1	3.7	10.5	3.9
Textile	6.9	4.6	8.0	4.9	8.9	4.9
Chemicals and chemical products	10.7	8.3	14.7	-3.3	11.6	6.7
Pharmaceuticals and medicines	12.4	11.2	19.3	14.3	12.2	13.6
Cement and cement products	8.4	4.2	16.2	11.8	10.3	6.4
Iron and steel	7.6	5.9	22.3	16.9	12.3	11.1
Machinery and equipments *n.e.c.*	11.4	9.6	11.3	10.9	8.7	8.4
Electrical machinery and apparatus	0.9	5.9	17.4	8.3	5.4	6.5
Motor vehicles and other transport equipments	11.5	8.4	17.1	15.0	9.1	7.6
Electricity, gas, steam and air conditioning supply	6.5	8.7	13.1	8.7	11.0	7.9
Construction	10.3	4.4	13.1	9.9	10.2	7.3
Services	6.8	13.4	10.1	6.0	9.2	12.6
Transportation and storage	-4.1	-5.1	6.0	8.6	0.5	4.2
Telecommunications	-3.1	11.4	3.9	-1.6	1.8	7.9
Real Estate	5.2	2.2	10.0	11.1	7.7	6.7
Computer and related activities	15.7	29.8	5.0	16.0	14.0	28.8

Denominator nil, negative or negligible

Statement 2: Ratios of select parameters of select 4,388 NGNF public limited companies

	Ratios								
	EBITDA to sales			PAT to net worth			Total borrowings to equity		
	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14
Aggregate (All Co)	13.3	13.0	12.8	10.0	9.6	8.7	63.2	65.8	66.2
Sales-wise									
Less than ₹1 billion	10.0	9.0	7.8	-0.2	-1.5	-2.9	62.6	63.7	63.4
₹1 billion - ₹5 billion	11.2	10.3	7.9	6.6	3.9	0.1	75.4	78.1	79.8
₹5 billion - ₹10 billion	10.8	11.7	11.3	4.2	3.6	3.7	93.3	95.4	78.6
₹10 billion and above	13.9	13.5	13.5	11.9	11.8	11.0	58.8	61.6	63.8
Industry-wise									
Mining and quarrying	26.5	38.3	23.4	4.9	11.5	9.8	24.9	25.9	52.5
Manufacturing	11.8	11.2	10.9	11.6	10.8	9.2	65.6	68.2	69.0
Food products and beverages	8.4	8.5	6.7	10.4	9.7	-3.5	116.3	106.8	114.0
Textile	9.3	11.1	11.1	3.3	5.0	4.0	126.1	127.5	127.9
Chemicals and chemical products	12.8	11.8	11.4	18.1	18.1	14.9	64.6	67.0	59.8
Pharmaceuticals and medicines	19.2	19.0	19.7	10.5	14.1	13.0	37.2	39.4	40.5
Cement and cement products	20.0	19.4	14.8	12.7	11.2	6.7	61.9	66.4	71.3
Iron and steel	16.7	15.8	15.9	9.4	6.5	4.9	99.5	113.1	124.8
Machinery and equipments *n.e.c.*	10.8	10.3	10.5	16.7	15.3	14.8	28.5	28.7	28.7
Electrical machinery and apparatus	9.2	6.9	7.1	10.5	2.6	5.8	46.5	54.2	55.4
Motor vehicles and other transport equipments	10.4	9.4	9.6	15.8	12.3	11.4	45.7	48.0	51.0
Electricity, gas, steam and air conditioning supply	19.6	19.5	22.1	4.6	3.3	4.2	97.9	103.6	103.9
Construction	14.1	13.1	11.7	8.2	5.1	2.6	82.2	84.3	88.7
Services	18.5	18.8	18.4	8.9	9.6	10.0	49.2	50.8	47.3
Transportation and storage	16.2	16.1	11.7	3.6	4.9	-5.0	94.7	108.8	119.9
Telecommunications	24.2	24.4	26.7	1.8	2.5	5.0	60.8	65.2	57.6
Real Estate	23.5	25.3	24.6	3.6	5.2	3.1	46.7	48.8	53.1
Computer and related activities	24.6	25.2	26.7	22.3	20.9	22.4	20.9	18.8	16.9

Statement 3: Composition of liabilities and assets of select 4,388 NGNF public limited companies

(Per cent)

A. Composition of Liabilities

CAPITAL AND LIABILITIES	2011-12	2012-13	2013-14
1. Shareholder's Funds	44.2	43.5	43.6
of which, (i) Share Capital	4.5	4.6	4.8
(ii) Reserves and Surplus	39.6	38.9	38.8
of which, Capital Reserve	14.6	14.0	14.0
2. Long-term borrowings (debt)	18.2	18.6	18.9
of which, (i) Bonds / Debentures	1.8	1.8	1.8
(ii) Term loans from banks	10.7	10.9	11.0
3. Short-term borrowings	9.6	9.9	9.8
of which, from banks	2.9	2.8	2.6
4. Trade payables	11.1	11.2	11.3
5. Provisions	2.8	2.9	3.0
6. Other liabilities	14.0	13.8	13.5
(i) non-current	3.6	3.3	3.1
(ii) current	10.5	10.4	10.4
of which, maturities of long-term debt	3.6	3.5	3.2
7. TOTAL	**100.0**	**100.0**	**100.0**

B: Composition of assets

ASSETS	2011-12	2012-13	2013-14
1. Gross Fixed Assets	52.5	53.6	53.7
(i) Tangible assets	40.8	42.0	41.7
(ii) Capital work in progress	6.0	6.0	6.1
(iii) Intangible asset	4.7	4.9	5.1
2. Depreciation (i) Tangible	14.4	15.3	15.6
(ii) Intangible	1.7	1.9	1.9
3. Net fixed assets	36.4	36.4	36.3
4. Non-current investments	15.3	14.5	15.5
5. Current investments	3.4	3.8	4.0
6. Loans and Advances	11.8	11.8	11.7
of which, to related parties	4.3	4.3	4.2
7. Inventories	11.4	11.6	11.1
8. Trade receivables	11.0	11.1	10.9
9. Cash and cash equivalents	6.2	5.8	5.0
10. Other assets	4.5	5.0	5.5
(i) non-current	1.9	2.0	2.3
(ii) current	2.6	3.0	3.2
11. TOTAL	**100.0**	**100.0**	**100.0**

Statement 4: Composition of sources and uses of funds of 4,388 NGNF public limited companies

(Per cent)

A. Composition of sources of funds during the year

	2012-13	2013-14
Internal sources (Own sources)	**46.3**	**42.4**
1. Paid-up Capital	0.6	1.1
2. Reserves and Surplus	20.8	21.6
3. Provisions	24.8	19.7
of which, Depreciation	22.1	16.6
External sources (Other than own sources)	**53.7**	**57.6**
4. Share Capital and Premium	7.9	13.7
of which, Net issues	3.2	4.4
5. Long-term borrowings	17.1	17.8
of which, (i) Bonds / Debentures	1.2	1.2
(ii) From banks	10.2	9.3
6. Short-term borrowings	10.3	7.3
of which, From banks	0.7	1.1
7. Trade payables	9.9	10.0
8. Other liabilities	8.5	8.9
(i) non-current	0.8	0.8
(ii) current	7.7	8.1
of which, maturities of long-term debt	2.2	0.0
9. TOTAL	**100.0**	**100.0**

B. Composition of uses of funds during the year

	2012-13	2013-14
1. Gross Fixed Assets	51.0	45.2
(i) Tangible assets	41.9	32.1
of which, Plant and machinery	28.6	22.4
(ii) Capital Work-in-progress	4.7	5.9
(iii) Intangible assets	4.4	7.2
2. Non-current investments	5.0	20.5
3. Current investments	6.0	5.1
4. Loans and advances	9.1	8.9
5. Inventories	10.0	5.6
6. Trade Receivables	9.6	7.3
7. Cash and cash equivalents	1.7	-2.1
8. Other assets	7.7	9.4
(i) non-current	2.3	4.9
(ii) current	5.5	4.5
9. TOTAL	**100.0**	**100.0**

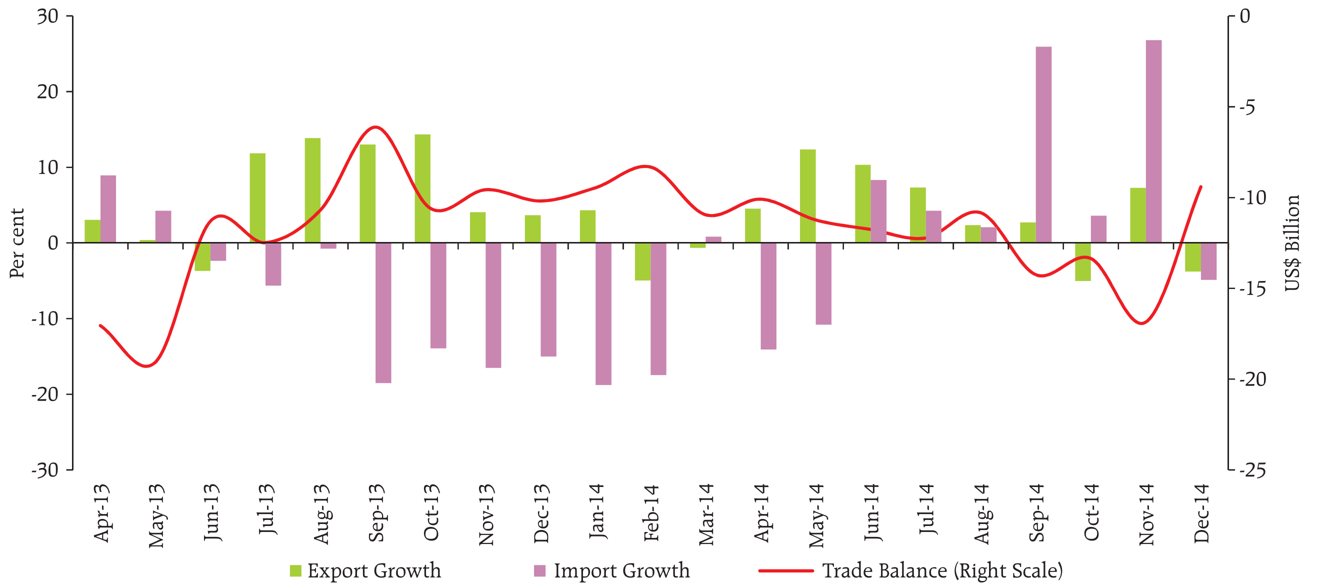
India's Foreign Trade: 2014-15 (April-December) *

This article reviews India's merchandise trade performance during April-December 2014 on the basis of data released by the Directorate General of Commercial Intelligence and Statistics (DGCI&S). It also provides a disaggregated commodity-wise and direction-wise analysis for this period.

I. Exports

- With uneven performance across months (Chart 1), exports grew modestly by 4.0 per cent during April-December 2014 with headwinds from sluggish global growth and declining unit value realisations, particularly exports of petroleum products and iron ore (Table 1).
- Although the demand from the United States (US) and the United Arab Emirates (UAE) improved, exports destined for the European Union (EU), China and a few gulf countries contracted considerably (Table 2).
- In terms of relative weighted contribution, engineering goods and readymade garments were the top contributors to export growth; iron ore, oil meals and electronic goods were negative contributors (Chart 2).
- Iron ore exports suffered due to domestic supply-side constraints and lower external demand for indigenous quality of ore and the protracted fall in international prices of iron ore which shifted demand to high quality ore from other countries.
- Similarly, a sharp fall in exports of oil meals reflected diversion of demand (particularly for bird and animal feed) to South American countries, including Brazil and Argentina; elevated prices of soyabean in the domestic market also eroded international competitiveness of this sector.

Chart 1: Monthly Trend in India's Trade



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

Table 1: India's Merchandise Trade

(US$ billion)

Item	April-December 2013-14R	April-December 2014-15 P
Exports	**231.8**	**241.2**
	6.6	***4.0***
Of which: Oil	48.0	49.2
	7.4	*2.5*
Non-oil	183.8	191.9
	6.4	*4.4*
Gold	6.6	25.8
	-52.8	*11.7*
Non-Oil Non-Gold	177.2	184.5
	11.7	*4.2*
Imports	**338.9**	**351.2**
	-7.0	***3.6***
Of which: Oil	122.2	116.5
	0.3	*-4.7*
Non-oil	216.7	234.7
	-10.6	*8.3*
Gold	23.4	25.8
	-38.5	*10.5*
Non-Oil Non-Gold	193.3	208.1
	-5.4	*8.1*
Trade Deficit	**-107.1**	**-110.1**
Of which: Oil	-74.2	-67.3
Non-oil	-32.9	-42.8
Non-Oil Non-Gold	-16.2	-24.4

R: Revised; P: Provisional.
Note: Figures in *italics* are growth rates (y-o-y basis).
Source: Compiled from DGCI&S

- According to the DGCI&S data available up to November 2014, the volume of exports increased by 2.4 per cent as compared with 0.6 per cent in the corresponding period of the previous year.

II. Imports

- Helped by a decline in international commodity prices, imports recorded only a modest increase of 3.6 per cent during April-December 2014 as compared with a decline of 7 per cent in the corresponding period of the preceding year (Table 1 and Chart 1).

- POL imports declined by 4.7 per cent in April-December 2014 reflecting the fall in international crude oil prices by about 10 per cent (y-o-y basis) (Chart 3).

Table 2: India's Exports to Principal Regions

(Share in Per cent)

Region/Country	April-March 2012-13	April-March 2013-14	April-December 2013-14R	April-December 2014-15P
I. OECD Countries	**34.2**	**34.6**	**34.6**	**35.2**
European Union	16.8	16.5	16.4	15.9
North America	12.7	13.1	13.2	14.5
Of which: US	*12.0*	*12.4*	*12.6*	*13.8*
Asia and Oceania	2.9	3.0	3.0	2.7
Other OECD Countries	1.8	2.1	2.0	2.1
II. OPEC	**20.9**	**19.3**	**19.1**	**20.0**
III. Eastern Europe	**1.3**	**1.2**	**1.1**	**1.1**
IV. Developing Countries	**41.6**	**41.3**	**41.1**	**42.8**
Asia	28.7	28.9	28.9	28.5
SAARC	5.0	5.6	5.3	6.5
Other Asian Developing Countries	23.6	23.3	23.6	22.1
Of which: China	*4.5*	*4.8*	*4.7*	*3.9*
Africa	8.1	8.4	8.3	9.4
Latin American Countries	4.9	4.0	3.9	5.0
V. Others / Unspecified	**1.9**	**3.7**	**4.0**	**0.9**
Total Exports	**100**	**100**	**100**	**100**

R:Revised; P:Provisional.
Source: Compiled from DGCI&S data.

- Despite fall in international prices, gold imports increased modestly (y-o-y basis), implying an increase in volume terms.

Chart 2: Sector-wise Relative Weighted Contribution to Export Growth in April-December 2014

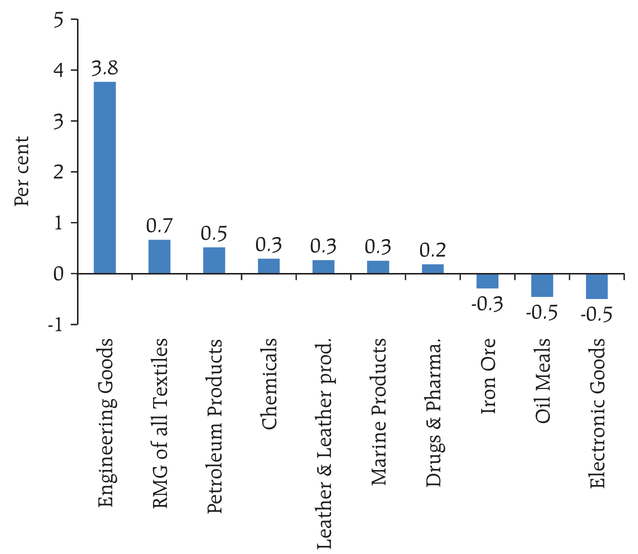
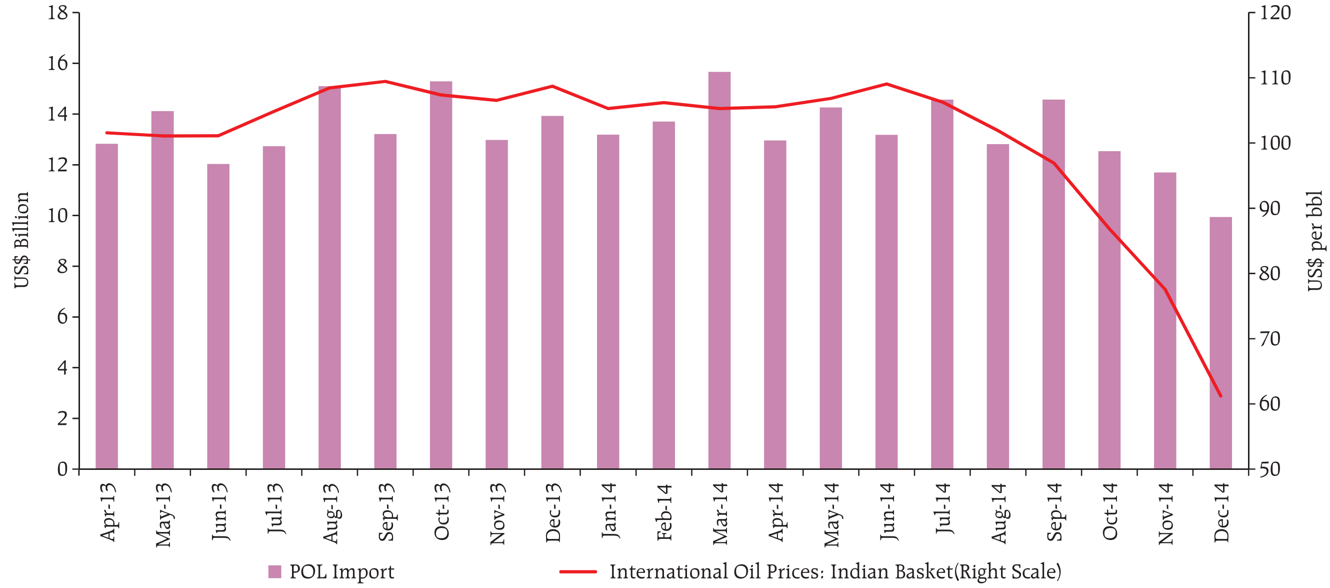
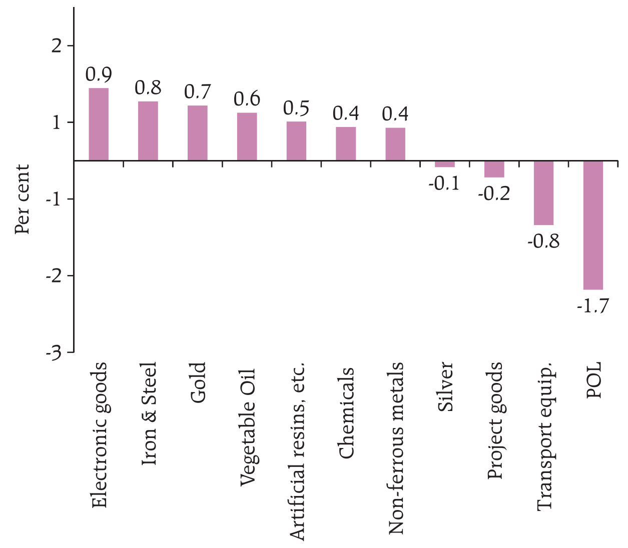


Chart 3: International Oil Prices and POL Imports



- Non-oil non-gold imports increased by 8.1 per cent in April-December 2014.
- In terms of relative weighted contribution, import growth was mainly driven by higher demand for electronic goods, followed by iron and steel, gold and vegetable oils (Chart 4).

Chart 4: Sector-wise Relative Weighted Contribution to Import Growth in April-December 2014



- With domestic capacity in chemical industry remaining inadequate, the demand-supply gap continued to be bridged through imports of chemical products[1].
- Similarly, with underutilisation of capacity in domestic steel industry caused by shortages of basic inputs (*e.g.*, iron ore), domestic demand for finished steel products was met through higher imports, particularly from China.
- China, with a share of 13.1 per cent remained the top source of India's imports, followed by Saudi Arabia (6.6 per cent), the UAE (6.0 per cent), Switzerland (4.9 per cent) and the US (4.6 per cent) while the EU countries together accounted for 10.5 per cent of India's imports (Table 3).
- According to the DGCI&S data available up to November 2014, the volume of imports rose by 9.2 per cent during April-November 2014, almost at the same pace as was recorded in April-November 2013.

[1] FICCI (2014), Spurting the growth of Indian Chemical Industry, October.

Table 3: Shares of Groups/Countries in India's Imports

(Share in Per cent)

Region/Country	April-March		April-December	
	2012-13	2013-14	2013-14R	2014-15P
I. OECD Countries	**28.8**	**25.6**	**26.1**	**25.9**
European Union	10.6	11.1	11.2	10.5
Of which: France	*0.9*	*0.8*	*0.8*	*0.8*
Germany	*2.9*	*2.9*	*2.9*	*2.8*
UK	*1.3*	*1.3*	*1.5*	*1.1*
North America	5.7	5.7	5.9	5.5
Of which: US	*5.1*	*5.0*	*5.2*	*4.6*
Asia and Oceania	5.3	4.4	4.5	4.6
Other OECD Countries	7.1	4.5	4.6	5.4
Of which: Switzerland	*6.5*	*4.1*	*4.3*	*4.9*
II. OPEC	**38.3**	**39.4**	**39.3**	**35.9**
III. Eastern Europe	**1.6**	**1.7**	**1.7**	**1.7**
IV. Developing Countries	**30.8**	**32**	**32.1**	**34.8**
Asia	23.5	24.8	25.0	26.6
SAARC	0.5	0.6	0.5	0.6
Other Asian Developing Countries	23.0	24.2	24.5	26.0
of which: China	*10.7*	*11.4*	*11.5*	*13.1*
Africa	3.9	3.3	3.5	4.2
Latin American Countries	3.4	3.9	3.6	4.0
V. Others / Unspecified	**0.5**	**1.3**	**0.8**	**1.7**
Total Imports	**100**	**100**	**100**	**100**

R:Revised; P:Provisional.
Source: Compiled from DGCI&S data.

III. Trade Deficit

- With imports outpacing exports in April-December 2014, India's trade deficit widened, *albeit* only modestly.
- Improvement in terms of trade in recent months on account of the fall in import prices being larger than in export prices, helped in containing the size of the trade deficit.
- Bilateral trade data reveal that India's trade deficit *vis-a-vis* China and Switzerland widened significantly as imports sourced from these countries rose sharply and exports declined significantly.

IV. Outlook

- The trade deficit remained contained largely due to fall in international oil prices compressing the overall import bill and compensating for the contraction in exports.
- Although the sharp fall in international prices of key commodities (*e.g.*, crude oil, iron ore and other primary commodities) has resulted in terms of trade gains for India, continuing geopolitical uncertainties with adverse implications for oil production in the Middle East and cut in oil production in the US remain contingent risks to the outlook.
- Further, domestic production shortages in certain sectors need to be addressed through capacity additions and other policy measures so as to gradually reduce dependence on imports.
- From the medium-term perspective, a policy focus on enhancing productivity and competitiveness is required for the revival of exports on an enduring basis so that resilience to external shocks is gradually built.

CURRENT STATISTICS

Contents

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

No. 1: Select Economic Indicators

Item	2013-14	2013-14		2014-15	
		Q2	Q3	Q2	Q3
	1	2	3	4	5
1 Real Sector (% Change)					
1.1 GDP	6.6	7.5	6.6	7.8	7.5
1.1.1 Agriculture	3.7	3.6	3.8	2.0	-0.4
1.1.2 Industry	5.3	4.2	5.5	5.5	4.6
1.1.3 Services	8.1	9.7	8.3	9.8	11.7
1.1a Final Consumption Expenditure	6.5	5.6	5.4	8.2	7.1
1.1b Gross Fixed Capital Formation	3.0	6.3	5.3	2.8	1.6

	2013-14	2014		2015	
		Jan.	Feb.	Jan.	Feb.
	1	2	3	4	5
1.2 Index of Industrial Production	-0.1	1.1	-2.0	2.6	..
2 Money and Banking (% Change)					
2.1 Scheduled Commercial Banks					
2.1.1 Deposits	14.1	15.7	16.6	10.9	11.7
2.1.2 Credit	13.9	14.7	15.7	9.3	9.4
2.1.2.1 Non-food Credit	14.2	14.9	15.9	9.6	9.7
2.1.3 Investment in Govt. Securities	10.3	12.8	13.9	12.9	13.7
2.2 Money Stock Measures					
2.2.1 Reserve Money (M0)	14.4	9.1	8.8	10.2	11.2
2.2.2 Broad Money (M3)	13.2	11.3	9.6	11.2	11.5
3 Ratios (%)					
3.1 Cash Reserve Ratio	4.00	4.00	4.00	4.00	4.00
3.2 Statutory Liquidity Ratio	23.00	23.00	23.00	22.00	21.50
3.3 Cash-Deposit Ratio	4.7	4.9	5.0	4.7	4.9
3.4 Credit-Deposit Ratio	77.8	76.7	77.5	76.0	75.9
3.5 Incremental Credit-Deposit Ratio	76.8	66.4	74.1	56.0	58.4
3.6 Investment-Deposit Ratio	28.7	29.4	29.2	29.9	29.8
3.7 Incremental Investment-Deposit Ratio	21.6	26.4	25.5	43.4	39.2
4 Interest Rates (%)					
4.1 Policy Repo Rate	8.00	8.00	8.00	7.75	7.75
4.2 Reverse Repo Rate	7.00	7.00	7.00	6.75	6.75
4.3 Marginal Standing Facility (MSF) Rate	9.00	9.00	9.00	8.75	8.75
4.4 Bank Rate	9.00	9.00	9.00	8.75	8.75
4.5 Base Rate	10.00/10.25	10.00/10.25	10.00/10.25	10.00/10.25	10.00/10.25
4.6 Term Deposit Rate >1 Year	8.00/9.25	8.00/9.10	8.00/9.10	8.00/8.75	8.00/8.75
4.7 Savings Deposit Rate	4.00	4.00	4.00	4.00	4.00
4.8 Call Money Rate (Weighted Average)	8.59	8.11	7.93	7.79	7.65
4.9 91-Day Treasury Bill (Primary) Yield	8.86	8.90	9.15	8.23	8.39
4.10 182-Day Treasury Bill (Primary) Yield	8.86	8.95	9.10	8.14	8.33
4.11 364-Day Treasury Bill (Primary) Yield	8.96	8.67	8.67	7.91	8.04
4.12 10-Year Government Securities Yield	8.84	8.81	8.86	7.72	7.77
5 RBI Reference Rate and Forward Premia					
5.1 INR-US$ Spot Rate (₹ Per Foreign Currency)	60.10	62.48	62.07	61.76	61.79
5.2 INR-Euro Spot Rate (₹ Per Foreign Currency)	82.58	84.60	85.03	70.03	69.29
5.3 Forward Premia of US$ 1-month (%)	9.78	8.07	9.47	7.09	9.32
3-month (%)	8.79	8.58	9.09	7.84	8.29
6-month (%)	8.95	8.26	8.64	7.35	7.99
6 Inflation (%)					
6.1 All India Consumer Price Index	..	8.6	8.0	5.2	5.4
6.2 Consumer Price Index for Industrial Workers	9.7	7.2	6.7	7.2	6.3
6.3 Wholesale Price Index	6.0	5.1	5.0	-0.4	-2.1
6.3.1 Primary Articles	9.8	6.8	6.3	3.3	1.4
6.3.2 Fuel and Power	10.1	9.8	8.8	-10.7	-14.7
6.3.3 Manufactured Products	3.0	3.0	3.4	1.1	0.3
7 Foreign Trade (% Change)					
7.1 Imports	-8.2	-18.9	-17.9	-11.5	-15.7
7.2 Exports	4.5	4.0	-5.7	-11.6	-15.0

Reserve Bank of India

No. 2: RBI - Liabilities and Assets

(₹ Billion)

Item	As on the Last Friday/ Friday						
	2014-15	2014	2015				
		Mar.	Feb. 27	Mar. 6	Mar. 13	Mar. 20	Mar. 27
	1	2	3	4	5	6	7
1 Issue Department							
1.1 Liabilities							
1.1.1 Notes in Circulation	14,264.95	12,835.11	14,064.12	14,232.84	14,334.97	14,289.06	14,264.95
1.1.2 Notes held in Banking Department	0.12	0.17	0.12	0.11	0.12	0.11	0.12
1.1/1.2 Total Liabilities (Total Notes Issued) or Assets	**14,265.06**	**12,835.28**	**14,064.24**	**14,232.96**	**14,335.09**	**14,289.18**	**14,265.06**
1.2 Assets							
1.2.1 Gold Coin and Bullion	642.29	682.33	653.15	642.29	642.29	642.29	642.29
1.2.2 Foreign Securities	13,609.92	12,141.07	13,398.53	13,578.47	13,679.00	13,633.58	13,609.92
1.2.3 Rupee Coin	2.38	1.41	2.10	1.73	3.33	2.83	2.38
1.2.4 Government of India Rupee Securities	10.46	10.46	10.46	10.46	10.46	10.46	10.46
2 Banking Department							
2.1 Liabilities							
2.1.1 Deposits	5,953.69	4,721.36	5,172.45	4,981.54	5,276.93	5,928.31	5,953.69
2.1.1.1 Central Government	1.01	534.25	1.01	3.20	1.01	1.01	1.01
2.1.1.2 Market Stabilisation Scheme	–	–	–	–	–	–	–
2.1.1.3 State Governments	21.40	0.42	0.42	3.46	0.42	24.58	21.40
2.1.1.4 Scheduled Commercial Banks	3,573.56	3,805.71	3,596.13	3,665.93	3,602.66	3,730.74	3,573.56
2.1.1.5 Scheduled State Co-operative Banks	35.10	39.04	33.38	35.70	35.33	33.47	35.10
2.1.1.6 Non-Scheduled State Co-operative Banks	11.24	5.50	9.96	10.12	10.30	10.52	11.24
2.1.1.7 Other Banks	189.63	174.92	181.11	183.08	182.43	184.27	189.63
2.1.1.8 Others	2,121.76	161.52	1,350.43	1,080.05	1,444.78	1,943.72	2,121.76
2.1.2 Other Liabilities	8,002.15	8,567.95	7,884.14	7,839.26	7,833.19	7,937.91	8,002.15
2.1/2.2 Total Liabilities or Assets	**13,955.84**	**13,289.32**	**13,056.58**	**12,820.79**	**13,110.12**	**13,866.22**	**13,955.84**
2.2 Assets							
2.2.1 Notes and Coins	0.12	0.17	0.12	0.11	0.12	0.11	0.12
2.2.2 Balances held Abroad	6,408.77	4,588.34	6,099.36	6,044.81	5,955.59	6,233.07	6,408.77
2.2.3 Loans and Advances							
2.2.3.1 Central Government	–	–	–	–	–	–	–
2.2.3.2 State Governments	57.60	14.88	5.61	19.31	2.97	34.83	57.60
2.2.3.3 Scheduled Commercial Banks	1,403.93	421.78	925.02	752.11	1,142.59	1,582.02	1,403.93
2.2.3.4 Scheduled State Co-op.Banks	–	–	–	–	–	–	–
2.2.3.5 Industrial Dev. Bank of India	–	–	–	–	–	–	–
2.2.3.6 NABARD	–	–	–	–	–	–	–
2.2.3.7 EXIM Bank	–	–	–	–	–	–	–
2.2.3.8 Others	107.73	77.15	46.94	40.28	45.95	42.10	107.73
2.2.4 Bills Purchased and Discounted							
2.2.4.1 Internal	–	–	–	–	–	–	–
2.2.4.2 Government Treasury Bills	–	–	–	–	–	–	–
2.2.5 Investments	5,260.32	7,387.75	5,259.99	5,254.21	5,250.48	5,260.35	5,260.32
2.2.6 Other Assets	717.38	799.25	719.53	709.97	712.43	713.74	717.38
2.2.6.1 Gold	583.45	619.82	593.31	583.45	583.45	583.45	583.45

No. 3: Liquidity Operations by RBI

(₹ Billion)

Date	Liquidity Adjustment Facility				MSF	Standing Liquidity Facilities	OMO (Outright)		Net Injection (+)/ Absorption (-) (1+3+5+6+8-2-4-7)
	Repo	Reverse Repo	Term Repo/ Overnight Variable Rate Repo	Term Reverse Repo/ Overnight Variable Rate Reverse Repo			Sale	Purchase	
	1	2	3	4	5	6	7	8	9
Feb. 2, 2015	147.12	206.62	–	–	0.25	–28.95	–	–	–88.20
Feb. 3, 2015	39.38	188.58	150.04	–	0.62	–0.71	3.00	–	–2.25
Feb. 4, 2015	37.05	38.72	–	–	2.20	2.03	–	–	2.56
Feb. 5, 2015	24.64	25.04	–	–	10.63	26.20	–	–	36.43
Feb. 6, 2015	133.61	24.66	295.04	–	4.03	11.14	–	–	419.16
Feb. 7, 2015	–	–	–	–	21.00	–	–	–	21.00
Feb. 9, 2015	212.95	53.49	292.65	–	3.50	–0.55	–	–	455.06
Feb. 10, 2015	106.47	21.52	458.46	64.95	2.40	–3.75	–	–	477.11
Feb. 11, 2015	86.65	13.49	–	–	27.69	–	–	–	100.85
Feb. 12, 2015	187.59	45.08	–	100.04	3.25	–0.79	–	–	44.93
Feb. 13, 2015	90.16	54.71	204.58	–	–	–0.41	–	–	239.62
Feb. 16, 2015	188.01	21.60	250.06	–	–	0.60	0.10	–	416.97
Feb. 18, 2015	206.46	78.40	306.96	–	0.75	–0.05	–	–	435.72
Feb. 20, 2015	192.94	192.87	500.06	–	0.85	–0.19	–	–	500.79
Feb. 21, 2015	–	5.00	–	–	18.90	–	–	–	13.90
Feb. 23, 2015	201.31	37.75	215.16	–	3.10	–0.30	–	–	381.52
Feb. 24, 2015	183.01	39.73	305.11	80.92	–	0.69	–	–	368.16
Feb. 25, 2015	187.01	37.09	200.02	–	3.05	–	–	–	352.99
Feb. 26, 2015	152.00	172.33	150.02	–	0.70	–	–	–	130.39
Feb. 27, 2015	82.74	91.00	155.01	112.70	1.85	–	–	–	35.90
Feb. 28, 2015	–	248.41	–	–	0.50	–	–	–	–247.91

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

Item	2013-14	2014	2015	
		Feb.	Jan.	Feb.
	1	2	3	4
1 Net Purchase/ Sale of Foreign Currency (US$ Million) (1.1–1.2)	8,992.00	–530.00	12,137.00	7,874.00
1.1 Purchase (+)	52,394.00		15,259.00	9,630.00
1.2 Sale (–)	43,402.00	530.00	3,122.00	1,756.00
2 ₹ equivalent at contract rate (₹ Billion)	586.19	–30.68	754.14	494.14
3 Cumulative (over end-March) (US $ Million)	8,992.00	1,210.00	41,337.00	49,211.00
(₹ Billion)	586.19	83.26	2,455.27	2,949.41
4 Outstanding Net Forward Sales (–)/ Purchase (+) at the end of month (US$ Million)	–31,030.00	–31,318.00	5,576.00	5,832.00

No. 5: RBI's Standing Facilities

(₹ Billion)

Item	As on the Last Reporting Friday							
	2013-14	2014					2015	
		Feb. 21	Sep. 19	Oct. 31	Nov. 28	Dec. 26	Jan. 23	Feb. 20
	1	2	3	4	5	6	7	8
1 MSF	176.3	56.0	0.6	0.2	7.5	33.3	14.2	0.9
2 Export Credit Refinance for Scheduled Banks								
2.1 Limit	568.0	542.8	307.2	137.1	131.0	129.6	129.0	131.0
2.2 Outstanding	410.4	400.2	128.6	43.9	66.8	68.4	69.4	56.8
3 Liquidity Facility for PDs								
3.1 Limit	28.0	28.0	28.0	28.0	28.0	28.0	28.0	28.0
3.2 Outstanding	22.2	15.7	23.3	20.1	11.8	17.1	18.8	19.8
4 Others								
4.1 Limit	–	–	–	–	–	–	–	–
4.2 Outstanding	–	–	–	–	–	–	–	–
5 Total Outstanding (1+2.2+3.2+4.2)	608.9	471.9	152.5	64.2	86.1	118.8	102.4	77.5

Money and Banking

No. 6: Money Stock Measures

(₹ Billion)

Item	Outstanding as on March 31/last reporting Fridays of the month/reporting Fridays				
	2013-14	2014	2015		
		Feb. 21	Jan. 23	Feb. 6	Feb. 20
	1	2	3	4	5
1 Currency with the Public (1.1 + 1.2 + 1.3 – 1.4)	12,483.4	12,393.9	13,504.1	13,622.8	13,721.5
1.1 Notes in Circulation	12,837.4	12,747.7	13,912.5	14,024.3	14,140.5
1.2 Circulation of Rupee Coin	166.0	164.3	180.0	180.0	180.0
1.3 Circulation of Small Coins	7.4	7.4	7.4	7.4	7.4
1.4 Cash on Hand with Banks	527.3	525.5	595.8	588.9	606.3
2 Deposit Money of the Public	8,063.5	7,797.8	8,498.4	8,616.2	8,731.1
2.1 Demand Deposits with Banks	8,043.9	7,782.7	8,415.8	8,533.7	8,644.2
2.2 'Other' Deposits with Reserve Bank	19.7	15.1	82.6	82.6	86.9
3 M_1 (1 + 2)	20,547.0	20,191.7	22,002.4	22,239.0	22,452.6
4 Post Office Saving Bank Deposits	423.6	418.1	454.0	454.0	454.0
5 M_2 (3 + 4)	20,970.6	20,609.8	22,456.5	22,693.1	22,906.6
6 Time Deposits with Banks	74,426.3	73,444.9	81,403.7	81,916.8	81,929.8
7 M_3 (3 + 6)	94,973.3	93,636.6	103,406.1	104,155.9	104,382.4
8 Total Post Office Deposits	1,572.0	1,553.8	1,705.5	1,705.5	1,705.5
9 M_4 (7 + 8)	96,545.3	95,190.4	105,111.6	105,861.3	106,087.9

No. 7: Sources of Money Stock (M_3)

(₹ Billion)

Sources	Outstanding as on March 31/last reporting Fridays of the month/reporting Fridays				
	2013-14	2014	2015		
		Feb. 21	Jan. 23	Feb. 6	Feb. 20
	1	2	3	4	5
1 Net Bank Credit to Government	**30,386.0**	**30,276.0**	**31,144.1**	**31,387.4**	**31,354.0**
1.1 RBI's net credit to Government (1.1.1–1.1.2)	6,987.1	6,589.5	4,594.3	4,765.4	4,632.6
1.1.1 Claims on Government	7,855.2	6,830.4	5,296.3	5,276.1	5,274.0
1.1.1.1 Central Government	7,844.1	6,825.9	5,267.0	5,263.4	5,259.8
1.1.1.2 State Governments	11.1	4.5	29.3	12.7	14.2
1.1.2 Government deposits with RBI	868.1	240.9	702.0	510.7	641.4
1.1.2.1 Central Government	867.7	240.5	701.6	510.3	641.0
1.1.2.2 State Governments	0.4	0.4	0.4	0.4	0.4
1.2 Other Banks' Credit to Government	23,398.9	23,686.5	26,549.8	26,622.1	26,721.4
2 Bank Credit to Commercial Sector	**64,424.8**	**62,985.1**	**68,605.0**	**69,083.6**	**69,220.6**
2.1 RBI's credit to commercial sector	88.4	78.8	58.8	55.9	60.5
2.2 Other banks' credit to commercial sector	64,336.4	62,906.3	68,546.2	69,027.7	69,160.1
2.2.1 Bank credit by commercial banks	59,941.0	58,458.3	63,938.1	64,415.2	64,533.9
2.2.2 Bank credit by co-operative banks	4,357.8	4,398.4	4,560.1	4,565.5	4,578.8
2.2.3 Investments by commercial and co-operative banks in other securities	37.7	49.5	47.9	47.0	47.4
3 Net Foreign Exchange Assets of Banking Sector (3.1 + 3.2)	**19,239.5**	**18,875.1**	**20,708.2**	**21,253.6**	**21,607.2**
3.1 RBI's net foreign exchange assets (3.1.1–3.1.2)	18,025.3	17,902.0	19,736.5	20,281.9	20,635.5
3.1.1 Gross foreign assets	18,025.6	17,902.3	19,736.8	20,282.2	20,636.0
3.1.2 Foreign liabilities	0.3	0.4	0.3	0.2	0.5
3.2 Other banks' net foreign exchange assets	1,214.2	973.1	971.7	971.7	971.7
4 Government's Currency Liabilities to the Public	**173.4**	**171.7**	**187.4**	**187.4**	**187.4**
5 Banking Sector's Net Non-monetary Liabilities	**19,250.4**	**18,671.3**	**17,238.5**	**17,756.2**	**17,986.9**
5.1 Net non-monetary liabilities of RBI	8,433.2	8,897.7	7,757.2	7,935.7	8,134.8
5.2 Net non-monetary liabilities of other banks (residual)	10,817.2	9,773.7	9,481.3	9,820.5	9,852.1
M_3 (1+2+3+4–5)	**94,973.3**	**93,636.6**	**103,406.1**	**104,155.9**	**104,382.4**

No. 8: Monetary Survey

(₹ Billion)

Item	Outstanding as on March 31/last reporting Fridays of the month/reporting Fridays				
	2013-14	2014	2015		
		Feb. 21	Jan. 23	Feb. 6	Feb. 20
	1	2	3	4	5
Monetary Aggregates					
NM_1 (1.1 + 1.2.1+1.3)	20,547.0	20,191.7	22,002.4	22,239.0	22,452.6
NM_2 (NM_1+ 1.2.2.1)	52,895.1	52,096.1	57,454.5	57,915.4	58,122.1
NM_3 (NM_2 + 1.2.2.2 + 1.4 = 2.1 + 2.2 + 2.3 – 2.4 – 2.5)	94,642.2	93,347.9	102,934.8	103,699.7	103,968.8
1 Components					
1.1 Currency with the Public	12,483.4	12,393.9	13,504.1	13,622.8	13,721.5
1.2 Aggregate Deposits of Residents	79,928.7	78,681.5	87,198.0	87,814.4	87,909.7
1.2.1 Demand Deposits	8,043.9	7,782.7	8,415.8	8,533.7	8,644.2
1.2.2 Time Deposits of Residents	71,884.8	70,898.7	78,782.3	79,280.7	79,265.6
1.2.2.1 Short-term Time Deposits	32,348.2	31,904.4	35,452.0	35,676.3	35,669.5
1.2.2.1.1 Certificates of Deposit (CDs)	3,741.3	3,315.3	2,725.0	3,411.5	2,708.9
1.2.2.2 Long-term Time Deposits	39,536.7	38,994.3	43,330.2	43,604.4	43,596.1
1.3 ‘Other’ Deposits with RBI	19.7	15.1	82.6	82.6	86.9
1.4 Call/Term Funding from Financial Institutions	2,210.4	2,257.5	2,150.1	2,179.9	2,250.6
2 Sources					
2.1 Domestic Credit	98,951.7	97,422.5	104,303.3	105,054.9	105,194.0
2.1.1 Net Bank Credit to the Government	30,386.0	30,276.0	31,144.1	31,387.4	31,354.0
2.1.1.1 Net RBI credit to the Government	6,987.1	6,589.5	4,594.3	4,765.4	4,632.6
2.1.1.2 Credit to the Government by the Banking System	23,398.9	23,686.5	26,549.8	26,622.1	26,721.4
2.1.2 Bank Credit to the Commercial Sector	68,565.7	67,146.5	73,159.3	73,667.5	73,840.0
2.1.2.1 RBI Credit to the Commercial Sector	88.4	78.8	58.8	55.9	60.5
2.1.2.2 Credit to the Commercial Sector by the Banking System	68,477.3	67,067.6	73,100.5	73,611.6	73,779.4
2.1.2.2.1 Other Investments (Non-SLR Securities)	4,120.9	4,118.9	4,510.7	4,544.0	4,577.4
2.2 Government’s Currency Liabilities to the Public	173.4	171.7	187.4	187.4	187.4
2.3 Net Foreign Exchange Assets of the Banking Sector	16,047.4	15,774.0	17,629.3	18,235.0	18,756.9
2.3.1 Net Foreign Exchange Assets of the RBI	18,025.3	17,902.0	19,736.5	20,281.9	20,635.5
2.3.2 Net Foreign Currency Assets of the Banking System	–1,977.9	–2,128.0	–2,107.2	–2,046.9	–1,878.6
2.4 Capital Account	15,946.0	16,183.2	16,591.3	16,615.3	16,744.4
2.5 Other items (net)	4,584.3	3,837.1	2,593.9	3,162.3	3,425.0

No. 9: Liquidity Aggregates

(₹ Billion)

Aggregates	2013-14	2014		2015	
		Feb.	Dec.	Jan.	Feb.
	1	2	3	4	5
1 NM_3	**94,642.2**	**93,347.9**	**101,803.9**	**102,934.8**	**103,968.8**
2 Postal Deposits	1,572.0	1,553.8	1,705.5	1,705.5	1,705.5
3 L_1 (1 + 2)	**96,214.2**	**94,901.7**	**103,509.4**	**104,640.2**	**105,674.3**
4 Liabilities of Financial Institutions	29.3	29.3	29.3	29.3	29.3
4.1 Term Money Borrowings	26.6	26.6	26.6	26.6	26.6
4.2 Certificates of Deposit	0.3	0.3	0.3	0.3	0.3
4.3 Term Deposits	2.5	2.5	2.5	2.5	2.5
5 L_2 (3 + 4)	**96,243.5**	**94,931.0**	**103,538.7**	**104,669.5**	**105,703.6**
6 Public Deposits with Non-Banking Financial Companies	203.8	..	228.0	..	..
7 L_3 (5 + 6)	**96,447.3**	..	**103,766.8**	..	..

No. 10: Reserve Bank of India Survey

(₹ Billion)

Item	Outstanding as on March 31/last reporting Fridays of the month/reporting Fridays				
	2013-14	2014	2015		
		Feb. 21	Jan. 23	Feb. 6	Feb. 20
	1	2	3	4	5
1 Components					
1.1 Currency in Circulation	13,010.7	12,919.4	14,099.8	14,211.7	14,327.9
1.2 Bankers' Deposits with the RBI	4,297.0	3,316.8	3,709.6	3,856.2	3,656.9
1.2.1 Scheduled Commercial Banks	4,070.8	3,120.0	3,486.7	3,632.3	3,433.1
1.3 'Other' Deposits with the RBI	19.7	15.1	82.6	82.6	86.9
Reserve Money (1.1 + 1.2 + 1.3 = 2.1 + 2.2 + 2.3 – 2.4 – 2.5)	17,327.4	16,251.3	17,892.0	18,150.5	18,071.6
2 Sources					
2.1 RBI's Domestic Credit	7,562.0	7,075.3	5,725.3	5,616.8	5,383.5
2.1.1 Net RBI credit to the Government	6,987.1	6,589.5	4,594.3	4,765.4	4,632.6
2.1.1.1 Net RBI credit to the Central Government (2.1.1.1.1 + 2.1.1.1.2 + 2.1.1.1.3 + 2.1.1.1.4 – 2.1.1.1.5)	6,976.4	6,585.4	4,565.4	4,753.1	4,618.8
2.1.1.1.1 Loans and Advances to the Central Government	–	–	–	–	–
2.1.1.1.2 Investments in Treasury Bills	–	–	–	–	–
2.1.1.1.3 Investments in dated Government Securities	7,842.9	6,824.6	5,264.8	5,262.0	5,257.3
2.1.1.1.3.1 Central Government Securities	7,832.4	6,814.1	5,254.3	5,251.5	5,246.8
2.1.1.1.4 Rupee Coins	1.3	1.4	2.2	1.4	2.6
2.1.1.1.5 Deposits of the Central Government	867.7	240.5	701.6	510.3	641.0
2.1.1.2 Net RBI credit to State Governments	10.6	4.1	28.9	12.3	13.8
2.1.2 RBI's Claims on Banks	486.5	406.9	1,072.2	795.6	690.4
2.1.2.1 Loans and Advances to Scheduled Commercial Banks	484.7	405.0	1,071.7	795.0	689.9
2.1.3 RBI's Credit to Commercial Sector	88.4	78.8	58.8	55.9	60.5
2.1.3.1 Loans and Advances to Primary Dealers	25.2	24.7	18.8	20.5	19.8
2.1.3.2 Loans and Advances to NABARD	–	–	–	–	–
2.2 Government's Currency Liabilities to the Public	173.4	171.7	187.4	187.4	187.4
2.3 Net Foreign Exchange Assets of the RBI	18,025.3	17,902.0	19,736.5	20,281.9	20,635.5
2.3.1 Gold	1,296.2	1,254.3	1,227.2	1,246.5	1,246.5
2.3.2 Foreign Currency Assets	16,729.3	16,647.9	18,509.4	19,035.6	19,389.2
2.4 Capital Account	8,315.7	8,557.7	8,166.4	8,166.4	8,166.4
2.5 Other Items (net)	117.5	340.0	-409.2	-230.8	-31.7

No. 11: Reserve Money - Components and Sources

(₹ Billion)

Item	Outstanding as on March 31/ last Fridays of the month/ Fridays						
	2013-14	2014	2015				
		Feb. 28	Jan. 30	Feb. 6	Feb. 13	Feb. 20	Feb. 27
	1	2	3	4	5	6	7
Reserve Money (1.1 + 1.2 + 1.3 = 2.1 + 2.2 + 2.3 + 2.4 + 2.5 – 2.6)	17,327.4	16,397.6	17,781.1	18,150.5	18,119.1	18,071.6	18,164.3
1 Components							
1.1 Currency in Circulation	13,010.7	12,883.7	14,049.6	14,211.7	14,323.9	14,327.9	14,251.5
1.2 Bankers' Deposits with RBI	4,297.0	3,499.7	3,647.5	3,856.2	3,712.1	3,656.9	3,820.6
1.3 'Other' Deposits with RBI	19.7	14.3	84.0	82.6	83.2	86.9	92.2
2 Sources							
2.1 Net Reserve Bank Credit to Government	6,987.1	6,796.3	4,567.5	4,765.4	4,342.8	4,632.6	4,368.9
2.2 Reserve Bank Credit to Banks	486.5	360.6	658.9	795.6	1,072.9	690.4	721.8
2.3 Reserve Bank Credit to Commercial Sector	88.4	78.6	59.6	55.9	60.0	60.5	59.5
2.4 Net Foreign Exchange Assets of RBI	18,025.3	17,927.9	20,167.2	20,281.9	20,537.2	20,635.5	20,743.8
2.5 Government's Currency Liabilities to the Public	173.4	171.7	187.4	187.4	187.4	187.4	187.4
2.6 Net Non- Monetary Liabilities of RBI	8,433.2	8,937.5	7,859.4	7,935.7	8,081.2	8,134.8	7,917.1

No. 12: Commercial Bank Survey

(₹ Billion)

Item	Outstanding as on last reporting Fridays of the month/ reporting Fridays of the month				
	2013-14	2014	2015		
		Feb. 21	Jan. 23	Feb. 6	Feb. 20
	1	2	3	4	5
1 Components					
1.1 Aggregate Deposits of Residents	74,514.1	73,219.9	81,385.4	81,993.1	82,084.0
1.1.1 Demand Deposits	7,139.2	6,878.4	7,463.4	7,581.1	7,690.8
1.1.2 Time Deposits of Residents	67,374.9	66,341.5	73,922.0	74,412.0	74,393.2
1.1.2.1 Short-term Time Deposits	30,318.7	29,853.7	33,264.9	33,485.4	33,477.0
1.1.2.1.1 Certificates of Deposits (CDs)	3,741.3	3,315.3	2,725.0	3,411.5	2,708.9
1.1.2.2 Long-term Time Deposits	37,056.2	36,487.8	40,657.1	40,926.6	40,916.3
1.2 Call/Term Funding from Financial Institutions	2,210.4	2,257.5	2,150.1	2,179.9	2,250.6
2 Sources					
2.1 Domestic Credit	86,123.0	84,902.6	93,610.2	94,182.5	94,431.6
2.1.1 Credit to the Government	22,111.9	22,353.3	25,183.5	25,250.6	25,345.0
2.1.2 Credit to the Commercial Sector	64,011.1	62,549.3	68,426.7	68,931.9	69,086.6
2.1.2.1 Bank Credit	59,941.0	58,458.3	63,938.1	64,415.2	64,533.9
2.1.2.1.1 Non-food Credit	58,956.2	57,392.7	62,908.2	63,385.3	63,536.5
2.1.2.2 Net Credit to Primary Dealers	22.5	45.2	46.2	42.5	44.6
2.1.2.3 Investments in Other Approved Securities	16.3	16.5	21.3	19.9	20.4
2.1.2.4 Other Investments (in non-SLR Securities)	4,031.3	4,029.2	4,421.1	4,454.4	4,487.7
2.2 Net Foreign Currency Assets of Commercial Banks (2.2.1–2.2.2–2.2.3)	–1,977.9	–2,128.0	–2,107.2	–2,046.9	–1,878.6
2.2.1 Foreign Currency Assets	1,495.3	1,370.1	1,271.1	1,319.3	1,567.4
2.2.2 Non-resident Foreign Currency Repatriable Fixed Deposits	2,541.5	2,546.2	2,621.4	2,636.1	2,664.2
2.2.3 Overseas Foreign Currency Borrowings	931.7	951.8	756.8	730.1	781.8
2.3 Net Bank Reserves (2.3.1+2.3.2–2.3.3)	3,206.0	3,168.8	2,938.9	3,353.8	3,276.7
2.3.1 Balances with the RBI	3,163.4	3,120.0	3,486.7	3,632.3	3,433.1
2.3.2 Cash in Hand	458.7	453.8	523.9	516.5	533.5
2.3.3 Loans and Advances from the RBI	416.1	405.0	1,071.7	795.0	689.9
2.4 Capital Account	7,388.6	7,383.8	8,183.2	8,207.2	8,336.3
2.5 Other items (net) (2.1+2.2+2.3–2.4–1.1–1.2)	3,238.1	3,082.2	2,723.3	3,109.1	3,158.7
2.5.1 Other Demand and Time Liabilities (net of 2.2.3)	3,451.6	3,421.2	3,555.3	3,877.4	3,681.0
2.5.2 Net Inter-Bank Liabilities (other than to PDs)	–666.1	–609.2	–461.7	–467.7	–485.5

No. 13: Scheduled Commercial Banks' Investments

(₹ Billion)

Item	As on March 21, 2014	2014	2015		
		Feb. 21	Jan. 23	Feb. 06	Feb. 20
	1	2	3	4	5
1 SLR Securities	22,128.2	22,369.8	24,902.2	25,270.4	25,365.4
2 Commercial Paper	159.5	150.0	384.3	379.7	425.9
3 Shares issued by					
3.1 PSUs	82.9	88.6	69.2	86.3	85.0
3.2 Private Corporate Sector	334.2	334.7	347.2	351.6	354.7
3.3 Others	9.4	11.2	30.1	31.3	31.1
4 Bonds/Debentures issued by					
4.1 PSUs	831.5	775.2	805.0	779.3	791.9
4.2 Private Corporate Sector	1,159.1	1,148.5	1,159.0	1,157.4	1,149.7
4.3 Others	459.8	441.9	481.9	505.9	479.7
5 Instruments issued by					
5.1 Mutual funds	401.1	474.1	580.3	584.3	575.0
5.2 Financial institutions	593.8	605.1	636.7	578.6	594.7

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

(₹ Billion)

Item	As on the Last Reporting Friday (in case of March)/ Last Friday							
	All Scheduled Banks				All Scheduled Commercial Banks			
	2013-14	2014	2015		2013-14	2014	2015	
		Feb.	Jan.	Feb.		Feb.	Jan.	Feb.
	1	2	3	4	5	6	7	8
Number of Reporting Banks	213	213	214	214	146	146	147	147
1 Liabilities to the Banking System	1,308.7	1,181.7	1,611.4	1,580.6	1,261.9	1,136.6	1,558.5	1,529.4
1.1 Demand and Time Deposits from Banks	821.7	785.0	1,129.5	1,119.5	777.2	743.0	1,080.0	1,069.2
1.2 Borrowings from Banks	351.9	347.8	419.7	399.5	349.7	344.8	416.4	398.7
1.3 Other Demand and Time Liabilities	135.1	48.8	62.2	61.6	135.0	48.8	62.1	61.4
2 Liabilities to Others	85,878.6	86,189.2	93,470.3	95,095.8	83,649.3	83,981.0	91,062.6	92,686.5
2.1 Aggregate Deposits	79,200.8	78,691.3	86,387.4	87,821.2	77,055.6	76,577.0	84,078.1	85,513.1
2.1.1 Demand	7,312.5	7,462.4	7,947.3	8,207.5	7,139.2	7,294.0	7,762.1	8,023.7
2.1.2 Time	71,888.4	71,228.9	78,440.2	79,613.6	69,916.4	69,283.0	76,316.0	77,489.3
2.2 Borrowings	2,227.8	2,653.7	2,504.6	2,497.0	2,210.4	2,628.1	2,474.5	2,470.2
2.3 Other Demand and Time Liabilities	4,449.9	4,844.3	4,578.3	4,777.6	4,383.3	4,775.9	4,509.9	4,703.2
3 Borrowings from Reserve Bank	417.9	360.6	770.7	925.5	416.1	358.7	770.6	925.0
3.1 Against Usance Bills /Promissory Notes	–	–	–	–	–	–	–	–
3.2 Others	417.9	360.6	770.7	925.5	416.1	358.7	770.6	925.0
4 Cash in Hand and Balances with Reserve Bank	3,729.1	3,904.6	4,076.4	4,267.6	3,622.1	3,796.3	3,961.9	4,153.8
4.1 Cash in Hand	470.0	507.1	552.2	570.0	458.7	493.8	540.6	557.7
4.2 Balances with Reserve Bank	3,259.0	3,397.5	3,524.2	3,697.6	3,163.4	3,302.5	3,421.3	3,596.1
5 Assets with the Banking System	2,325.9	2,116.7	2,277.9	2,483.9	1,950.5	1,753.1	1,891.9	2,103.7
5.1 Balances with Other Banks	1,191.9	1,145.1	1,379.2	1,576.6	1,062.3	1,015.9	1,217.6	1,415.9
5.1.1 In Current Account	115.3	128.4	105.0	125.7	97.3	107.4	87.9	111.0
5.1.2 In Other Accounts	1,076.6	1,016.7	1,274.2	1,450.9	965.0	908.5	1,129.6	1,304.9
5.2 Money at Call and Short Notice	453.7	401.8	397.5	367.4	278.0	239.9	239.9	208.5
5.3 Advances to Banks	170.8	146.0	146.0	141.7	167.4	140.6	142.6	138.4
5.4 Other Assets	509.5	423.8	355.2	398.2	442.7	356.8	291.8	341.0
6 Investment	22,797.6	23,042.9	25,856.2	26,171.9	22,128.2	22,375.1	25,172.5	25,446.1
6.1 Government Securities	22,778.7	23,023.6	25,835.5	26,147.2	22,111.9	22,358.8	25,155.4	25,425.4
6.2 Other Approved Securities	18.9	19.3	20.7	24.6	16.3	16.4	17.1	20.8
7 Bank Credit	61,794.9	61,162.5	65,880.7	66,913.6	59,941.0	59,330.2	63,869.8	64,879.3
7a Food Credit	1,095.2	1,168.3	1,166.0	1,106.3	984.8	1,057.9	1,032.2	972.5
7.1 Loans, Cash-credits and Overdrafts	59,517.5	58,914.4	63,659.2	64,673.7	57,690.8	57,109.1	61,678.2	62,671.1
7.2 Inland Bills-Purchased	387.8	391.9	358.2	350.1	384.4	388.9	353.3	345.2
7.3 Inland Bills-Discounted	1,121.7	1,099.7	1,177.7	1,194.1	1,105.8	1,083.1	1,158.5	1,173.6
7.4 Foreign Bills-Purchased	266.9	266.7	244.7	254.8	262.9	262.8	243.3	253.4
7.5 Foreign Bills-Discounted	501.0	489.7	440.9	440.9	497.1	486.3	436.4	436.1

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

(₹ Billion)

Item	Outstanding as on				Growth (%)	
	Mar. 21, 2014	2014	2015		Financial year so far	Y-o-Y
		Feb. 21	Jan. 23	Feb. 20	2014-15	2015
	1	2	3	4	5	6
1 Gross Bank Credit	**56,572**	**55,193**	**59,712**	**60,327**	**6.6**	**9.3**
1.1 Food Credit	**912**	**990**	**1,070**	**1,041**	**14.1**	**5.1**
1.2 Non-food Credit	**55,660**	**54,203**	**58,643**	**59,286**	**6.5**	**9.4**
1.2.1 Agriculture & Allied Activities	**6,694**	**6,510**	**7,549**	**7,585**	**13.3**	**16.5**
1.2.2 Industry	**25,229**	**24,648**	**25,877**	**26,128**	**3.6**	**6.0**
1.2.2.1 Micro & Small	3,517	3,404	3,721	3,728	6.0	9.5
1.2.2.2 Medium	1,274	1,275	1,285	1,300	2.0	2.0
1.2.2.3 Large	20,438	19,969	20,872	21,100	3.2	5.7
1.2.3 Services	**13,351**	**12,885**	**13,511**	**13,788**	**3.3**	**7.0**
1.2.3.1 Transport Operators	894	885	872	878	–1.8	–0.7
1.2.3.2 Computer Software	176	175	169	163	–7.4	–7.1
1.2.3.3 Tourism, Hotels & Restaurants	392	392	357	361	–7.9	–8.0
1.2.3.4 Shipping	99	94	92	98	–1.5	3.8
1.2.3.5 Professional Services	705	693	723	729	3.4	5.1
1.2.3.6 Trade	3,237	3,151	3,390	3,485	7.6	10.6
1.2.3.6.1 Wholesale Trade	1,709	1,665	1,705	1,782	4.2	7.0
1.2.3.6.2 Retail Trade	1,528	1,486	1,686	1,703	11.5	14.6
1.2.3.7 Commercial Real Estate	1,544	1,470	1,665	1,681	8.9	14.3
1.2.3.8 Non-Banking Financial Companies (NBFCs)	2,946	2,819	2,962	3,020	2.5	7.1
1.2.3.9 Other Services	3,358	3,205	3,280	3,373	0.5	5.2
1.2.4 Personal Loans	**10,386**	**10,159**	**11,705**	**11,786**	**13.5**	**16.0**
1.2.4.1 Consumer Durables	128	124	149	150	16.9	21.2
1.2.4.2 Housing	5,423	5,291	6,137	6,211	14.5	17.4
1.2.4.3 Advances against Fixed Deposits	639	569	629	608	–4.7	7.0
1.2.4.4 Advances to Individuals against share & bonds	39	36	45	46	17.0	26.5
1.2.4.5 Credit Card Outstanding	249	254	311	312	25.3	22.7
1.2.4.6 Education	600	602	636	635	5.7	5.5
1.2.4.7 Vehicle Loans	1,301	1,285	1,479	1,493	14.7	16.1
1.2.4.8 Other Personal Loans	2,006	1,999	2,319	2,332	16.2	16.7
1.2A Priority Sector	**18,412**	**17,942**	**19,759**	**19,842**	**7.8**	**10.6**
1.2A.1 Agriculture & Allied Activities	6,694	6,510	7,549	7,585	13.3	16.5
1.2A.2 Micro & Small Enterprises	7,142	6,951	7,800	7,836	9.7	12.7
1.2A.2.1 Manufacturing	3,517	3,404	3,721	3,728	6.0	9.5
1.2A.2.2 Services	3,625	3,546	4,079	4,107	13.3	15.8
1.2A.3 Housing	3,034	2,985	3,226	3,217	6.0	7.8
1.2A.4 Micro-Credit	174	175	172	175	0.2	–0.3
1.2A.5 Education Loans	579	571	596	593	2.3	3.7
1.2A.6 State-Sponsored Orgs. for SC/ST	3	1	4	4	7.0	144.1
1.2A.7 Weaker Sections	3,862	3,549	3,965	3,986	3.2	12.3
1.2A.8 Export Credit	483	434	391	405	–16.2	–6.8

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

(₹ Billion)

Industry	Outstanding as on				Growth (%)	
	Mar. 21, 2014	2014	2015		Financial year so far	Y-o-Y
		Feb. 21	Jan. 23	Feb. 20	2014-15	2015
	1	2	3	4	5	6
1 Industry	**25,229**	**24,648**	**25,877**	**26,128**	**3.6**	**6.0**
1.1 Mining & Quarrying (incl. Coal)	**353**	**357**	**362**	**359**	**1.7**	**0.7**
1.2 Food Processing	**1,480**	**1,454**	**1,576**	**1,650**	**11.5**	**13.5**
1.2.1 Sugar	348	337	351	377	8.3	11.6
1.2.2 Edible Oils & Vanaspati	213	211	206	200	–6.1	–5.5
1.2.3 Tea	32	31	32	32	–1.6	1.9
1.2.4 Others	887	874	987	1,042	17.5	19.2
1.3 Beverage & Tobacco	**186**	**173**	**191**	**190**	**1.9**	**9.5**
1.4 Textiles	**2,040**	**2,000**	**1,994**	**2,013**	**–1.3**	**0.6**
1.4.1 Cotton Textiles	1,011	988	976	994	–1.7	0.7
1.4.2 Jute Textiles	20	20	23	22	11.7	13.2
1.4.3 Man-Made Textiles	216	214	200	206	–4.4	–3.6
1.4.4 Other Textiles	793	779	795	790	–0.3	1.5
1.5 Leather & Leather Products	**103**	**100**	**104**	**101**	**–1.2**	**1.3**
1.6 Wood & Wood Products	**94**	**92**	**95**	**96**	**2.9**	**4.8**
1.7 Paper & Paper Products	**331**	**329**	**346**	**346**	**4.4**	**5.2**
1.8 Petroleum, Coal Products & Nuclear Fuels	**635**	**571**	**554**	**533**	**–16.0**	**–6.6**
1.9 Chemicals & Chemical Products	**1,677**	**1,571**	**1,526**	**1,519**	**–9.4**	**–3.3**
1.9.1 Fertiliser	306	268	251	245	–20.0	–8.8
1.9.2 Drugs & Pharmaceuticals	492	491	486	486	–1.2	–1.0
1.9.3 Petro Chemicals	435	363	353	349	–19.8	–3.9
1.9.4 Others	443	448	437	440	–0.8	–1.9
1.10 Rubber, Plastic & their Products	**368**	**364**	**371**	**371**	**0.7**	**1.7**
1.11 Glass & Glassware	**87**	**87**	**88**	**89**	**2.4**	**2.6**
1.12 Cement & Cement Products	**541**	**529**	**561**	**560**	**3.4**	**5.8**
1.13 Basic Metal & Metal Product	**3,620**	**3,532**	**3,725**	**3,774**	**4.3**	**6.8**
1.13.1 Iron & Steel	2,685	2,630	2,729	2,765	3.0	5.1
1.13.2 Other Metal & Metal Product	934	903	996	1,009	8.0	11.8
1.14 All Engineering	**1,456**	**1,418**	**1,477**	**1,520**	**4.4**	**7.2**
1.14.1 Electronics	367	349	373	392	6.6	12.1
1.14.2 Others	1,088	1,069	1,104	1,128	3.7	5.6
1.15 Vehicles, Vehicle Parts & Transport Equipment	**677**	**673**	**680**	**676**	**–0.2**	**0.4**
1.16 Gems & Jewellery	**720**	**697**	**697**	**731**	**1.6**	**4.9**
1.17 Construction	**614**	**608**	**731**	**739**	**20.3**	**21.4**
1.18 Infrastructure	**8,398**	**8,286**	**9,013**	**9,118**	**8.6**	**10.0**
1.18.1 Power	4,883	4,847	5,458	5,521	13.1	13.9
1.18.2 Telecommunications	904	871	865	859	–4.9	–1.4
1.18.3 Roads	1,574	1,551	1,653	1,668	6.0	7.5
1.18.4 Other Infrastructure	1,036	1,016	1,037	1,069	3.1	5.2
1.19 Other Industries	**1,850**	**1,807**	**1,785**	**1,743**	**–5.8**	**–3.6**

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

(₹ Billion)

Item	Last Reporting Friday (in case of March)/Last Friday/ Reporting Friday					
	2013-14	2013	2014			
		Nov. 29	Oct. 17	Oct. 31	Nov. 14	Nov. 28
	1	2	3	4	5	6
Number of Reporting Banks	31	31	31	31	31	31
1 Aggregate Deposits (2.1.1.2+2.2.1.2)	417.9	367.6	426.9	422.2	428.4	400.5
2 Demand and Time Liabilities						
2.1 Demand Liabilities	139.7	129.7	143.7	140.5	138.2	137.9
2.1.1 Deposits						
2.1.1.1 Inter-Bank	25.4	17.2	25.6	23.9	24.9	24.8
2.1.1.2 Others	76.2	74.0	76.2	76.1	77.3	77.3
2.1.2 Borrowings from Banks	7.2	12.4	14.9	14.0	10.0	10.3
2.1.3 Other Demand Liabilities	30.9	26.1	27.1	26.6	26.0	25.5
2.2 Time Liabilities	899.5	829.0	859.7	834.4	843.0	844.1
2.2.1 Deposits						
2.2.1.1 Inter-Bank	541.4	525.9	486.9	476.8	480.9	509.0
2.2.1.2 Others	341.7	293.6	350.7	346.1	351.1	323.1
2.2.2 Borrowings from Banks	5.9	–	0.1	0.1	–	0.1
2.2.3 Other Time Liabilities	10.2	9.4	22.0	11.3	11.1	11.9
3 Borrowing from Reserve Bank	–	–	–	–	–	–
4 Borrowings from a notified bank / State Government	337.9	379.1	424.1	424.2	425.4	421.3
4.1 Demand	162.6	151.6	167.7	169.5	167.6	168.6
4.2 Time	175.3	227.5	256.4	254.7	257.8	252.7
5 Cash in Hand and Balances with Reserve Bank	43.0	34.9	37.7	44.0	36.8	37.1
5.1 Cash in Hand	2.2	2.2	2.3	9.1	2.2	2.5
5.2 Balance with Reserve Bank	40.8	32.7	35.4	34.9	34.7	34.6
6 Balances with Other Banks in Current Account	8.3	6.4	7.6	7.9	8.4	7.8
7 Investments in Government Securities	289.4	282.7	291.7	286.6	280.6	278.8
8 Money at Call and Short Notice	213.9	177.8	184.7	178.1	181.1	188.1
9 Bank Credit (10.1+11)	388.2	363.6	380.1	410.5	381.4	377.3
10 Advances						
10.1 Loans, Cash-Credits and Overdrafts	388.2	363.5	380.1	410.5	381.3	377.2
10.2 Due from Banks	650.1	645.4	692.7	688.5	687.6	686.4
11 Bills Purchased and Discounted	–	0.1	–	–	0.1	0.1

Prices and Production

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

Group/Sub group	2013-14			Rural			Urban			Combined		
	Rural	Urban	Combined	Feb. 14	Jan. 15	Feb. 15	Feb. 14	Jan. 15	Feb. 15	Feb. 14	Jan. 15	Feb. 15
	1	2	3	4	5	6	7	8	9	10	11	12
1 Food and beverages	**115.0**	**116.6**	**115.6**	**115.3**	**122.8**	**122.8**	**115.2**	**123.5**	**123.6**	**115.3**	**123.1**	**123.1**
1.1 Cereals and products	115.6	118.8	116.6	119.4	123.1	123.4	121.9	124.0	124.2	120.2	123.4	123.7
1.2 Meat and fish	114.7	118.7	116.1	117.7	123.1	124.4	122.0	125.5	126.6	119.2	123.9	125.2
1.3 Egg	113.8	116.9	115.0	121.2	122.1	122.2	124.5	126.6	119.5	122.5	123.8	121.2
1.4 Milk and products	111.4	110.4	111.0	115.0	124.9	125.8	115.2	125.2	125.6	115.1	125.0	125.7
1.5 Oils and fats	107.5	102.2	105.6	109.0	111.0	111.3	102.5	104.3	104.9	106.6	108.5	108.9
1.6 Fruits	112.9	110.7	111.9	116.6	130.4	129.4	114.1	121.3	121.5	115.4	126.2	125.7
1.7 Vegetables	133.1	146.2	137.5	116.0	132.3	128.1	111.5	134.4	131.8	114.5	133.0	129.4
1.8 Pulses and products	108.1	106.1	107.5	109.8	117.2	118.7	108.2	122.9	125.1	109.3	119.1	120.9
1.9 Sugar and confectionery	103.3	99.6	102.1	101.1	100.5	99.8	95.4	96.1	95.0	99.2	99.0	98.2
1.10 Spices	107.7	109.3	108.2	110.4	117.2	118.5	113.5	126.6	127.7	111.4	120.3	121.6
1.11 Non-alcoholic beverages	110.4	111.0	110.6	112.9	117.9	118.6	112.1	116.5	116.8	112.6	117.3	117.8
1.12 Prepared meals, snacks, sweets	114.1	115.6	114.8	117.8	125.6	126.7	119.9	128.0	128.6	118.8	126.7	127.6
2 Pan, tobacco and intoxicants	**111.5**	**113.1**	**111.9**	**114.2**	**122.7**	**124.3**	**116.2**	**127.4**	**128.1**	**114.7**	**124.0**	**125.3**
3 Clothing and footwear	**112.8**	**111.6**	**112.3**	**116.7**	**124.0**	**125.1**	**114.7**	**120.2**	**120.6**	**115.9**	**122.5**	**123.3**
3.1 Clothing	113.0	112.0	112.6	117.1	124.4	125.4	115.3	121.0	121.3	116.4	123.1	123.8
3.2 Footwear	111.5	109.3	110.6	114.5	121.6	122.7	111.7	116.1	116.5	113.3	119.3	120.1
4 Housing	-	**108.6**	**108.6**	-	-	-	**112.5**	**117.3**	**118.1**	**112.5**	**117.3**	**118.1**
5 Fuel and light	**110.8**	**109.3**	**110.3**	**113.2**	**118.4**	**119.9**	**111.1**	**113.4**	**114.0**	**112.4**	**116.5**	**117.7**
6 Miscellaneous	**108.3**	**108.6**	**108.4**	**110.9**	**114.5**	**115.0**	**111.0**	**113.4**	**113.2**	**110.9**	**114.0**	**114.1**
6.1 Household goods and services	110.0	109.8	109.9	112.9	118.9	119.7	112.6	117.2	117.7	112.8	118.1	118.8
6.2 Health	108.5	108.1	108.3	110.9	116.6	117.7	110.4	113.7	114.1	110.7	115.5	116.3
6.3 Transport and communication	108.2	108.5	108.4	110.8	111.0	110.9	111.3	107.9	106.8	111.1	109.4	108.7
6.4 Recreation and amusement	107.7	107.5	107.6	109.9	114.0	114.7	110.3	114.6	114.9	110.1	114.3	114.8
6.5 Education	109.3	110.0	109.7	112.0	118.2	118.9	111.6	120.8	120.4	111.8	119.7	119.8
6.6 Personal care and effects	105.9	106.2	106.0	108.7	110.2	110.8	108.7	111.4	111.7	108.7	110.7	111.2
General Index (All Groups)	**112.6**	**111.8**	**112.2**	**114.0**	**120.3**	**120.6**	**113.1**	**118.5**	**118.7**	**113.6**	**119.5**	**119.7**

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

No. 19: Other Consumer Price Indices

Item	Base Year	Linking Factor	2013-14	2014	2015	
				Feb.	Jan.	Feb.
	1	2	3	4	5	6
1 Consumer Price Index for Industrial Workers	2001	4.63	236	238	254	253
2 Consumer Price Index for Agricultural Labourers	1986-87	5.89	750	757	804	803
3 Consumer Price Index for Rural Labourers	1986-87	–	751	759	808	806

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

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

Item	2013-14	2014	2015	
		Feb.	Jan.	Feb.
	1	2	3	4
1 Standard Gold (₹ per 10 grams)	29,190	30,211	27,403	27,075
2 Silver (₹ per kilogram)	46,637	46,383	38,526	38,262

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

No. 21: Wholesale Price Index

(Base: 2004-05 = 100)

Commodities	Weight	2013-14	2014		2015	
			Feb.	Dec.	Jan. (P)	Feb. (P)
	1	2	3	4	5	6
1 ALL COMMODITIES	**100.000**	**177.6**	**179.5**	**178.7**	**178.3**	**175.8**
1.1 PRIMARY ARTICLES	**20.118**	**241.6**	**238.5**	**244.4**	**246.6**	**241.9**
1.1.1 Food articles	**14.337**	**238.9**	**232.5**	**252.1**	**252.4**	**250.5**
1.1.1.1 Food Grains	4.090	226.0	229.7	235.0	237.4	238.1
1.1.1.1.1 Cereals	3.373	225.5	230.9	233.3	233.7	234.1
1.1.1.1.2 Pulses	0.717	228.0	224.2	243.0	254.9	256.9
1.1.1.2 Fruits & Vegetables	3.843	244.3	202.2	248.3	247.3	235.2
1.1.1.2.1 Vegetables	1.736	294.5	197.6	264.1	259.6	228.3
1.1.1.2.2 Fruits	2.107	202.9	206.1	235.3	237.2	240.8
1.1.1.3 Milk	3.238	220.6	229.1	246.5	246.3	245.9
1.1.1.4 Eggs, Meat & Fish	2.414	275.7	283.9	282.4	280.6	287.5
1.1.1.5 Condiments & Spices	0.569	245.6	265.5	306.0	310.1	314.4
1.1.1.6 Other Food Articles	0.183	229.1	212.2	245.9	250.6	243.6
1.1.2 Non-Food Articles	**4.258**	**213.2**	**218.1**	**207.9**	**207.6**	**206.0**
1.1.2.1 Fibres	0.877	239.7	248.1	203.2	197.4	191.4
1.1.2.2 Oil Seeds	1.781	202.6	203.0	201.7	204.0	203.1
1.1.2.3 Other Non-Food Articles	1.386	213.5	218.7	216.2	217.2	213.8
1.1.2.4 Flowers	0.213	190.8	214.8	225.6	217.5	239.4
1.1.3 Minerals	**1.524**	**346.5**	**351.6**	**274.0**	**301.1**	**261.7**
1.1.3.1 Metallic Minerals	0.489	387.3	386.1	410.9	408.1	415.1
1.1.3.2 Other Minerals	0.135	213.2	207.8	215.7	214.8	216.8
1.1.3.3 Crude Petroleum	0.900	344.3	354.5	208.4	255.9	185.1
1.2 FUEL & POWER	**14.910**	**205.4**	**212.6**	**194.6**	**189.7**	**181.3**
1.2.1 Coal	2.094	190.8	189.8	189.8	189.8	189.8
1.2.2 Mineral Oils	9.364	226.0	235.6	205.6	197.8	184.6
1.2.3 Electricity	3.452	158.7	163.8	167.6	167.6	167.6
1.3 MANUFACTURED PRODUCTS	**64.972**	**151.5**	**153.6**	**154.7**	**154.5**	**154.1**
1.3.1 Food Products	**9.974**	**168.8**	**168.5**	**172.0**	**171.6**	**170.7**
1.3.1.1 Dairy Products	0.568	180.4	186.1	208.4	207.1	207.3
1.3.1.2 Canning, Preserving & Processing of Food	0.358	164.9	177.6	167.2	163.0	164.5
1.3.1.3 Grain Mill Products	1.340	167.9	170.3	174.6	175.5	175.8
1.3.1.4 Bakery Products	0.444	139.2	142.4	146.8	146.9	142.5
1.3.1.5 Sugar, Khandsari & Gur	2.089	183.0	176.9	179.9	177.6	174.0
1.3.1.6 Edible Oils	3.043	147.0	146.8	143.2	145.8	145.7
1.3.1.7 Oil Cakes	0.494	223.5	215.3	218.0	217.7	222.2
1.3.1.8 Tea & Coffee Proccessing	0.711	182.1	176.1	192.3	183.8	181.3
1.3.1.9 Manufacture of Salt	0.048	186.0	185.8	196.8	196.8	196.8
1.3.1.10 Other Food Products	0.879	178.5	186.2	196.6	196.1	195.4
1.3.2 Beverages, Tobacco & Tobacco Products	**1.762**	**186.0**	**194.8**	**202.0**	**202.0**	**201.9**
1.3.2.1 Wine Industries	0.385	128.9	135.4	137.3	137.7	136.7
1.3.2.2 Malt Liquor	0.153	170.8	171.5	179.7	179.3	179.4
1.3.2.3 Soft Drinks & Carbonated Water	0.241	161.4	159.1	164.0	164.3	163.6
1.3.2.4 Manufacture of Bidi, Cigarettes, Tobacco & Zarda	0.983	216.8	230.5	240.1	240.0	240.3
1.3.3 Textiles	**7.326**	**139.0**	**141.9**	**141.2**	**140.5**	**140.2**
1.3.3.1 Cotton Textiles	2.605	158.0	161.9	159.1	157.7	157.7
1.3.3.1.1 Cotton Yarn	1.377	174.7	180.1	172.1	170.4	171.4
1.3.3.1.2 Cotton Fabric	1.228	139.3	141.3	144.6	143.5	142.2
1.3.3.2 Man-Made Textiles	2.206	131.7	134.7	134.8	133.1	132.1
1.3.3.2.1 Man-Made Fibre	1.672	131.3	134.3	133.6	131.5	130.5
1.3.3.2.2 Man-Made Fabric	0.533	132.9	136.1	138.5	138.2	136.9
1.3.3.3 Woollen Textiles	0.294	154.8	157.4	158.1	160.6	159.8
1.3.3.4 Jute, Hemp & Mesta Textiles	0.261	183.9	187.5	192.7	196.3	198.9
1.3.3.5 Other Misc. Textiles	1.960	113.5	115.0	115.1	115.3	115.2
1.3.4 Wood & Wood Products	**0.587**	**179.1**	**184.0**	**189.1**	**189.3**	**189.1**
1.3.4.1 Timber/Wooden Planks	0.181	144.9	148.1	157.3	157.5	157.5
1.3.4.2 Processed Wood	0.128	185.6	189.0	191.4	191.7	191.8
1.3.4.3 Plywood & Fibre Board	0.241	205.2	211.3	217.5	217.7	217.7
1.3.4.4 Others	0.038	154.7	165.0	153.5	152.6	149.6

No. 21: Wholesale Price Index (Concld.)

(Base: 2004-05 = 100)

Commodities	Weight	2013-14	2014		2015	
			Feb.	Dec.	Jan. (P)	Feb. (P)
	1	2	3	4	5	6
1.3.5 Paper & Paper Products	**2.034**	**143.0**	**146.2**	**151.1**	**151.4**	**151.5**
1.3.5.1 Paper & Pulp	1.019	141.6	144.7	150.7	150.3	149.8
1.3.5.2 Manufacture of boards	0.550	131.2	131.7	133.2	133.7	134.3
1.3.5.3 Printing & Publishing	0.465	159.8	166.7	173.1	174.7	175.4
1.3.6 Leather & Leather Products	**0.835**	**143.1**	**145.4**	**144.3**	**143.8**	**143.2**
1.3.6.1 Leathers	0.223	114.3	115.9	114.1	113.5	114.1
1.3.6.2 Leather Footwear	0.409	159.8	160.7	161.0	160.3	159.2
1.3.6.3 Other Leather Products	0.203	141.3	146.9	143.7	143.7	143.1
1.3.7 Rubber & Plastic Products	**2.987**	**146.0**	**149.0**	**149.4**	**149.4**	**148.4**
1.3.7.1 Tyres & Tubes	0.541	174.1	176.4	177.9	177.9	177.2
1.3.7.1.1 Tyres	0.488	174.4	176.3	178.0	177.9	177.7
1.3.7.1.2 Tubes	0.053	171.4	176.8	177.3	177.4	172.3
1.3.7.2 Plastic Products	1.861	136.3	139.7	139.6	139.2	138.2
1.3.7.3 Rubber Products	0.584	151.1	153.6	154.4	155.4	154.4
1.3.8 Chemicals & Chemical Products	**12.018**	**148.9**	**151.8**	**152.4**	**151.9**	**150.4**
1.3.8.1 Basic Inorganic Chemicals	1.187	150.6	152.9	155.7	155.2	155.8
1.3.8.2 Basic Organic Chemicals	1.952	147.5	154.8	147.9	144.9	141.7
1.3.8.3 Fertilisers & Pesticides	3.145	148.2	149.1	152.5	153.8	152.7
1.3.8.3.1 Fertilisers	2.661	152.3	152.9	155.3	156.5	155.4
1.3.8.3.2 Pesticides	0.483	125.9	128.2	137.0	138.9	137.9
1.3.8.4 Paints, Varnishes & Lacquers	0.529	147.6	149.6	150.4	150.1	150.1
1.3.8.5 Dyestuffs & Indigo	0.563	132.6	140.1	144.3	144.7	142.6
1.3.8.6 Drugs & Medicines	0.456	126.8	127.1	129.7	129.8	129.6
1.3.8.7 Perfumes, Cosmetics, Toiletries etc.	1.130	157.3	159.4	160.7	161.1	160.4
1.3.8.8 Turpentine, Plastic Chemicals	0.586	147.6	149.9	157.8	157.9	156.9
1.3.8.9 Polymers including Synthetic Rubber	0.970	142.8	148.3	152.5	151.1	150.9
1.3.8.10 Petrochemical Intermediates	0.869	170.4	171.0	159.8	156.5	149.7
1.3.8.11 Matches, Explosives & other Chemicals	0.629	149.8	151.5	154.4	154.2	154.3
1.3.9 Non-Metallic Mineral Products	**2.556**	**166.2**	**167.4**	**173.6**	**172.9**	**176.7**
1.3.9.1 Structural Clay Products	0.658	176.1	182.1	195.3	190.7	196.4
1.3.9.2 Glass, Earthenware, Chinaware & their Products	0.256	131.7	133.0	137.3	137.7	137.7
1.3.9.3 Cement & Lime	1.386	167.0	165.4	169.2	170.0	174.4
1.3.9.4 Cement, Slate & Graphite Products	0.256	171.3	175.5	177.7	177.7	177.4
1.3.10 Basic Metals, Alloys & Metal Products	**10.748**	**164.5**	**167.3**	**164.7**	**164.7**	**163.6**
1.3.10.1 Ferrous Metals	8.064	154.9	157.5	154.5	154.4	152.7
1.3.10.1.1 Iron & Semis	1.563	154.1	159.3	153.3	153.6	151.7
1.3.10.1.2 Steel: Long	1.630	165.6	167.1	163.3	162.7	160.8
1.3.10.1.3 Steel: Flat	2.611	153.9	155.5	150.1	149.6	147.6
1.3.10.1.4 Steel: Pipes & Tubes	0.314	129.8	131.8	134.4	134.0	133.7
1.3.10.1.5 Stainless Steel & alloys	0.938	159.8	163.8	167.4	167.5	166.9
1.3.10.1.6 Castings & Forgings	0.871	142.6	144.5	145.5	146.8	145.5
1.3.10.1.7 Ferro alloys	0.137	155.6	158.4	159.8	159.5	158.1
1.3.10.2 Non-Ferrous Metals	1.004	164.0	165.9	169.9	169.3	168.7
1.3.10.2.1 Aluminium	0.489	137.9	139.8	148.0	147.3	146.0
1.3.10.2.2 Other Non-Ferrous Metals	0.515	188.9	190.8	190.8	190.2	190.2
1.3.10.3 Metal Products	1.680	211.2	215.4	210.4	211.4	212.6
1.3.11 Machinery & Machine Tools	**8.931**	**131.6**	**132.8**	**134.6**	**135.2**	**135.3**
1.3.11.1 Agricultural Machinery & Implements	0.139	141.6	144.1	149.8	149.8	149.8
1.3.11.2 Industrial Machinery	1.838	150.1	151.3	151.0	153.1	153.3
1.3.11.3 Construction Machinery	0.045	137.0	137.5	141.4	141.4	141.4
1.3.11.4 Machine Tools	0.367	160.4	160.6	165.1	165.5	165.5
1.3.11.5 Air Conditioner & Refrigerators	0.429	115.6	117.5	121.0	120.7	120.5
1.3.11.6 Non-Electrical Machinery	1.026	123.8	124.4	127.3	127.6	127.8
1.3.11.7 Electrical Machinery, Equipment & Batteries	2.343	136.6	137.8	138.6	139.0	139.1
1.3.11.8 Electrical Accessories, Wires, Cables etc.	1.063	150.3	151.5	157.2	157.3	157.2
1.3.11.9 Electrical Apparatus & Appliances	0.337	117.6	116.9	120.9	121.2	121.4
1.3.11.10 Electronics Items	0.961	87.9	90.1	89.2	89.3	89.7
1.3.11.11 IT Hardware	0.267	88.4	88.5	91.7	91.7	91.7
1.3.11.12 Communication Equipments	0.118	95.9	95.4	98.6	98.7	99.6
1.3.12 Transport, Equipment & Parts	**5.213**	**134.5**	**135.8**	**136.0**	**136.7**	**137.0**
1.3.12.1 Automotives	4.231	134.0	135.3	134.9	135.7	136.0
1.3.12.2 Auto Parts	0.804	133.6	135.2	138.9	139.1	139.6
1.3.12.3 Other Transport Equipments	0.178	150.1	151.6	149.8	149.9	150.1

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

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

Industry	Weight	2012-13	2013-14	April-January		January	
				2013-14	2014-15	2014	2015
	1	2	3	4	5	6	7
General Index	**100.00**	**172.2**	**172.0**	**169.8**	**174.0**	**184.0**	**188.7**
1 Sectoral Classification							
1.1 Mining and Quarrying	14.16	125.5	124.7	122.2	123.8	139.2	135.3
1.2 Manufacturing	75.53	183.3	181.9	179.5	182.6	194.1	200.5
1.3 Electricity	10.32	155.2	164.7	164.7	180.0	171.1	175.8
2 Use-Based Classification							
2.1 Basic Goods	45.68	153.6	156.9	154.9	166.3	167.3	174.8
2.2 Capital Goods	8.83	251.6	242.6	237.2	250.8	240.7	271.6
2.3 Intermediate Goods	15.69	146.7	151.3	150.5	152.7	158.2	156.9
2.4 Consumer Goods	29.81	190.6	185.3	182.9	174.3	206.2	202.2
2.4.1 Consumer Durables	8.46	301.1	264.2	263.5	226.1	261.6	247.8
2.4.2 Consumer Non-Durables	21.35	146.9	154.0	151.0	153.8	184.2	184.1

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

Government Accounts and Treasury Bills

No. 23: Union Government Accounts at a Glance

(Amount in ₹ Billion)

Item	Financial Year	April–February			
	2014-15 (Revised Estimates)	2013-14 (Actuals)	2014-15 (Actuals)	Percentage to Revised Estimates	
				2013-14	2014-15
	1	2	3	4	5
1 Revenue Receipts	11,262.9	7,836.0	8,162.4	76.1	72.5
1.1 Tax Revenue (Net)	9,084.6	6,271.3	6,514.2	75.0	71.7
1.2 Non-Tax Revenue	2,178.3	1,564.6	1,648.2	81.0	75.7
2 Capital Receipts	5,548.6	6,161.6	6,433.0	109.8	115.9
2.1 Recovery of Loans	108.9	105.8	110.6	97.9	101.6
2.2 Other Receipts	313.5	62.9	297.0	24.3	94.7
2.3 Borrowings and Other Liabilities	5,126.3	5,993.0	6,025.3	114.3	117.5
3 Total Receipts (1+2)	16,811.6	13,997.6	14,595.4	88.0	86.8
4 Non-Plan Expenditure	12,132.2	9,908.2	10,582.2	88.9	87.2
4.1 On Revenue Account	11,219.0	8,996.0	9,770.9	87.5	87.1
4.1.1 Interest Payments	4,113.5	3,218.4	3,462.6	84.7	84.2
4.2 On Capital Account	913.3	912.2	811.3	104.6	88.8
5 Plan Expenditure	4,679.3	4,089.3	4,013.2	86.0	85.8
5.1 On Revenue Account	3,668.8	3,183.7	3,224.0	85.6	87.9
5.2 On Capital Account	1,010.5	905.6	789.1	87.3	78.1
6 Total Expenditure (4+5)	16,811.6	13,997.6	14,595.4	88.0	86.8
7 Revenue Expenditure (4.1+5.1)	14,887.8	12,179.7	12,994.9	87.0	87.3
8 Capital Expenditure (4.2+5.2)	1,923.8	1,817.8	1,600.4	95.2	83.2
9 Revenue Deficit (7-1)	3,624.9	4,343.8	4,832.5	117.3	133.3
10 Fiscal Deficit {6-(1+2.1+2.2)}	5,126.3	5,993.0	6,025.3	114.3	117.5
11 Gross Primary Deficit [10-4.1.1]	1,012.7	2,774.6	2,562.8	192.0	253.1

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

No. 24: Treasury Bills – Ownership Pattern

(₹ Billion)

Item	2014-15	2014	2015					
		Feb. 28	Jan. 23	Jan. 30	Feb. 6	Feb. 13	Feb. 20	Feb. 27
	1	2	3	4	5	6	7	8
1 14-day								
1.1 Banks	–	–	–	–	–	–	–	–
1.2 Primary Dealers	–	–	–	–	–	–	–	–
1.3 State Governments	838.1	889.8	595.7	857.1	641.7	684.5	857.4	995.5
1.4 Others	14.7	5.3	8.1	8.6	9.2	9.9	7.5	6.0
2 91-day								
2.1 Banks	446.9	208.1	348.8	352.9	370.8	377.9	364.7	367.5
2.2 Primary Dealers	284.1	310.1	318.6	294.8	262.0	234.5	227.1	233.7
2.3 State Governments	368.3	613.9	665.8	558.8	576.3	520.3	486.3	480.8
2.4 Others	264.9	269.8	514.0	431.4	439.2	423.8	440.3	398.4
3 182-day								
3.1 Banks	231.5	240.3	280.9	259.5	265.8	256.8	270.6	255.7
3.2 Primary Dealers	408.9	289.1	281.6	317.8	308.5	352.6	327.0	361.3
3.3 State Governments	13.9	6.8	15.4	15.4	15.4	14.9	14.9	14.9
3.4 Others	113.9	139.4	141.6	126.3	129.2	115.5	127.3	117.7
4 364-day								
4.1 Banks	330.8	299.4	431.8	433.1	432.5	416.9	376.8	393.0
4.2 Primary Dealers	657.3	608.8	570.7	609.5	572.2	612.8	620.9	686.0
4.3 State Governments	12.0	7.0	12.0	12.0	12.0	12.0	12.0	12.0
4.4 Others	483.4	431.5	469.1	430.0	466.9	441.7	474.1	393.5
5 Total	4,468.7	4,319.2	4,654.2	4,707.3	4,501.7	4,474.2	4,607.0	4,716.1

No. 25: Auctions of Treasury Bills

(Amount in ₹ Billion)

Date of Auction	Notified Amount	Bids Received			Bids Accepted			Total Issue (6+7)	Cut-off Price	Implicit Yield at Cut-off Price (per cent)
		Number	Total Face Value		Number	Total Face Value				
			Competitive	Non-Competitive		Competitive	Non-Competitive			
	1	2	3	4	5	6	7	8	9	10
91-day Treasury Bills										
2014-15										
Jan. 28	80	87	182.10	53.03	64	80.00	53.03	133.03	97.99	8.2275
Feb. 4	80	88	188.47	73.07	62	80.00	73.07	153.07	97.98	8.2692
Feb. 11	80	82	203.36	5.04	35	44.17	5.04	49.21	97.98	8.2692
Feb. 18	80	93	208.77	16.11	62	80.00	16.11	96.11	97.96	8.3528
Feb. 25	80	91	264.10	80.04	47	43.94	80.04	123.98	97.95	8.3946
182-day Treasury Bills										
2014-15										
Jan. 28	60	54	128.42	0.02	37	60.00	0.02	60.02	96.10	8.1388
Feb. 11	60	49	136.49	–	28	60.00	–	60.00	96.05	8.2475
Feb. 25	60	72	147.76	–	42	60.00	–	60.00	96.01	8.3345
364-day Treasury Bills										
2014-15										
Jan. 7	70	77	215.46	–	29	70.00	–	70.00	92.46	8.1773
Jan. 21	60	85	199.53	0.02	31	60.00	0.02	60.02	92.69	7.9082
Feb. 4	60	99	217.35	–	38	60.00	–	60.00	92.58	8.0367
Feb. 18	60	86	198.03	–	19	60.00	–	60.00	92.58	8.0367

Financial Markets

No. 26: Daily Call Money Rates

(Per cent per annum)

As on		Range of Rates	Weighted Average Rates
		Borrowings/ Lendings	Borrowings/ Lendings
		1	2
February	2, 2015	6.25-8.10	7.57
February	3, 2015	6.00-8.20	7.80
February	4, 2015	6.00-8.05	7.59
February	5, 2015	6.25-8.75	7.85
February	6, 2015	4.00-8.05	7.62
February	7, 2015	5.00-25.00	11.10
February	9, 2015	6.00-8.35	7.75
February	10, 2015	6.25-8.05	7.60
February	11, 2015	6.40-8.75	7.91
February	12, 2015	6.50-8.05	7.75
February	13, 2015	4.00-7.95	7.51
February	14, 2015	2.00-7.30	5.49
February	16, 2015	6.40-8.35	7.77
February	18, 2015	6.50-8.15	7.74
February	20, 2015	3.00-8.10	7.63
February	21, 2015	4.00-7.70	6.18
February	23, 2015	6.50-8.27	7.84
February	24, 2015	6.50-8.20	7.73
February	25, 2015	6.50-8.10	7.58
February	26, 2015	6.00-8.10	7.74
February	27, 2015	4.15-7.90	7.53
February	28, 2015	3.25-8.00	6.79
March	2, 2015	6.25-7.95	7.60
March	3, 2015	5.75-7.75	7.49
March	4, 2015	5.80-7.70	7.25
March	5, 2015	5.00-7.50	7.17
March	7, 2015	5.00-8.00	6.87
March	9, 2015	6.00-7.80	7.47
March	10, 2015	6.00-7.80	7.28
March	11, 2015	6.00-7.75	7.38
March	12, 2015	6.00-7.70	7.42
March	13, 2015	4.50-7.70	7.29
March	14, 2015	5.00-8.48	7.53

No. 27: Certificates of Deposit

Item	2014	2015			
	Feb. 21	Jan. 9	Jan. 23	Feb. 6	Feb. 20
	1	2	3	4	5
1 Amount Outstanding (₹ Billion)	3,303.8	2,787.8	2,633.8	2,620.9	2,615.0
1.1 Issued during the fortnight (₹ Billion)	286.1	263.1	116.3	263.5	343.0
2 Rate of Interest (per cent)	8.58-10.06	8.30-8.67	8.06-8.65	8.06-9.10	7.75-9.09

No. 28: Commercial Paper

Item	2014	2015			
	Feb. 28	Jan. 15	Jan. 31	Feb. 15	Feb. 28
	1	2	3	4	5
1 Amount Outstanding (₹ Billion)	1,646.0	2,528.7	2,376.1	2,574.9	2,493.5
1.1 Reported during the fortnight (₹ Billion)	292.0	565.3	373.4	544.4	517.8
2 Rate of Interest (per cent)	7.84-13.06	8.06-11.73	7.95-13.21	7.86-12.21	8.04-12.19

No. 29: Average Daily Turnover in Select Financial Markets

(₹ Billion)

Item	2013-14	2014	2015					
		Feb. 28	Jan. 23	Jan. 30	Feb. 6	Feb. 13	Feb. 20	Feb. 27
	1	2	3	4	5	6	7	8
1 Call Money	230.7	213.0	209.7	224.5	201.7	173.3	117.4	162.3
2 Notice Money	71.6	100.8	79.1	112.0	75.6	41.8	91.6	74.5
3 Term Money	5.4	4.3	4.7	7.3	2.9	4.8	5.4	4.4
4 CBLO	1,196.3	1,385.8	1,134.6	1,242.7	1,299.9	1,389.2	1,144.6	1,286.5
5 Market Repo	986.8	856.5	1,372.7	1,109.5	1,349.9	1,138.4	1,408.0	1,124.7
6 Repo in Corporate Bond	0.3	–	–	–	–	–	–	–
7 Forex (US $ million)	50,568	58,419	55,314	68,158	51,393	48,958	47,448	63,810
8 Govt. of India Dated Securities	662.5	379.4	1,013.4	764.1	1,070.4	580.1	584.1	440.1
9 State Govt. Securities	12.8	16.4	23.0	21.4	17.7	17.9	36.3	32.2
10 Treasury Bills								
10.1 91-Day	26.7	14.5	18.7	25.6	32.3	27.7	28.1	20.9
10.2 182-Day	12.9	11.7	2.8	13.5	13.5	6.5	8.7	13.1
10.3 364-Day	25.4	19.0	32.4	53.5	29.1	12.5	20.9	21.3
10.4 Cash Management Bills	7.3	–	–	–	–	–	–	–
11 Total Govt. Securities (8+9+10)	747.6	441.0	1,090.3	878.2	1,162.9	644.7	678.2	527.6
11.1 RBI	4.0	3.4	0.8	2.9	5.1	1.7	1.9	0.7

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

(Amount in ₹ Billion)

Security & Type of Issue	2013-14		2013-14 (Apr.-Feb.)		2014-15 (Apr.-Feb.) *		Feb. 2014		Feb. 2015 *	
	No. of Issues	Amount	No. of Issues	Amount	No. of Issues	Amount	No. of Issues	Amount	No. of Issues	Amount
	1	2	3	4	5	6	7	8	9	10
1 Equity Shares	53	58.1	46	36.9	50	61.1	8	2.8	2	2.8
1A Premium	43	53.2	40	33.1	42	46.5	7	2.6	2	2.7
1.1 Prospectus	38	12.4	33	12.1	35	14.3	6	0.4	1	0.0
1.1.1 Premium	30	10.7	29	10.7	31	12.6	5	0.2	1	–
1.2 Rights	15	45.8	13	24.7	15	46.8	2	2.4	1	2.8
1.2.1 Premium	13	42.5	11	22.4	11	33.9	2	2.4	1	2.7
2 Preference Shares	–	–	–	–	–	–	–	–	–	–
2.1 Prospectus	–	–	–	–	–	–	–	–	–	–
2.2 Rights	–	–	–	–	–	–	–	–	–	–
3 Debentures	17	58.7	14	52.7	20	71.0	1	2.0	2	9.9
3.1 Convertible	–	–	–	–	–	–	–	–	–	–
3.1.1 Prospectus	–	–	–	–	–	–	–	–	–	–
3.1.2 Rights	–	–	–	–	–	–	–	–	–	–
3.2 Non-Convertible	17	58.7	14	52.7	20	71.0	1	2.0	2	9.9
3.2.1 Prospectus	17	58.7	14	52.7	20	71.0	1	2.0	2	9.9
3.2.2 Rights	–	–	–	–	–	–	–	–	–	–
4 Bonds	–	–	–	–	–	–	–	–	–	–
4.1 Prospectus	–	–	–	–	–	–	–	–	–	–
4.2 Rights	–	–	–	–	–	–	–	–	–	–
5 Total (1+2+3+4)	70	116.8	60	89.6	70	132.1	9	4.7	4	12.8
5.1 Prospectus	55	71.0	47	64.9	55	85.3	7	2.3	3	10.0
5.2 Rights	15	45.8	13	24.7	15	46.8	2	2.4	1	2.8

* : Data is Provisional

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

External Sector

No. 31: Foreign Trade

Item	Unit	2013-14	2014				2015	
			Feb.	Oct.	Nov.	Dec.	Jan.	Feb.
		1	2	3	4	5	6	7
1 Exports	₹ Billion	19,050.1	1,577.7	1,592.6	1,624.8	1,614.5	1,479.6	1,336.6
	US $ Million	314,415.7	25,353.2	25,963.0	26,332.4	25,728.0	23,777.1	21,545.3
1.1 Oil	₹ Billion	3,832.5	291.2	358.0	281.4	268.9	149.8	130.7
	US $ Million	63,179.4	4,679.6	5,835.6	4,559.9	4,284.8	2,406.8	2,106.3
1.2 Non-oil	₹ Billion	15,217.6	1,286.5	1,234.7	1,343.4	1,345.6	1,329.8	1,205.9
	US $ Million	251,236.3	20,673.6	20,127.4	21,772.4	21,443.2	21,370.3	19,439.0
2 Imports	₹ Billion	27,154.3	2,095.0	2,422.0	2,634.3	2,177.0	2,000.8	1,761.4
	US $ Million	450,213.6	33,665.6	39,484.1	42,692.3	34,692.1	32,154.1	28,392.3
2.1 Oil	₹ Billion	9,978.9	853.0	767.8	721.9	625.0	512.4	378.5
	US $ Million	164,770.3	13,706.9	12,517.1	11,699.9	9,959.4	8,233.9	6,101.2
2.2 Non-oil	₹ Billion	17,175.5	1,242.0	1,654.2	1,912.4	1,552.1	1,488.5	1,382.9
	US $ Million	285,443.3	19,958.7	26,967.0	30,992.5	24,732.7	23,920.2	22,291.1
3 Trade Balance	₹ Billion	–8,104.2	–517.3	–829.4	–1,009.5	–562.5	–521.3	–424.8
	US $ Million	–135,797.9	–8,312.3	–13,521.2	–16,360.0	–8,964.2	–8,377.0	–6,847.0
3.1 Oil	₹ Billion	–6,146.4	–561.8	–409.9	–440.6	–356.1	–362.6	–247.8
	US $ Million	–101,591.0	–9,027.3	–6,681.5	–7,139.9	–5,674.7	–5,827.1	–3,994.9
3.2 Non-oil	₹ Billion	–1,957.9	44.5	–419.6	–568.9	–206.4	–158.7	–176.9
	US $ Million	–34,206.9	715.0	–6,839.6	–9,220.1	–3,289.5	–2,549.9	–2,852.1

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

No. 32: Foreign Exchange Reserves

Item	Unit	2014	2015					
		Mar. 28	Feb. 20	Feb. 27	Mar. 6	Mar. 13	Mar. 20	Mar. 27
		1	2	3	4	5	6	7
1 Total Reseves	**₹ Billion**	**18,292**	**20,797**	**20,903**	**21,006**	**21,015**	**21,229**	**21,349**
	US $ Million	**303,674**	**334,193**	**338,079**	**337,793**	**335,730**	**339,992**	**341,378**
1.1 Foreign Currency Assets	₹ Billion	16,612	19,195	19,305	19,430	19,441	19,674	19,791
	US $ Million	276,406	308,298	312,200	312,323	310,347	314,887	316,238
1.2 Gold	₹ Billion	1,302	1,247	1,247	1,226	1,226	1,226	1,226
	US $ Million	20,978	20,183	20,183	19,837	19,837	19,837	19,837
1.3 SDRs	SDRs Million	2,888	2,889	2,889	2,889	2,889	2,889	2,889
	₹ Billion	268	254	251	250	248	249	251
	US $ Million	4,458	4,077	4,066	4,021	3,960	3,979	4,005
1.4 Reserve Tranche Position in IMF	₹ Billion	110	102	101	100	99	81	81
	US $ Million	1,831	1,635	1,630	1,612	1,585	1,290	1,298

No. 33: NRI Deposits

(US$ Million)

Scheme	Outstanding				Flows	
	2013-14	2014	2015		2013-14	2014-15
		Feb.	Jan.	Feb.	Apr.-Feb.	Apr.-Feb.
	1	2	3	4	5	6
1 NRI Deposits	**103,844**	**100,247**	**113,593**	**114,417**	**36,767**	**12,372**
1.1 FCNR(B)	41,823	40,963	42,687	42,753	25,775	930
1.2 NR(E)RA	52,908	50,642	61,253	62,007	10,874	10,649
1.3 NRO	9,114	8,642	9,653	9,657	118	793

No. 34: Foreign Investment Inflows

(US$ Million)

Item	2013-14	2013-14	2014-15	2014	2015	
		Apr.-Feb.	Apr.-Feb.	Feb.	Jan.	Feb.
	1	2	3	4	5	6
1.1 Net Foreign Direct Investment (1.1.1–1.1.2)	**21,564**	**19,431**	**31,537**	**–666**	**4,687**	**3,089**
1.1.1 Direct Investment to India (1.1.1.1–1. 1.1.2)	**30,762**	**26,549**	**32,655**	**2,697**	**4,787**	**3,238**
1.1.1.1 Gross Inflows/Gross Investments	**36,046**	**31,445**	**41,224**	**3,085**	**5,962**	**4,414**
1.1.1.1.1 Equity	25,274	21,652	29,679	2,106	4,570	3,377
1.1.1.1.1.1 Government (SIA/FIPB)	1,185	1,173	1,977	52	209	65
1.1.1.1.1.2 RBI	14,869	11,610	20,889	1,365	4,016	2,920
1.1.1.1.1.3 Acquisition of shares	8,245	7,983	5,949	601	255	303
1.1.1.1.1.4 Equity capital of unincorporated bodies	975	886	863	89	89	89
1.1.1.1.2 Reinvested earnings	8,978	8,159	8,164	819	819	819
1.1.1.1.3 Other capital	1,794	1,634	3,381	160	574	218
1.1.1.2 Repatriation/Disinvestment	**5,284**	**4,896**	**8,569**	**388**	**1,176**	**1,176**
1.1.1.2.1 Equity	4,786	4,425	8,389	361	1,175	1,175
1.1.1.2.2 Other capital	498	472	180	27	0	0
1.1.2 Foreign Direct Investment by India (1.1.2.1+1.1.2.2+1.1.2.3–1.1.2.4)	**9,199**	**7,118**	**1,117**	**3,363**	**99**	**149**
1.1.2.1 Equity capital	12,420	10,395	3,453	3,610	287	362
1.1.2.2 Reinvested Earnings	1,167	1,068	1,006	99	87	87
1.1.2.3 Other Capital	3,148	2,711	2,583	134	222	197
1.1.2.4 Repatriation/Disinvestment	7,535	7,055	5,924	480	496	496
1.2 Net Portfolio Investment (1.2.1+1.2.2+1.2.3–1.2.4)	**4,822**	**–487**	**38,916**	**1,421**	**6,650**	**3,784**
1.2.1 GDRs/ADRs	20	20	–	–	–	–
1.2.2 FIIs	5,009	–388	38,890	1,509	6,634	3,769
1.2.3 Offshore funds and others	–	–	–	–	–	–
1.2.4 Portfolio investment by India	207	119	–26	88	–15	–15
1 Foreign Investment Inflows	**26,385**	**18,944**	**70,454**	**755**	**11,337**	**6,873**

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

(US$ Million)

Item	2013-14	2014			2015
		Jan.	Nov.	Dec.	Jan.
	1	2	3	4	5
1 Outward Remittances under the LRS	**1,093.9**	**105.9**	**119.2**	**95.1**	**150.9**
1.1 Deposit	31.6	1.4	1.9	3.4	3.1
1.2 Purchase of immovable property	58.7	1.3	4.2	3.2	5.1
1.3 Investment in equity/debt	165.5	7.3	11.3	15.8	13.7
1.4 Gift	267.1	22.6	32.1	30.1	33.6
1.5 Donations	2.0	0.1	0.2	0.2	0.1
1.6 Travel	15.9	1.0	0.7	0.8	0.7
1.7 Maintenance of close relatives	173.9	9.8	13.0	11.1	20.0
1.8 Medical Treatment	4.7	0.7	0.3	0.8	0.6
1.9 Studies Abroad	159.3	22.0	33.0	20.2	51.4
1.10 Others	215.3	39.8	22.5	9.4	22.6

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

Item	2012-13	2013-14	2014	2015	
			March	February	March
	1	2	3	4	5
36-Currency Export and Trade Based Weights (Base: 2004-05=100)					
1 Trade-Based Weights					
1.1 NEER	78.32	72.32	71.90	76.00	76.73
1.2 REER	105.57	103.27	103.82	112.01	113.23
2 Export-Based Weights					
2.1 NEER	80.05	73.56	72.98	77.27	77.93
2.2 REER	108.71	105.49	105.80	114.66	115.77
6-Currency Trade Based Weights					
1 Base: 2004-05 (April-March) =100					
1.1 NEER	75.59	67.75	66.48	70.63	71.33
1.2 REER	117.15	112.77	112.55	124.41	125.22
2 Base: 2013-14 (April-March) =100					
2.1 NEER	111.57	100.00	98.13	104.25	105.29
2.2 REER	103.88	100.00	99.80	110.31	111.04

No. 37: External Commercial Borrowings (ECBs)

(Amount in US$ Million)

Item	2013-14	2014	2015	
		Feb.	Jan.	Feb.
	1	2	3	4
1 Automatic Route				
1.1 Number	573	27	71	52
1.2 Amount	12,340	662	1,496	1,233
2 Approval Route				
2.1 Number	140	18	3	5
2.2 Amount	20,892	3,641	1,095	1,030
3 Total (1+2)				
3.1 Number	713	45	74	57
3.2 Amount	33,232	4,303	2,591	2,263
4 Weighted Average Maturity (in years)	4.88	4.32	7.32	12.88
5 Interest Rate (per cent)				
5.1 Weighted Average Margin over 6-month LIBOR or reference rate for Floating Rate Loans	1.98	1.70	3.09	1.81
5.2 Interest rate range for Fixed Rate Loans	0.00-12.79	0.00-9.25	0.00-10.50	0.00-7.65

No. 38: India's Overall Balance of Payments

(US $ Million)

Item	Oct-Dec 2013 (PR)			Oct-Dec 2014 (P)		
	Credit	Debit	Net	Credit	Debit	Net
	1	2	3	4	5	6
Overall Balance of Payments(1+2+3)	**266,988**	**247,885**	**19,103**	**261,893**	**248,712**	**13,182**
1 CURRENT ACCOUNT (1.1+ 1.2)	**138,057**	**142,154**	**–4,097**	**139,114**	**147,509**	**–8,395**
1.1 MERCHANDISE	**79,795**	**112,947**	**–33,152**	**78,999**	**118,246**	**–39,247**
1.2 INVISIBLES (1.2.1+1.2.2+1.2.3)	**58,262**	**29,207**	**29,054**	**60,115**	**29,263**	**30,852**
1.2.1 Services	37,643	19,523	18,120	39,639	19,352	20,287
1.2.1.1 Travel	5,091	2,748	2,343	5,461	3,676	1,786
1.2.1.2 Transportation	4,114	3,421	693	4,657	4,125	532
1.2.1.3 Insurance	487	290	197	565	314	251
1.2.1.4 G.n.i.e.	104	171	–67	158	224	–66
1.2.1.5 Miscellaneous	27,847	12,893	14,953	28,797	11,013	17,784
1.2.1.5.1 Software Services	17,475	654	16,821	18,692	848	17,844
1.2.1.5.2 Business Services	6,905	6,720	186	7,207	7,068	139
1.2.1.5.3 Financial Services	1,708	1,277	432	1,334	736	598
1.2.1.5.4 Communication Services	516	219	297	537	222	315
1.2.2 Transfers	17,649	1,269	16,380	17,542	1,150	16,392
1.2.2.1 Official	401	229	172	130	265	–135
1.2.2.2 Private	17,247	1,040	16,208	17,412	885	16,527
1.2.3 Income	2,970	8,416	–5,446	2,934	8,760	–5,827
1.2.3.1 Investment Income	2,150	7,763	–5,613	2,008	8,144	–6,136
1.2.3.2 Compensation of Employees	820	653	167	926	617	309
2 CAPITAL ACCOUNT (2.1+2.2+2.3+2.4+2.5)	**128,931**	**105,144**	**23,787**	**122,779**	**99,427**	**23,352**
2.1 Foreign Investment (2.1.1+2.1.2)	**54,564**	**46,108**	**8,456**	**67,179**	**53,543**	**13,636**
2.1.1 Foreign Direct Investment	9,689	3,623	6,066	11,596	4,240	7,356
2.1.1.1 In India	7,188	1,410	5,778	9,796	2,152	7,644
2.1.1.1.1 Equity	4,224	1,324	2,900	6,588	2,084	4,504
2.1.1.1.2 Reinvested Earnings	2,374	–	2,374	2,379	–	2,379
2.1.1.1.3 Other Capital	590	86	504	829	68	761
2.1.1.2 Abroad	2,501	2,213	288	1,799	2,088	–288
2.1.1.2.1 Equity	2,501	1,292	1,209	1,799	1,179	620
2.1.1.2.2 Reinvested Earnings	–	297	–297	–	260	–260
2.1.1.2.3 Other Capital	–	624	–624	–	649	–649
2.1.2 Portfolio Investment	44,875	42,485	2,390	55,583	49,303	6,280
2.1.2.1 In India	44,777	42,243	2,534	55,354	49,204	6,150
2.1.2.1.1 FIIs	44,777	42,243	2,534	55,354	49,204	6,150
2.1.2.1.1.1 Equity	36,278	30,057	6,221	40,972	40,728	243
2.1.2.1.1.2 Debt	8,498	12,186	–3,688	14,382	8,475	5,906
2.1.2.1.2 ADR/GDRs	–	–	–	–	–	–
2.1.2.2 Abroad	98	242	–144	230	99	130
2.2 Loans (2.2.1+2.2.2+2.2.3)	**31,440**	**28,429**	**3,012**	**28,456**	**27,792**	**664**
2.2.1 External Assistance	1,044	1,084	–40	1,387	1,130	258
2.2.1.1 By India	11	61	–50	15	128	–113
2.2.1.2 To India	1,033	1,023	10	1,372	1,002	370
2.2.2 Commercial Borrowings	7,551	3,340	4,211	9,498	7,739	1,759
2.2.2.1 By India	234	90	144	410	38	373
2.2.2.2 To India	7,317	3,250	4,067	9,088	7,702	1,386
2.2.3 Short Term to India	22,846	24,005	–1,159	17,570	18,923	–1,353
2.2.3.1 Suppliers' Credit > 180 days & Buyers' Credit	22,846	23,255	–409	16,821	18,923	–2,102
2.2.3.2 Suppliers' Credit up to 180 days	–	750	–750	749	–	749
2.3 Banking Capital (2.3.1+2.3.2)	**38,288**	**22,530**	**15,758**	**23,650**	**13,149**	**10,501**
2.3.1 Commercial Banks	38,100	22,530	15,570	23,335	13,149	10,186
2.3.1.1 Assets	3,191	7,811	–4,620	6,526	446	6,081
2.3.1.2 Liabilities	34,909	14,719	20,190	16,809	12,703	4,105
2.3.1.2.1 Non-Resident Deposits	33,025	11,577	21,448	14,493	10,910	3,583
2.3.2 Others	188	–	188	315	–	315
2.4 Rupee Debt Service	–	–	–	–	–	–
2.5 Other Capital	4,638	8,077	–3,439	3,495	4,944	–1,449
3 Errors & Omissions	–	**586**	**–586**	–	**1,776**	**–1,776**
4 Monetary Movements (4.1+ 4.2)	–	**19,103**	**–19,103**	–	**13,182**	**–13,182**
4.1 I.M.F.	–	–	–	–	–	–
4.2 Foreign Exchange Reserves (Increase - / Decrease +)	–	19,103	–19,103	–	13,182	–13,182

No. 39: India's Overall Balance of Payments

(₹ Billion)

Item	Oct-Dec 2013 (PR) Credit	Oct-Dec 2013 (PR) Debit	Oct-Dec 2013 (PR) Net	Oct-Dec 2014 (P) Credit	Oct-Dec 2014 (P) Debit	Oct-Dec 2014 (P) Net
	1	2	3	4	5	6
Overall Balance of Payments(1+2+3)	**16,567**	**15,382**	**1,185**	**16,220**	**15,403**	**816**
1 CURRENT ACCOUNT (1.1+ 1.2)	**8,567**	**8,821**	**–254**	**8,616**	**9,136**	**–520**
1.1 MERCHANDISE	**4,951**	**7,009**	**–2,057**	**4,893**	**7,323**	**–2,431**
1.2 INVISIBLES (1.2.1+1.2.2+1.2.3)	**3,615**	**1,812**	**1,803**	**3,723**	**1,812**	**1,911**
1.2.1 Services	2,336	1,211	1,124	2,455	1,199	1,256
1.2.1.1 Travel	316	171	145	338	228	111
1.2.1.2 Transportation	255	212	43	288	255	33
1.2.1.3 Insurance	30	18	12	35	19	16
1.2.1.4 G.n.i.e.	6	11	–4	10	14	–4
1.2.1.5 Miscellaneous	1,728	800	928	1,784	682	1,101
1.2.1.5.1 Software Services	1,084	41	1,044	1,158	53	1,105
1.2.1.5.2 Business Services	428	417	12	446	438	9
1.2.1.5.3 Financial Services	106	79	27	83	46	37
1.2.1.5.4 Communication Services	32	14	18	33	14	20
1.2.2 Transfers	1,095	79	1,016	1,086	71	1,015
1.2.2.1 Official	25	14	11	8	16	–8
1.2.2.2 Private	1,070	65	1,006	1,078	55	1,024
1.2.3 Income	184	522	–338	182	543	–361
1.2.3.1 Investment Income	133	482	–348	124	504	–380
1.2.3.2 Compensation of Employees	51	41	10	57	38	19
2 CAPITAL ACCOUNT (2.1+2.2+2.3+2.4+2.5)	**8,001**	**6,525**	**1,476**	**7,604**	**6,158**	**1,446**
2.1 Foreign Investment (2.1.1+2.1.2)	3,386	2,861	525	4,161	3,316	845
2.1.1 Foreign Direct Investment	601	225	376	718	263	456
2.1.1.1 In India	446	88	359	607	133	473
2.1.1.1.1 Equity	262	82	180	408	129	279
2.1.1.1.2 Reinvested Earnings	147	–	147	147	–	147
2.1.1.1.3 Other Capital	37	5	31	51	4	47
2.1.1.2 Abroad	155	137	18	111	129	–18
2.1.1.2.1 Equity	155	80	75	111	73	38
2.1.1.2.2 Reinvested Earnings	–	18	–18	–	16	–16
2.1.1.2.3 Other Capital	–	39	–39	–	40	–40
2.1.2 Portfolio Investment	2,785	2,636	148	3,442	3,053	389
2.1.2.1 In India	2,779	2,621	157	3,428	3,047	381
2.1.2.1.1 FIIs	2,779	2,621	157	3,428	3,047	381
2.1.2.1.1.1 Equity	2,251	1,865	386	2,538	2,522	15
2.1.2.1.1.2 Debt	527	756	–229	891	525	366
2.1.2.1.2 ADR/GDRs	–	–	–	–	–	–
2.1.2.2 Abroad	6	15	–9	14	6	8
2.2 Loans (2.2.1+2.2.2+2.2.3)	**1,951**	**1,764**	**187**	**1,762**	**1,721**	**41**
2.2.1 External Assistance	65	67	–2	86	70	16
2.2.1.1 By India	1	4	–3	1	8	–7
2.2.1.2 To India	64	63	1	85	62	23
2.2.2 Commercial Borrowings	469	207	261	588	479	109
2.2.2.1 By India	15	6	9	25	2	23
2.2.2.2 To India	454	202	252	563	477	86
2.2.3 Short Term to India	1,418	1,490	–72	1,088	1,172	–84
2.2.3.1 Suppliers' Credit > 180 days & Buyers' Credit	1,418	1,443	–25	1,042	1,172	–130
2.2.3.2 Suppliers' Credit up to 180 days	–	47	–47	46	–	46
2.3 Banking Capital (2.3.1+2.3.2)	**2,376**	**1,398**	**978**	**1,465**	**814**	**650**
2.3.1 Commercial Banks	2,364	1,398	966	1,445	814	631
2.3.1.1 Assets	198	485	–287	404	28	377
2.3.1.2 Liabilities	2,166	913	1,253	1,041	787	254
2.3.1.2.1 Non-Resident Deposits	2,049	718	1,331	898	676	222
2.3.2 Others	12	–	12	20	–	20
2.4 Rupee Debt Service	–	–	–	–	–	–
2.5 Other Capital	288	501	–213	216	306	–90
3 Errors & Omissions	–	**36**	**–36**	–	**110**	**–110**
4 Monetary Movements (4.1+ 4.2)	–	**1,185**	**–1,185**	–	**816**	**–816**
4.1 I.M.F.	–	–	–	–	–	–
4.2 Foreign Exchange Reserves (Increase - / Decrease +)	–	1,185	–1,185	–	816	–816

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

(US $ Million)

Item	Oct-Dec 2013 (PR)			Oct-Dec 2014 (P)		
	Credit	Debit	Net	Credit	Debit	Net
	1	2	3	4	5	6
1 Current Account (1.A+1.B+1.C)	**137,707**	**141,930**	**–4,223**	**139,025**	**147,251**	**–8,226**
1.A Goods and Services (1.A.a+1.A.b)	**117,438**	**132,469**	**–15,032**	**118,638**	**137,598**	**–18,960**
1.A.a Goods (1.A.a.1 to 1.A.a.3)	**79,795**	**112,947**	**–33,152**	**78,999**	**118,246**	**–39,247**
1.A.a.1 General merchandise on a BOP basis	79,214	109,812	–30,597	78,999	107,168	–28,169
1.A.a.2 Net exports of goods under merchanting	580	–	580	–	–	–
1.A.a.3 Nonmonetary gold	–	3,135	–3,135	–	11,078	–11,078
1.A.b Services (1.A.b.1 to 1.A.b.13)	**37,643**	**19,523**	**18,120**	**39,639**	**19,352**	**20,287**
1.A.b.1 Manufacturing services on physical inputs owned by others	18	5	13	28	5	24
1.A.b.2 Maintenance and repair services n.i.e.	30	63	–33	66	54	12
1.A.b.3 Transport	4,114	3,421	693	4,657	4,125	532
1.A.b.4 Travel	5,091	2,748	2,343	5,461	3,676	1,786
1.A.b.5 Construction	299	320	–21	351	273	78
1.A.b.6 Insurance and pension services	487	290	197	565	314	251
1.A.b.7 Financial services	1,708	1,277	432	1,334	736	598
1.A.b.8 Charges for the use of intellectual property n.i.e.	179	1,024	–845	181	1,300	–1,120
1.A.b.9 Telecommunications, computer, and information services	18,035	932	17,102	19,279	1,155	18,124
1.A.b.10 Other business services	6,905	6,720	186	7,207	7,068	139
1.A.b.11 Personal, cultural, and recreational services	301	193	109	289	403	–114
1.A.b.12 Government goods and services n.i.e.	104	171	–67	158	224	–66
1.A.b.13 Others n.i.e.	371	2,360	–1,989	62	20	42
1.B Primary Income (1.B.1 to 1.B.3)	**2,970**	**8,416**	**–5,446**	**2,934**	**8,760**	**–5,827**
1.B.1 Compensation of employees	820	653	167	926	617	309
1.B.2 Investment income	1,819	7,711	–5,892	1,616	8,089	–6,473
1.B.2.1 Direct investment	824	3,469	–2,645	745	2,936	–2,190
1.B.2.2 Portfolio investment	90	1,190	–1,100	29	1,662	–1,633
1.B.2.3 Other investment	130	3,052	–2,922	97	3,490	–3,393
1.B.2.4 Reserve assets	775	–	775	744	1	744
1.B.3 Other primary income	331	52	279	392	55	338
1.C Secondary Income (1.C.1+1.C.2)	**17,299**	**1,045**	**16,254**	**17,454**	**893**	**16,561**
1.C.1 Financial corporations, nonfinancial corporations, households, and NPISHs	17,247	1,040	16,208	17,412	885	16,527
1.C.1.1 Personal transfers (Current transfers between resident and/ non-resident households)	16,713	986	15,728	16,773	803	15,970
1.C.1.2 Other current transfers	534	54	480	639	82	557
1.C.2 General government	52	6	47	41	8	34
2 Capital Account (2.1+2.2)	**406**	**297**	**110**	**271**	**317**	**–45**
2.1 Gross acquisitions (DR.)/disposals (CR.) of non-produced nonfinancial assets	41	35	6	152	23	129
2.2 Capital transfers	365	261	103	119	293	–174
3 Financial Account (3.1 to 3.5)	**128,909**	**124,209**	**4,700**	**122,597**	**112,550**	**10,047**
3.1 Direct Investment (3.1A+3.1B)	**9,689**	**3,623**	**6,066**	**11,596**	**4,240**	**7,356**
3.1.A Direct Investment in India	7,188	1,410	5,778	9,796	2,152	7,644
3.1.A.1 Equity and investment fund shares	6,598	1,324	5,274	8,967	2,084	6,883
3.1.A.1.1 Equity other than reinvestment of earnings	4,224	1,324	2,900	6,588	2,084	4,504
3.1.A.1.2 Reinvestment of earnings	2,374	–	2,374	2,379	–	2,379
3.1.A.2 Debt instruments	590	86	504	829	68	761
3.1.A.2.1 Direct investor in direct investment enterprises	590	86	504	829	68	761
3.1.B Direct Investment by India	2,501	2,213	288	1,799	2,088	–288
3.1.B.1 Equity and investment fund shares	2,501	1,589	912	1,799	1,439	361
3.1.B.1.1 Equity other than reinvestment of earnings	2,501	1,292	1,209	1,799	1,179	620
3.1.B.1.2 Reinvestment of earnings	–	297	–297	–	260	–260
3.1.B.2 Debt instruments	–	624	–624	–	649	–649
3.1.B.2.1 Direct investor in direct investment enterprises	–	624	–624	–	649	–649
3.2 Portfolio Investment	**44,875**	**42,485**	**2,390**	**55,583**	**49,303**	**6,280**
3.2.A Portfolio Investment in India	44,777	42,243	2,534	55,354	49,204	6,150
3.2.1 Equity and investment fund shares	36,278	30,057	6,221	40,972	40,728	243
3.2.2 Debt securities	8,498	12,186	–3,688	14,382	8,475	5,906
3.2.B Portfolio Investment by India	98	242	–144	230	99	130
3.3 Financial derivatives (other than reserves) and employee stock options	**2,286**	**1,498**	**788**	**1,866**	**4,209**	**–2,343**
3.4 Other investment	**72,059**	**57,500**	**14,558**	**53,553**	**41,616**	**11,936**
3.4.1 Other equity (ADRs/GDRs)	–	–	–	–	–	–
3.4.2 Currency and deposits	33,213	11,577	21,636	14,808	10,910	3,898
3.4.2.1 Central bank (Rupee Debt Movements; NRG)	188	–	188	315	–	315
3.4.2.2 Deposit-taking corporations, except the central bank (NRI Deposits)	33,025	11,577	21,448	14,493	10,910	3,583
3.4.2.3 General government	–	–	–	–	–	–
3.4.2.4 Other sectors	–	–	–	–	–	–
3.4.3 Loans (External Assistance, ECBs and Banking Capital)	13,670	15,377	–1,707	19,728	11,108	8,619
3.4.3.A Loans to India	13,425	15,226	–1,801	19,302	10,943	8,359
3.4.3.B Loans by India	245	151	94	426	165	260
3.4.4 Insurance, pension, and standardized guarantee schemes	13	181	–168	211	135	76
3.4.5 Trade credit and advances	22,846	24,005	–1,159	17,570	18,923	–1,353
3.4.6 Other accounts receivable/payable - other	2,317	6,361	–4,043	1,237	541	696
3.4.7 Special drawing rights	–	–	–	–	–	–
3.5 Reserve assets	–	**19,103**	**–19,103**	–	**13,182**	**–13,182**
3.5.1 Monetary gold	–	–	–	–	–	–
3.5.2 Special drawing rights n.a.	–	–	–	–	–	–
3.5.3 Reserve position in the IMF n.a.	–	–	–	–	–	–
3.5.4 Other reserve assets (Foreign Currency Assets)	–	19,103	–19,103	–	13,182	–13,182
4 Total assets/liabilities	**128,909**	**124,209**	**4,700**	**122,597**	**112,550**	**10,047**
4.1 Equity and investment fund shares	47,775	34,891	12,884	54,044	48,694	5,350
4.2 Debt instruments	78,817	63,855	14,962	67,316	50,133	17,183
4.3 Other financial assets and liabilities	2,317	25,463	–23,146	1,237	13,722	–12,486
5 Net errors and omissions	–	**586**	**–586**	–	**1,776**	**–1,776**

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

(₹ Billion)

Item	Oct-Dec 2013 (PR)			Oct-Dec 2014 (P)		
	Credit	Debit	Net	Credit	Debit	Net
	1	2	3	4	5	6
1 Current Account (1.A+1.B+1.C)	**8,545**	**8,807**	**–262**	**8,610**	**9,120**	**–509**
1.A Goods and Services (1.A.a+1.A.b)	**7,287**	**8,220**	**–933**	**7,348**	**8,522**	**–1,174**
1.A.a Goods (1.A.a.1 to 1.A.a.3)	**4,951**	**7,009**	**–2,057**	**4,893**	**7,323**	**–2,431**
1.A.a.1 General merchandise on a BOP basis	4,915	6,814	–1,899	4,893	6,637	–1,745
1.A.a.2 Net exports of goods under merchanting	36	–	36	–	–	–
1.A.a.3 Nonmonetary gold	–	195	–195	–	686	–686
1.A.b Services (1.A.b.1 to 1.A.b.13)	**2,336**	**1,211**	**1,124**	**2,455**	**1,199**	**1,256**
1.A.b.1 Manufacturing services on physical inputs owned by others	1	–	1	2	0	1
1.A.b.2 Maintenance and repair services n.i.e.	2	4	–2	4	3	1
1.A.b.3 Transport	255	212	43	288	255	33
1.A.b.4 Travel	316	171	145	338	228	111
1.A.b.5 Construction	19	20	–1	22	17	5
1.A.b.6 Insurance and pension services	30	18	12	35	19	16
1.A.b.7 Financial services	106	79	27	83	46	37
1.A.b.8 Charges for the use of intellectual property n.i.e.	11	64	–52	11	81	–69
1.A.b.9 Telecommunications, computer, and information services	1,119	58	1,061	1,194	72	1,122
1.A.b.10 Other business services	428	417	12	446	438	9
1.A.b.11 Personal, cultural, and recreational services	19	12	7	18	25	–7
1.A.b.12 Government goods and services n.i.e.	6	11	–4	10	14	–4
1.A.b.13 Others n.i.e.	23	146	–123	4	1	3
1.B Primary Income (1.B.1 to 1.B.3)	**184**	**522**	**–338**	**182**	**543**	**–361**
1.B.1 Compensation of employees	51	41	10	57	38	19
1.B.2 Investment income	113	478	–366	100	501	–401
1.B.2.1 Direct investment	51	215	–164	46	182	–136
1.B.2.2 Portfolio investment	6	74	–68	2	103	–101
1.B.2.3 Other investment	8	189	–181	6	216	–210
1.B.2.4 Reserve assets	48	–	48	46	0	46
1.B.3 Other primary income	21	3	17	24	3	21
1.C Secondary Income (1.C.1+1.C.2)	**1,073**	**65**	**1,009**	**1,081**	**55**	**1,026**
1.C.1 Financial corporations, nonfinancial corporations, households, and NPISHs	1,070	65	1,006	1,078	55	1,024
1.C.1.1 Personal transfers (Current transfers between resident and/ non-resident households)	1,037	61	976	1,039	50	989
1.C.1.2 Other current transfers	33	3	30	40	5	35
1.C.2 General government	3	–	3	3	0	2
2 Capital Account (2.1+2.2)	**25**	**18**	**7**	**17**	**20**	**–3**
2.1 Gross acquisitions (DR.)/disposals (CR.) of non-produced nonfinancial assets	3	2	–	9	1	8
2.2 Capital transfers	23	16	6	7	18	–11
3 Financial Account (3.1 to 3.5)	**7,999**	**7,708**	**292**	**7,593**	**6,971**	**622**
3.1 Direct Investment (3.1A+3.1B)	**601**	**225**	**376**	**718**	**263**	**456**
3.1.A Direct Investment in India	446	88	359	607	133	473
3.1.A.1 Equity and investment fund shares	409	82	327	555	129	426
3.1.A.1.1 Equity other than reinvestment of earnings	262	82	180	408	129	279
3.1.A.1.2 Reinvestment of earnings	147	–	147	147	–	147
3.1.A.2 Debt instruments	37	5	31	51	4	47
3.1.A.2.1 Direct investor in direct investment enterprises	37	5	31	51	4	47
3.1.B Direct Investment by India	155	137	18	111	129	–18
3.1.B.1 Equity and investment fund shares	155	99	57	111	89	22
3.1.B.1.1 Equity other than reinvestment of earnings	155	80	75	111	73	38
3.1.B.1.2 Reinvestment of earnings	–	18	–18	–	16	–16
3.1.B.2 Debt instruments	–	39	–39	–	40	–40
3.1.B.2.1 Direct investor in direct investment enterprises	–	39	–39	–	40	–40
3.2 Portfolio Investment	**2,785**	**2,636**	**148**	**3,442**	**3,053**	**389**
3.2.A Portfolio Investment in India	2,779	2,621	157	3,428	3,047	381
3.2.1 Equity and investment fund shares	2,251	1,865	386	2,538	2,522	15
3.2.2 Debt securities	527	756	–229	891	525	366
3.2.B Portfolio Investment by India	6	15	–9	14	6	8
3.3 Financial derivatives (other than reserves) and employee stock options	**142**	**93**	**49**	**116**	**261**	**–145**
3.4 Other investment	**4,471**	**3,568**	**903**	**3,317**	**2,577**	**739**
3.4.1 Other equity (ADRs/GDRs)	–	–	–	–	–	–
3.4.2 Currency and deposits	2,061	718	1,343	917	676	241
3.4.2.1 Central bank (Rupee Debt Movements; NRG)	12	–	12	20	–	20
3.4.2.2 Deposit-taking corporations, except the central bank (NRI Deposits)	2,049	718	1,331	898	676	222
3.4.2.3 General government	–	–	–	–	–	–
3.4.2.4 Other sectors	–	–	–	–	–	–
3.4.3 Loans (External Assistance, ECBs and Banking Capital)	848	954	–106	1,222	688	534
3.4.3.A Loans to India	833	945	–112	1,195	678	518
3.4.3.B Loans by India	15	9	6	26	10	16
3.4.4 Insurance, pension, and standardized guarantee schemes	1	11	–10	13	8	5
3.4.5 Trade credit and advances	1,418	1,490	–72	1,088	1,172	–84
3.4.6 Other accounts receivable/payable - other	144	395	–251	77	33	43
3.4.7 Special drawing rights	–	–	–	–	–	–
3.5 Reserve assets	–	**1,185**	**–1,185**	–	**816**	**–816**
3.5.1 Monetary gold	–	–	–	–	–	–
3.5.2 Special drawing rights n.a.	–	–	–	–	–	–
3.5.3 Reserve position in the IMF n.a.	–	–	–	–	–	–
3.5.4 Other reserve assets (Foreign Currency Assets)	–	1,185	–1,185	–	816	–816
4 Total assets/liabilities	**7,999**	**7,708**	**292**	**7,593**	**6,971**	**622**
4.1 Equity and investment fund shares	2,965	2,165	799	3,347	3,016	331
4.2 Debt instruments	4,891	3,962	928	4,169	3,105	1,064
4.3 Other financial assets and liabilities	144	1,580	–1,436	77	850	–773
5 Net errors and omissions	**–**	**36**	**–36**	–	**110**	**–110**

No. 42: International Investment Position

(US$ Million)

Item	As on Financial Year /Quarter End							
	2013-14		2013		2014			
			Dec.		Sep.		Dec.	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
	1	2	3	4	5	6	7	8
1 Direct Investment Abroad/in India	128,709	242,741	119,838	226,552	129,290	252,294	129,578	252,331
1.1 Equity Capital and Reinvested Earnings	90,902	231,724	82,733	215,631	89,967	241,017	89,607	241,210
1.2 Other Capital	37,807	11,017	37,105	10,920	39,322	11,277	39,972	11,122
2 Portfolio Investment	1,206	197,489	1,340	179,588	1,282	212,371	1,430	211,772
2.1 Equity	946	139,661	1,184	132,348	947	144,848	1,095	141,157
2.2 Debt	261	57,828	156	47,241	335	67,523	335	70,615
3 Other Investment	49,554	380,433	43,849	371,346	44,055	381,535	38,799	382,857
3.1 Trade Credit	8,742	83,938	10,859	88,369	7,474	82,483	6,341	81,028
3.2 Loan	6,863	179,472	5,553	171,071	5,142	177,419	4,169	178,670
3.3 Currency and Deposits	17,862	103,993	13,867	98,772	14,972	108,870	11,935	110,199
3.4 Other Assets/Liabilities	16,087	13,030	13,570	13,134	16,468	12,763	16,354	12,960
4 Reserves	304,223	–	293,878	–	313,841	–	320,649	–
5 Total Assets/ Liabilities	483,693	820,663	458,904	777,485	488,468	846,199	490,456	846,961
6 IIP (Assets - Liabilities)		–336,970		–318,581		–357,731		–356,505

Payment and Settlement Systems

No. 43: Payment System Indicators

System	Volume (Million)				Value (₹ Billion)			
	2013-14	2014	2015		2013-14	2014	2015	
		Dec.	Jan.	Feb.		Dec.	Jan.	Feb.
	1	2	3	4	5	6	7	8
1 RTGS	**81.11**	**8.19**	**7.89**	**7.69**	**904,968.04**	**84,449.60**	**76,635.09**	**70,910.56**
1.1 Customer Transactions	76.35	7.81	7.52	7.34	573,614.03	57,669.28	51,356.36	48,516.93
1.2 Interbank Transactions	4.75	0.38	0.37	0.35	160,638.37	11,074.73	10,291.66	8,897.18
1.3 Interbank Clearing	0.011	0.001	0.001	0.001	170,715.64	15,705.79	14,987.07	13,496.46
2 CCIL Operated Systems	**2.56**	**0.30**	**0.24**	**0.16**	**621,569.63**	**70,943.42**	**53,080.79**	**41,555.74**
2.1 CBLO	0.18	0.02	0.02	0.02	175,261.92	16,171.39	15,850.21	14,190.98
2.2 Govt. Securities Clearing	0.87	0.13	0.12	0.07	161,848.24	26,061.00	26,151.48	20,525.10
2.2.1 Outright	0.82	0.12	0.11	0.07	89,566.99	12,301.47	11,079.10	6,839.66
2.2.2 Repo	0.046	0.010	0.010	0.009	72,281.26	13,759.53	15,072.38	13,685.44
2.3 Forex Clearing	1.51	0.15	0.17	0.13	284,459.46	28,711.03	28,066.06	23,823.97
3 Paper Clearing	**1,257.31**	**109.57**	**97.41**	**93.66**	**93,316.04**	**7,488.29**	**7,135.01**	**6,808.13**
3.1 Cheque Truncation System (CTS)	591.38	84.40	80.51	76.65	44,691.39	5,997.74	5,741.14	5,447.55
3.2 MICR Clearing	440.07	-	-	-	30,942.81	–	–	–
3.2.1 RBI Centres	215.50	-	-	-	15,246.84	–	–	–
3.2.2 Other Centres	224.57	-	-	-	15,695.97	–	–	–
3.3 Non-MICR Clearing	225.86	25.17	16.90	17.01	17,681.84	1,490.55	1,393.87	1,360.59
4 Retail Electronic Clearing	**1,108.32**	**135.67**	**118.68**	**118.71**	**47,856.29**	**6,044.41**	**5,468.79**	**5,431.47**
4.1 ECS DR	192.91	19.35	19.49	19.11	1,267.96	147.44	148.83	149.81
4.2 ECS CR (includes NECS)	152.54	10.10	9.65	8.34	2,492.19	183.51	165.50	159.34
4.3 EFT/NEFT	661.01	83.49	80.22	81.19	43,785.52	5,573.36	5,084.73	5,046.41
4.4 Immediate Payment Service (IMPS)	15.36	8.38	9.33	10.08	95.81	60.36	69.73	75.90
4.5 National Automated Clearing House (NACH)	86.50	14.35	73.87	90.27	214.81	79.74	63.84	81.56
5 Cards	**7,219.13**	**721.21**	**733.20**	**688.21**	**22,159.58**	**2,285.17**	**2,212.72**	**1,906.21**
5.1 Credit Cards	512.03	56.53	56.58	49.92	1,556.72	174.38	175.67	156.50
5.1.1 Usage at ATMs	2.96	0.44	0.41	0.37	16.87	2.51	2.14	1.96
5.1.2 Usage at POS	509.08	56.09	56.17	49.55	1,539.85	171.87	173.52	154.55
5.2 Debit Cards	6,707.10	664.68	676.62	638.29	20,602.86	2,110.79	2,037.05	1,749.70
5.2.1 Usage at ATMs	6,088.02	591.06	602.18	570.39	19,648.35	1,999.78	1,924.17	1,668.06
5.2.2 Usage at POS	619.08	73.62	74.44	67.90	954.51	111.01	112.89	81.64
6 Prepaid Payment Instruments (PPIs)	**133.63**	**28.98**	**33.49**	**30.31**	**81.05**	**22.67**	**23.65**	**24.42**
6.1 m-Wallet	107.51	23.19	27.62	24.08	29.05	8.28	8.92	8.76
6.2 PPI Cards	25.60	5.74	5.82	6.19	28.36	12.01	12.59	13.64
6.3 Paper Vouchers	0.53	0.05	0.05	0.04	23.63	2.38	2.13	2.01
7 Mobile Banking	**94.71**	**16.78**	**18.07**	**18.53**	**224.18**	**113.23**	**129.17**	**148.88**
8 Cards Outstanding	**413.60**	**520.44**	**544.84**	**558.89**	–	–	–	–
8.1 Credit Card	19.18	20.36	20.61	20.86	–	–	–	–
8.2 Debit Card	394.42	500.08	524.23	538.03	–	–	–	–
9 Number of ATMs (in actuals)	**160055**	**176408**	**177382**	**178747**	–	–	–	–
10 Number of POS (in actuals)	**1065984**	**1058642**	**1085588**	**1095356**	–	–	–	–
11 Grand Total (1.1+1.2+2+3+4+5+6)	**9,802.05**	**1,003.92**	**990.92**	**938.74**	**1,519,234.98**	**155,527.97**	**129,568.97**	**113,140.07**

Occasional Series

No. 44: Small Savings

(₹ Billion)

Scheme		2013-14	2013	2014		
			Aug.	Jun.	Jul.	Aug.
		1	2	3	4	5
1 Small Savings	**Receipts**	**2,020.60**	**154.32**	**188.72**	**207.63**	**193.28**
	Outstanding	**6,214.97**	**6,088.49**	**6,219.60**	**6,224.78**	**6,230.58**
1.1 Total Deposits	**Receipts**	**1,780.40**	**139.03**	**170.31**	**188.54**	**174.51**
	Outstanding	**3,866.31**	**3,749.23**	**3,900.33**	**3,912.77**	**3,923.71**
1.1.1 Post Office Saving Bank Deposits	Receipts	946.50	70.84	90.50	102.34	90.99
	Outstanding	430.17	383.10	437.94	444.59	446.10
1.1.2 MGNREG	Receipts	–	–	–	–	–
	Outstanding	–	–	–	–	–
1.1.3 National Saving Scheme, 1987	Receipts	0.80	0.01	0.02	0.01	0.05
	Outstanding	38.69	38.96	37.84	37.57	37.26
1.1.4 National Saving Scheme, 1992	Receipts	0.05	–	0.02	–0.01	0.02
	Outstanding	2.77	2.94	2.62	2.43	2.51
1.1.5 Monthly Income Scheme	Receipts	179.91	14.57	18.59	19.51	18.71
	Outstanding	2,020.85	2,022.80	2,015.94	2,015.72	2,016.36
1.1.6 Senior Citizen Scheme	Receipts	19.94	1.80	1.90	2.25	2.17
	Outstanding	224.92	232.29	218.80	213.75	211.26
1.1.7 Post Office Time Deposits	Receipts	246.74	20.04	26.88	29.28	28.28
	Outstanding	407.14	356.40	436.08	446.69	456.93
1.1.7.1 1 year Time Deposits	Outstanding	273.43	234.78	296.77	305.37	313.66
1.1.7.2 2 year Time Deposits	Outstanding	17.67	15.83	18.47	18.71	18.93
1.1.7.3 3 year Time Deposits	Outstanding	39.15	38.32	39.51	39.71	39.88
1.1.7.4 5 year Time Deposits	Outstanding	76.89	67.47	81.33	82.90	84.46
1.1.8 Post Office Recurring Deposits	Receipts	386.46	31.77	32.40	35.16	34.29
	Outstanding	741.49	712.52	750.83	751.74	753.01
1.1.9 Post Office Cumulative Time Deposits	Outstanding	0.06	–	0.06	0.06	0.06
1.1.10 Other Deposits	Outstanding	0.22	0.22	0.22	0.22	0.22
1.2 Saving Certificates	**Receipts**	**169.46**	**12.13**	**13.99**	**14.87**	**14.26**
	Outstanding	**1,882.58**	**1,923.62**	**1,855.76**	**1,846.96**	**1,839.66**
1.2.1 National Savings Certificate VIII issue	Receipts	169.24	12.12	13.96	14.80	14.28
	Outstanding	750.86	679.14	777.05	787.68	798.09
1.2.2 Indira Vikas Patras	Receipts	0.04	–	–	0.02	–
	Outstanding	8.96	9.03	8.94	8.94	8.91
1.2.3 Kisan Vikas Patras	Receipts	0.18	0.01	0.03	0.05	–0.02
	Outstanding	1,067.54	1,203.71	1,003.12	979.69	958.06
1.2.4 National Saving Certificate VI issue	Outstanding	–0.77	–0.78	–0.79	–0.81	–0.81
1.2.5 National Saving Certificate VII issue	Outstanding	–0.50	–0.66	–0.51	–0.51	–0.53
1.2.6 Other Certificates	Outstanding	56.49	33.18	67.95	71.97	75.94
1.3 Public Provident Fund	**Receipts**	**70.74**	**3.16**	**4.42**	**4.22**	**4.51**
	Outstanding	**466.08**	**415.64**	**463.51**	**465.05**	**467.21**

Source: Accountant General, Post and Telegraphs.

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

(Per cent)

Category	2013	2014			
	Dec.	Mar.	Jun.	Sep.	Dec.
	1	2	3	4	5
1 Commercial Banks	44.73	44.46	43.43	42.95	42.77
2 Non-Bank PDs	0.15	0.11	0.28	0.20	0.34
3 Insurance Companies	19.27	19.54	20.21	20.55	21.02
4 Mutual Funds	1.56	0.78	1.29	1.26	1.68
5 Co-operative Banks	2.69	2.76	2.76	2.71	2.57
6 Financial Institutions	0.67	0.72	1.51	1.44	0.73
7 Corporates	1.27	0.79	0.89	1.06	1.12
8 FIIs	1.38	1.68	2.45	3.37	3.62
9 Provident Funds	7.37	7.18	7.21	7.13	7.47
10 RBI	16.01	16.05	15.03	14.33	13.23
11 Others	4.89	5.92	4.94	4.99	5.45

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

(₹ Billion)

Item	2009-10	2010-11	2011-12	2012-13	2013-14 RE	2014-15 BE
	1	2	3	4	5	6
1 Total Disbursements	**18,521.19**	**21,451.45**	**24,217.68**	**26,949.34**	**31,953.34**	**35,985.06**
1.1 Developmental	10,628.08	12,676.97	14,209.38	15,741.62	18,717.73	21,000.74
1.1.1 Revenue	8,513.03	10,260.24	11,394.64	12,807.14	15,048.07	16,582.49
1.1.2 Capital	1,868.38	1,935.80	2,163.39	2,446.11	3,184.40	4,028.47
1.1.3 Loans	246.67	480.93	651.35	488.38	485.26	389.78
1.2 Non-Developmental	7,687.34	8,520.46	9,695.88	10,850.47	12,751.57	14,454.37
1.2.1 Revenue	7,086.94	7,765.94	8,923.61	9,991.40	11,663.72	13,158.12
1.2.1.1 Interest Payments	3,145.70	3,485.61	4,000.03	4,543.06	5,436.70	6,118.51
1.2.2 Capital	594.08	747.48	754.79	837.14	1,065.99	1,257.51
1.2.3 Loans	6.32	7.04	17.48	21.93	21.86	38.73
1.3 Others	205.77	254.02	312.42	357.24	484.04	529.95
2 Total Receipts	**18,458.08**	**21,535.61**	**24,540.62**	**27,690.29**	**31,390.86**	**35,701.74**
2.1 Revenue Receipts	12,105.59	15,788.20	16,926.79	19,716.19	23,522.48	27,028.75
2.1.1 Tax Receipts	9,846.11	12,500.67	14,427.52	16,879.59	19,208.73	22,028.85
2.1.1.1 Taxes on commodities and services	5,580.66	7,393.66	8,745.55	10,385.91	11,768.52	13,536.10
2.1.1.2 Taxes on Income and Property	4,249.31	5,087.19	5,654.12	6,462.73	7,409.54	8,458.74
2.1.1.3 Taxes of Union Territories (Without Legislature)	16.14	19.82	27.85	30.94	30.67	34.01
2.1.2 Non-Tax Receipts	2,259.48	3,287.53	2,499.27	2,836.60	4,313.75	4,999.90
2.1.2.1 Interest Receipts	257.48	250.78	288.70	355.43	360.44	347.54
2.2 Non-debt Capital Receipts	368.92	322.93	441.23	389.20	376.21	727.23
2.2.1 Recovery of Loans & Advances	114.99	82.06	253.70	129.29	113.20	79.64
2.2.2 Disinvestment proceeds	253.93	240.87	187.53	259.91	263.01	647.59
3 Gross Fiscal Deficit [1 - (2.1 + 2.2)]	**6,046.68**	**5,340.32**	**6,849.66**	**6,843.95**	**8,054.64**	**8,229.07**
3A Sources of Financing: Institution-wise						
3A.1 Domestic Financing	5,936.30	5,104.76	6,725.18	6,771.94	8,000.24	8,171.74
3A.1.1 Net Bank Credit to Government	3,918.53	3,147.10	3,898.30	3,352.80	3,295.90	..
3A.1.1.1 Net RBI Credit to Government	1,500.10	1,849.70	1,391.80	548.40	1,081.30	..
3A.1.2 Non-Bank Credit to Government	2,017.77	1,957.66	2,826.88	3,419.14	4,704.34	..
3A.2 External Financing	110.38	235.56	124.48	72.01	54.40	57.34
3B Sources of Financing: Instrument-wise						
3B.1 Domestic Financing	5,936.30	5,104.76	6,725.18	6,771.94	8,000.24	8,171.74
3B.1.1 Market Borrowings (net)	5,070.19	4,151.75	6,195.07	6,536.94	6,609.87	7,106.01
3B.1.2 Small Savings (net)	–374.62	–545.34	190.88	–85.70	–121.35	–34.31
3B.1.3 State Provident Funds (net)	355.35	362.36	334.33	329.94	331.59	366.85
3B.1.4 Reserve Funds	–155.71	35.62	178.51	–4.12	58.28	–153.49
3B.1.5 Deposits and Advances	175.68	342.92	122.10	27.22	78.92	61.28
3B.1.6 Cash Balances	63.12	–84.16	–322.94	–740.96	562.48	283.32
3B.1.7 Others	802.30	841.61	27.23	708.62	480.45	542.07
3B.2 External Financing	110.38	235.56	124.48	72.01	54.40	57.34
4 Total Disbursements as per cent of GDP	*28.6*	*27.5*	*26.9*	*27.0*	*28.2*	*28.4*
5 Total Receipts as per cent of GDP	*28.5*	*27.6*	*27.2*	*27.7*	*27.7*	*28.2*
6 Revenue Receipts as per cent of GDP	*18.7*	*20.3*	*18.8*	*19.7*	*20.7*	*21.4*
7 Tax Receipts as per cent of GDP	*15.2*	*16.0*	*16.0*	*16.9*	*16.9*	*17.4*
8 Gross Fiscal Deficit as per cent of GDP	*9.3*	*6.9*	*7.6*	*6.9*	*7.1*	*6.5*

Source : Budget Documents of Central and State Governments.

Explanatory Notes to the Current Statistics

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Table No. 44
1.1.1: Receipts include interest credited to depositors' account from time to time.
1.1.9: Relate to 5-year, 10-year and 15-year cumulative time deposits. Exclude Public Provident Fund.
1.2.4 to 1.2.6: Negative figures are due to rectification of misclassification.
1.3: Data relate to Post Office transactions.

Table 45
Includes securities issued under the Market Stabilisation Scheme and the special securities, *e.g.*, issued to the oil marketing companies.

Table 46
(-): Indicates surplus/net outflow.
Total receipts and total expenditure exclude National Calamity Contingency Fund expenditure.
1 & 2: Data are net of repayments of the Central Government (including repayments to the NSSF) and State Governments.
1.3: Represents compensation and assignments by States to local bodies and Panchayati Raj institutions.
2: Data are net of variation in cash balances of the Central and State Governments and includes borrowing receipts of the Central and State Governments.
3A.1.1: Data as per RBI records.
3B.1.1: Includes borrowings through dated securities and 364-day Treasury Bills.
3B.1.2: Represent net investment in Central and State Governments' special securities by the National Small Savings Fund (NSSF).
3B.1.6: Include Ways and Means Advances by the Centre to the State Governments.
3B.1.7: Include Treasury Bills (excluding 364-day Treasury Bills), loans from financial institutions, insurance and pension funds, remittances, cash balance investment account.

Detailed explanatory notes are available in the relevant press releases issued by RBI and other publications/releases of the Bank such as **Handbook of Statistics on the Indian Economy**.

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Name of Publication	Price	
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19. Banking Glossary (2012)	₹80 (normal) (postage extra)	

Notes

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

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