RESERVE BANK OF INDIA BULLETIN

May 2008

VOLUME LXII NUMBER 5

Contents

Annual Policy Statement

Speeches

Articles

Other Items

Current Statistics

Publications

RBI Websites

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Annual Policy Statement

Annual Policy Statement for the Year 2008-09
by Dr. Y. Venugopal Reddy, Governor,
Reserve Bank of India

Macroeconomic and Monetary Developments
in 2007-08

Annual Policy Statement for the Year 2008-09 by Dr. Y. Venugopal Reddy, Governor, Reserve Bank of India

This Statement consists of two parts: Part I. Annual Statement on Monetary Policy for the Year 2008-09; and Part II. Annual Statement on Developmental and Regulatory Policies for the Year 2008-09. An analytical review of macroeconomic and monetary developments was issued a day in advance as a supplement to Part I of this Statement, providing the necessary information and technical analysis with the help of charts and tables.

2. The Annual Statement on Monetary Policy will be reviewed on a quarterly basis during 2008-09, whereas the Annual Statement on Developmental and Regulatory Policies will be reviewed along with the Mid-Term Review of Monetary Policy, in continuation of the changes in the institutional framework of policy formulation that were initiated in 2005-06. Accordingly, the dates for the First Quarter Review and the Mid-term Review are July 29, 2008 and October 24, 2008, respectively.

Part I. Annual Statement on Monetary Policy for the Year 2008-09

3. The Annual Statement on Monetary Policy for the Year 2008-09 consists of three Sections: I. Review of Macroeconomic and Monetary Developments during 2007-08; II. Stance of Monetary Policy for 2008-09; and III. Monetary Measures.

I. Review of Macroeconomic and Monetary Developments during 2007-08

Domestic Developments

4. The growth of real gross domestic product (GDP) in 2007-08 was placed at

8.7 per cent by the Central Statistical Organisation (CSO) in its advance estimates released in February 2008. Economic activity in 2007-08 has evolved in consonance with policy expectations set out in April 2007, *albeit* with some moderation as compared with 9.6 per cent in 2006-07. In retrospect, the slackening of momentum in 2007-08 appears to have set in as anticipated and moved gradually over the four quarters. Real GDP growth was 9.3 per cent, 8.9 per cent, 8.4 per cent and 8.4 per cent, respectively, in the four quarters of 2007-08 as against 9.6 per cent, 10.1 per cent, 9.1 per cent and 9.7 per cent in the corresponding quarters of 2006-07.

5. Real GDP originating in agriculture and allied activities is estimated to have risen by 2.6 per cent in 2007-08, lower than 3.8 per cent in the previous year. According to the third advance estimates of agricultural production released by the Ministry of Agriculture in April 2008, total foodgrains production is expected to increase to an all-time high of 227.3 million tonnes in 2007-08 from 217.3 million tonnes in 2006-07. *Kharif* foodgrains production is expected to have risen by 8.6 per cent, whereas *rabi* foodgrains production is expected to increase by 0.5 per cent. Output is estimated to have risen in the case of rice (2.5 per cent), wheat (1.3 per cent), coarse cereals (17.0 per cent) and pulses (7.0 per cent). Among the commercial crops, production is estimated to have increased under cotton (2.5 per cent), oilseeds (16.1 per cent) and jute (2.3 per cent) whereas the production of sugarcane declined by 3.2 per cent.

6. Real GDP originating in industry rose by 8.6 per cent in 2007-08 as compared with 10.6 per cent in the previous year. The index of industrial production (IIP) recorded an increase of 8.7 per cent during April-February 2007-08 *vis-à-vis* 11.2 per cent a year ago. In manufacturing, which contributed 89 per cent of the increase in industrial production, the growth of output was lower at 9.1 per cent than 12.2 per cent a year ago. Growth in mining at 5.1 per cent was comparable with 5.0 per cent a year ago, while growth in electricity generation moderated to 6.6 per cent as compared with 7.2 per cent. Production of beverages, tobacco and related products, wood and wood products, leather and leather products, basic chemicals and products and basic metals and alloys recorded double-digit growth in 2007-08 (up to February 2008). The industry groups that registered deceleration of growth include textiles, paper and paper products, non-metallic mineral products and transport equipments and parts. On the other hand, the production of metal products and parts except machinery and equipments recorded a decline.

7. In terms of the use-based classification of industries, the production of capital goods continued to expand at a sustained pace, increasing by 17.5 per cent during April-February 2007-08, over and above the increase of 18.3 per cent a year ago. The basic, intermediate and consumer non-durable goods segments recorded lower growth of 7.4 per cent, 9.2 per cent and 8.9 per cent, respectively, as compared with 10.1 per cent, 11.7 per cent and 9.5 per cent a year ago. Production of consumer

durables declined by 1.0 per cent as against an increase of 9.7 per cent a year ago. The output of the six key infrastructure industries (with a weight of 26.7 per cent in the IIP) also registered a lower growth of 5.6 per cent during April-February 2007-08 as against 8.7 per cent in the corresponding period of the previous year.

8. Corporate activity experienced some moderation in growth relative to the recent past but continued to remain healthy during 2007-08. During April-December 2007, growth in sales of surveyed non-financial private companies decelerated to 17.4 per cent from 29.1 per cent in the corresponding period of the preceding year. Net profits growth was also lower at 29.8 per cent from 46.6 per cent a year ago due to a combination of several factors including escalation in input costs and compensation to employees. Corporates' interest burden continues to be low with the interest payment to gross profits ratio estimated at 11.8 per cent, 12.8 per cent and 15.3 per cent in the first three quarters of 2007-08 as against 18.1 per cent and 13.4 per cent in 2005-06 and 2006-07, respectively, and an average of 43.7 per cent in 2000-05. The differential between sales and expenditure growth shrank to 20 basis points from 280 basis points in April-December 2006, reflecting pressure on profits at the operating level, somewhat mitigated by strong support from income from non-core activities which rose by 75.5 per cent in April-December 2007 as compared with 20.9 per cent a year ago. Early results for the fourth quarter of 2007-08 indicate that growth in sales and net profits are lower than in the corresponding quarter a year ago. There was also a larger increase in expenditure on both raw materials and compensation to employees for the selected companies. Consequently, the difference between sales growth and the overall expenditure growth narrowed, resulting in lower profitability both in gross and net terms.

9. The Reserve Bank's Industrial Outlook Survey conducted during February 2008 indicates a mixed picture in the business sentiment. With a pickup in demand conditions (including exports), the assessment for January-March 2007-08 shows an improvement over the expectation for the quarter in the previous round of the survey. The business expectations index for April-June 2008 at 123.2 has moved up from 118.6 recorded in the previous quarter, against the seasonal decline, but is still lower than its level at 127.5 in the corresponding quarter of the previous year. Production, order book positions and capacity utilisation growth are expected to pick up in relation to the previous quarter and increasing number of respondent firms expect employment levels to go up. Price pressures are seen as rising mainly on the back of higher raw material costs. About 27 per cent of respondent firms expect to pass on the price increase to customers in April-June 2008 as compared with 23 per cent in the corresponding quarter of the previous year. While imports and exports are expected to pick up in April-June 2008 as compared with the previous quarter, the growth in exports would be lower than in the corresponding quarter of 2007-08. With nearly one in every four

respondents perceiving higher profit margins and more than 60 per cent expecting status quo, the optimism on profit margins for April-June 2008 has improved in relation to January-March 2008, although it is still lower than in April-June 2007.

10. Business confidence surveys conducted by other agencies convey a somewhat tempered though overall positive outlook. One survey's Business Optimism Index indicates a sharp decline in the first quarter of 2008-09 with respect to the previous quarter and a much sharper fall when compared to April-June 2007, attributable to less optimistic sentiment in the services and capital goods sectors. According to another survey, however, the overall economic conditions for the next six months are seen to be positive, with production closely following expectations of growth in domestic sales and a clear upturn in import growth. Seasonally adjusted purchasing managers' indices reflect lower business sentiment for January-March 2008 with some ebbing in relation to the previous quarter but still higher than a year ago. All the surveys indicate sustained though somewhat slower growth of manufacturing with firms trying to protect their profit margins through improvement in productivity and by passing on cost increases into selling prices. Investment sentiment remains positive on expectations of improvement in the financial position, order books and capacity utilisation.

11. Real GDP originating in the services sector rose by 10.6 per cent during 2007-08 as compared with 11.2 per cent a year ago. Activity in construction and financing, insurance, real estate and business services sector expanded by 9.6 per cent and 11.7 per cent, respectively, as compared with 12.0 per cent and 13.9 per cent in 2006-07. The growth of trade, hotels and restaurants, transport, storage and communication was 12.1 per cent in 2007-08, marginally higher than 11.8 per cent in 2006-07. Growth in community, social and personal services at 7.0 per cent was comparable to 6.9 per cent in the previous year.

12. Aggregate demand conditions in 2007-08 continued to be dominated by investment spending as in recent years. The growth of real gross fixed capital formation (GFCF) accelerated to 15.7 per cent from 15.1 per cent in the previous year. Real private final consumption expenditure (PFCE) increased by 6.8 per cent as compared with 7.1 per cent in 2006-07. In nominal terms, PFCE marginally declined to 55.5 per cent of GDP at current market prices during 2007-08 from 55.8 in 2006-07 and 57.4 per cent in 2005-06. On the other hand, GFCF increased to 34.6 per cent of GDP from 32.5 per cent in 2006-07 and 31.0 per cent in 2005-06.

13. The overall moderation in real sector activity was reflected in the evolution of monetary and banking developments in 2007-08. Non-food credit extended by the scheduled commercial banks (SCBs) increased by 22.3 per cent (Rs.4,19,425 crore) as compared with 28.5 per cent (Rs.4,18,282 crore) in the previous year. The incremental non-food credit-deposit ratio for the banking system declined to 72.3 per cent during 2007-08 from 83.2 per

cent in 2006-07, 109.3 per cent in 2005-06 and 130.0 per cent in 2004-05. Food credit of SCBs declined by Rs.2,121 crore in 2007-08 as against an increase of Rs.5,830 crore in the previous year.

14. Provisional information on the sectoral deployment of bank credit available up to February 2008 indicates, as anticipated, a gradual deceleration over the year. On a year-on-year basis, credit to services sector recorded the highest growth (28.4 per cent), followed by industry (25.9 per cent) and agriculture sector (16.4 per cent). On the other hand, growth in personal loans decelerated to 13.2 per cent (30.6 per cent). Growth in housing and real estate loans decelerated to 12.0 per cent (25.8 per cent) and 26.7 per cent (79.0 per cent), respectively. Within the industrial sector, there was a sizeable credit pick-up in respect of infrastructure (42.1 per cent as against 28.2 per cent a year ago), food processing (32.0 per cent as against 27.6 per cent) and engineering (26.2 per cent as against 18.1 per cent). There was moderation in credit growth to basic metals and metal products (19.0 per cent as against 33.3 per cent), textiles (23.0 per cent as against 35.5 per cent), petroleum (23.3 per cent as against 64.4 per cent) and chemicals (13.9 per cent as against 19.2 per cent). Credit to industry constituted 45.2 per cent of the total expansion in non-food bank credit up to February 2008, followed by services (29.8 per cent), personal loans (15.8 per cent) and agriculture (9.2 per cent). The share of infrastructure in total credit to industry increased from 20.5 per cent to 23.1 per cent. On the contrary, the share of credit to metals, textiles, chemicals and petroleum declined from 12.4 per cent, 11.3 per cent, 8.3 per cent and 4.9 per cent, respectively, to 11.7 per cent, 11.1 per cent, 7.5 per cent and 4.8 per cent. Priority sector advances grew by 16.9 per cent with a moderation in their share in outstanding gross bank credit to 33.3 per cent in February 2008 from 34.7 per cent a year ago.

15. SCBs' investments in bonds/ debentures/shares of public sector undertakings and the private corporate sector and commercial paper (CP) increased by 14.2 per cent (Rs.11,830 crore) during 2007-08 as compared with an increase of 5.1 per cent (Rs.4,081 crore) in the previous year. As a result, the total flow of funds from SCBs to the commercial sector, including non-SLR investments, increased by 21.9 per cent (Rs.4,31,256 crore) in 2007-08 as against 27.3 per cent (Rs.4,22,363 crore) in 2006-07. Banks' investment in instruments issued by mutual funds increased by Rs.6,818 crore in 2007-08 as compared with Rs.1,315 crore in 2006-07.

16. Commercial banks' investment in Government and other approved securities increased by 22.9 per cent (Rs.1,81,222 crore) during 2007-08 significantly higher than 10.3 per cent (Rs.74,062 crore) in 2006-07. Accordingly, their stock of statutory liquidity ratio (SLR) eligible securities marginally increased to 27.4 per cent of the banking system's net demand and time liabilities (NDTL) in March 2008 from 27.3 per cent in March 2007. Bank's holdings of SLR securities in excess of the prescribed ratio of 25 per cent amounted to Rs.1,02,422 crore although several banks are

operating their SLR portfolios close to the prescribed level. Adjusted for collateral securities under the liquidity adjustment facility (LAF) and issuances under the market stabilisation scheme (MSS), banks' investment in SLR-eligible securities would amount to 23.7 per cent of NDTL.

17. Aggregate deposits of SCBs increased by 22.2 per cent (Rs.5,80,208 crore) during 2007-08 as compared with 23.8 per cent (Rs.5,02,885 crore) in the previous year. Demand deposit growth at 20.2 per cent was higher than 17.9 per cent in 2006-07 but time deposit growth moderated to 22.6 per cent from 25.1 per cent in the previous year. In addition to the mobilisation of deposits, the banking sector's lendable resources were augmented substantially by capital raised through public issues and innovative capital instruments during 2007-08.

18. Money supply (M_3) increased by 20.7 per cent (Rs.6,86,096 crore) in 2007-08 as compared with 21.5 per cent (Rs.5,86,548 crore) in 2006-07. Bank credit to the commercial sector increased by 20.3 per cent (Rs.4,32,574 crore) in 2007-08 as compared with the increase of 25.8 per cent (Rs.4,37,074 crore) a year ago. Net bank credit to Government recorded an increase of Rs.67,363 crore, with increase in banks' investment of Rs.1,83,338 crore in Government securities offset by a decline of Rs.1,15,975 crore (net) in Reserve Bank's credit to Government. The large increase in net foreign exchange assets of the Reserve Bank was reflected in the increase of 38.7 per cent (Rs.3,53,118 crore) in the banking sector's net foreign exchange assets.

19. Reserve money increased by 30.9 per cent (Rs.2,19,326 crore) during 2007-08 as compared with 23.7 per cent (Rs.1,35,935 crore) in the previous year. While currency in circulation rose by 17.2 per cent (Rs.86,606 crore) in 2007-08 as compared with the increase of 17.1 per cent (Rs.73,523 crore) in the preceding year, bankers' deposits with the Reserve Bank increased substantially by 66.5 per cent (Rs.1,31,152 crore) – augmented by the increase of 150 basis points in cash reserve ratio (CRR) during the year – as compared with the increase of 45.6 per cent (Rs.61,784 crore) in 2006-07. Among the sources of reserve money, the Reserve Bank's foreign currency assets (adjusted for revaluation) increased by Rs.3,70,550 crore as compared with the increase of Rs.1,64,601 crore in the previous year. The Reserve Bank's net credit to the Central Government (adjusted for the Government's deposit balances including the MSS proceeds) declined by Rs.7,070 crore in 2007-08 as against an increase of Rs.30,888 crore in 2006-07. Reflecting the liquidity conditions, the Reserve Bank's credit to banks and the commercial sector declined by Rs.2,794 crore as compared with an increase of Rs.1,990 crore in the previous year. The ratio of net foreign exchange assets (NFEA) to currency increased from 171.8 per cent in March 2007 to 209.2 per cent in March 2008.

20. During the year, the financial markets experienced alternating shifts in liquidity conditions. Tightness in liquidity on account of year-end adjustments in March 2007 persisted up to April-May, necessitating net repo injections under the LAF. There was substantial drawdown in the Centre's cash balances during May-

July 2007 and a dip in MSS outstanding in June-July 2007 due to redemptions. The total overhang of liquidity as reflected in the balances under the LAF, the MSS and surplus cash balances of the Central Government taken together declined from an average of Rs.97,412 crore in March 2007 to Rs.63,994 crore in July 2007. The resumption of net issuances under the MSS, accretions to Centre's cash balances and the increase in CRR by 100 basis points during August-November 2007 led to a reduction in the liquidity in the banking system and intermittent net liquidity injections of Rs.2,742 crore and Rs.10,804 crore on a daily average basis in November and December 2007, respectively. Auctions of dated securities under MSS were discontinued between November 2, 2007-January 16, 2008 to ease the stringency in liquidity. The liquidity overhang ruled steady in the range of Rs.2,13,847 crore-Rs.2,18,224 crore during October-December 2007.

21. During the fourth quarter of 2007-08, even though liquidity conditions were comfortable in January 2008 and MSS auctions were resumed in mid-January 2008, some tightness emerged during February 18-28, on account of increase in the Centre's cash balances. In view of the scheduled advance tax payments in mid-March 2008 and the subsequent bank holidays (March 20-22, 2008), the Reserve Bank conducted additional three-day repo/reverse repo auctions on March 14, 2008 (afternoon) and another seven-day repo auction on March 17, 2008 (afternoon) over and above the normal LAF arrangements for smooth liquidity management. Injection of liquidity through LAF repo and redemption of MSS around mid-February 2008 onwards, mitigated the liquidity tightness. During March 17-31, 2008 there were shortages of liquidity in the wake of advance tax payments. Net LAF injections rose to a peak of Rs.53,995 crore on March 31, 2008; however, in the additional LAF operations conducted on that day with a view to meeting the banking sector's year-end liquidity management requirements, there was absorption of liquidity under the LAF to the tune of Rs.3,645 crore. The build-up of cash balances of the Central Government to a peak of Rs.1,04,741 crore on March 27, 2008 also aggravated the liquidity shortage with banks. The overall liquidity overhang increased to the intra-year peak of Rs.2,73,694 crore on March 27, 2008 before declining to Rs.2,43,879 crore on April 25, 2008.

22. On a net basis, average daily LAF repo injections which stood at Rs.4,568 crore in the first quarter of 2007-08 changed to net absorption through LAF reverse repo of Rs.13,472 crore in the second quarter which declined sharply to Rs.7,820 crore in the third quarter and further to Rs.2,116 crore during the fourth quarter of 2007-08. During 2008-09 (up to April 25, 2008), the average daily net absorption under LAF reverse repo increased to Rs.28,271 crore. The average outstanding balances under MSS increased from Rs.64,863 crore at end-March 2007 to Rs.1,70,554 crore by end-March 2008 and further to Rs.1,74,465 crore on April 25, 2008 indicating net issuance of Rs.1,05,691 crore during 2007-08. Cash balances of the Central Government with

the Reserve Bank increased from an average of Rs.55,890 crore in March 2007 to Rs.79,409 crore in March 2008 before declining to Rs.36,649 crore as on April 25, 2008.

23. On a year-on-year basis, inflation based on the wholesale price index (WPI) stood at 7.4 per cent at end-March 2008 as compared with 5.9 per cent a year ago. During 2007-08, headline inflation declined from 6.4 per cent at the beginning of the financial year to a low of 3.1 per cent in mid-October before firming up from mid-February 2008 onwards. On an annual average basis, inflation at 4.7 per cent during 2007-08 was lower than 5.4 per cent in the previous year. As on April 12, 2008 the headline inflation stood at 7.3 per cent as against 6.3 per cent a year ago.

24. At a disaggregated level, prices of primary articles (weight: 22.0 per cent in the WPI basket) registered a year-on-year increase of 8.9 per cent at end-March 2008 as compared with 10.7 per cent a year ago. The increase in prices of primary articles during 2007-08 was led by the rise in prices of food articles and non-food articles such as cotton and oilseeds. As on February 1, 2008 the stock of foodgrains with public agencies stood at 21.4 million tonnes as against the buffer stock norm of 20.0 million tonnes applicable for January-March, 2008. The build-up in food stocks on the back of the jump in foodgrains production during 2007-08 provides some comfort for supply management. Wheat procurement during the current *rabi* marketing season has also risen by 20.6 per cent on a year-on-year basis, strengthening food security strategies and conditions for stabilisation of domestic food prices going forward.

25. Inflation in terms of prices of manufactured products (weight: 63.8 per cent) was 7.1 per cent as compared with 6.1 per cent a year ago. Prices of edible oils, oil cakes, basic metals, alloys and metal products and basic heavy inorganic chemicals contributed to the rise in manufacturing prices in 2007-08. On the other hand, prices of textiles, leather and leather products and non-ferrous metals declined during the year.

26. The year-on-year increase in prices of the 'fuel, power, light and lubricants' group (weight: 14.2 per cent) was 6.7 per cent at end-March 2008 as compared with 1.0 per cent a year ago. Excluding the fuel group, headline inflation was 7.6 per cent (7.4 per cent a year ago). The average price of the Indian basket of international crude increased by 27.6 per cent from US $ 62.4 per barrel during 2006-07 to US $ 79.7 per barrel in 2007-08. While there has been no revision in prices of kerosene and domestic LPG during 2007-08, domestic retail prices of petrol and diesel have been revised upwards only once during 2007-08 with effect from February 15, 2008 by 4.5 per cent for petrol and by 3.25 per cent for diesel (average of four metros). Among the freely priced petroleum products, however, prices of naptha, bitumen, furnace oil and aviation turbine fuel, recorded increases of 33.7 per cent, 36.4 per cent, 37.6 per cent and 38.7 per cent, respectively, over their levels a year ago.

27. Inflation, on a year-on-year basis, based on the consumer price index (CPI)

for industrial workers (IW) stood at 5.5 per cent in February 2008 as compared with 7.6 per cent a year ago. The CPI for urban non-manual employees (UNME), agricultural labourers (AL) and rural labourers (RL) also declined to 6.0 per cent, 7.9 per cent and 7.6 per cent, respectively, in March 2008 as compared with 7.6 per cent, 9.5 per cent and 9.2 per cent a year ago. On an annual average basis, inflation based on CPI for IW was 6.1 per cent in February 2008 compared with 6.6 per cent a year ago and that for UNME, AL and RL were 5.9 per cent, 7.5 per cent and 7.2 per cent, respectively, in March 2008 as compared with 6.6 per cent, 7.8 per cent and 7.5 per cent a year ago.

28. The revised estimates (RE) of the Central Government's finances for 2007-08 indicate ongoing improvement in the fiscal position and lowering of the key deficit indicators relative to budget estimates (BE). The revenue deficit estimated at 1.4 per cent of GDP (Rs.63,488 crore) was lower than 1.5 per cent of GDP in the BE for 2007-08 and 1.9 per cent of GDP in 2006-07. The gross fiscal deficit (GFD) for 2007-08 constituted 3.1 per cent of GDP (Rs.1,43,653 crore) as against the budget estimates of 3.3 per cent and 3.5 per cent in 2006-07. The improvement in key fiscal indicators was largely enabled by the sustained buoyancy in tax revenue which, at Rs.4,31,773 crore (RE) was 6.9 per cent higher than the budget estimates and recorded a growth of 22.9 per cent over the previous year.

29. During 2007-08, the Central Government's net market borrowing through dated securities at Rs.1,10,671 crore was 101.0 per cent of the budgeted amount of Rs.1,09,579 crore and gross market borrowing of Rs.1,56,000 crore through dated securities was 100.35 per cent of the budgeted amount of Rs.1,55,455 crore. The Central Government also issued additional securities amounting to Rs.38,050 crore, outside the market borrowing programme and the MSS, to public sector oil companies for partial compensation of under-recoveries, to the State Bank of India and to various fertiliser companies. During 2006-07, the Central Government had issued such securities amounting to Rs.40,321 crore. The State Governments and the Union Territory of Pondicherry raised Rs.67,779 crore (gross) and Rs.56,224 crore (net) during 2007-08 under their market borrowing programme. The combined issuance (net) of Government securities under the market borrowing programme of the Centre and States was Rs.1,66,895 crore in 2007-08 as against Rs.1,21,190 crore in 2006-07, Rs.1,10,825 crore in 2005-06, Rs.80,012 crore in 2004-05 and Rs.1,35,192 crore in 2003-04.

30. Out of 35 issuances under the market borrowing programme of the Central Government, one new 10-year paper was issued and the remaining 34 issues were reissuances intended to impart liquidity. The actual issuance of dated securities under the Centre's market borrowing programme was generally as per the advance calendar except for one occasion when, in consultation with the Central Government, securities for Rs.5,000 crore were issued on June 12, 2007 over and above the scheduled issuances in the indicative calendar for the first half of

2007-08. The weighted average yield on primary issuance of the Central Government's dated securities increased by 23 basis points to 8.12 per cent in 2007-08 from 7.89 per cent in the previous year whereas the weighted average maturity of the dated securities issued during the year increased to 14.90 years from 14.72 years in the previous year. In the case of market borrowing by State Governments, the weighted average yields firmed up by 15 basis points to 8.25 per cent in 2007-08 from 8.10 per cent in 2006-07, whereas the average maturity of these issues has remained the same at 10.0 years.

31. Movements in interest rates in the domestic financial markets reflected the factors driving changes in liquidity with the banking system during 2007-08. The weighted average call market rates declined from 8.33 per cent in April 2007 to 0.73 per cent in July 2007 coincident with a ceiling of Rs.3,000 crore placed on daily reverse repo from March 5, 2007. The rates moved up in August following the removal of the ceiling but generally stayed within the informal LAF rate corridor up to December 2007. As liquidity conditions tightened, call money rates strayed, albeit marginally, above the repo rate during the last fortnight of February and in March 2008. The daily weighted average call rate during March 2008 was much lower at 7.37 per cent as compared with 14.10 per cent in March 2007. In April 2008, call rates declined further and the weighted average call rate stood at 5.93 per cent as on April 25, 2008. Interest rates in the CBLO and market repo segments moved in sympathy with call rates and declined from December 2007 peaks to 6.37 per cent and 6.72 per cent, respectively, in March 2008 and further to 4.93 per cent and 5.45 per cent in April 2008 (up to April 25, 2008). The daily average volume (one leg) in the call money market declined from Rs.14,845 crore in April 2007 to Rs.11,182 crore in March 2008 and further to Rs.9,374 crore in April 2008 (up to April 25, 2008). The corresponding volumes in the market repo (outside the LAF) were Rs.7,173 crore, Rs.14,800 crore and Rs.11,911 crore respectively, whereas in the CBLO segment, the volumes were Rs.18,086 crore, Rs.37,413 crore and Rs.31,297 crore, respectively.

32. Mobilisation of resources through issuance of commercial papers (CPs) was stepped up during 2007-08 as the weighted average discount rate on CP declined by 95 basis points from 11.33 per cent at end-March 2007 to 10.38 per cent in end-March 2008 and the outstanding amount of CPs increased from Rs.17,688 crore to Rs.32,592 crore during this period. The weighted average discount rate for certificates of deposit (CDs) also declined from 10.75 per cent at end-March 2007 to 10.00 per cent in end-March 2008, accompanied by a significant increase in outstanding amounts from Rs.93,272 crore to Rs.1,47,792 crore.

33. In the Government securities market, primary market yields of 91-day, 182-day and 364-day Treasury Bills softened over the course of 2007-08, declining by 63-84 basis points to reach 7.23 per cent, 7.36 per cent and 7.35 per cent, respectively, by end-March 2008. By April 25, 2008 the primary market yields of 91-day, 182-day and 364-day Treasury Bills stood at 7.44

per cent, 7.60 per cent and 7.69 per cent, respectively. In the secondary market, the yield on Government securities with 1-year residual maturity declined from 7.55 per cent at end-March 2007 to 7.49 per cent in March 2008 before increasing to 7.84 per cent as on April 25, 2008. The yield on Government securities with 10-year residual maturity declined marginally from 7.97 per cent in March 2007 to 7.93 per cent before rising to 8.23 per cent by April 25, 2008 while the yield on Government securities with 20-year residual maturity increased from 8.23 per cent at end-March 2007 to 8.31 per cent at end-March 2008 and further to 8.63 per cent as on April 25, 2008. Consequently, the yield spread between 10-year and 1-year Government securities increased marginally from 42 basis points at end-March 2007 to 44 basis points at end-March 2008 before declining to 39 basis points as on April 25, 2008. Similarly, the yield spread between 20-year and 1-year Government securities increased from 68 basis points at end-March 2007 to 82 basis points at end-March 2008 and subsequently declined marginally to 79 basis points as on April 25, 2008.

34. Rapid growth in turnover in the foreign exchange market was sustained by large surplus conditions in the spot market. The average daily turnover increased to US $ 57.30 billion at end-March 2008 from US $ 33.18 billion at end-March 2007. With increasing volumes of current and capital account transactions, the merchant turnover for the period increased to US $ 16.37 billion from US $ 8.66 billion, while the inter-bank turnover increased to US $ 40.88 billion from US $ 24.52 billion. There was a general softening in forward premia across all maturities over end-March 2007 but some hardening was witnessed after September 2007. The six-month forward premia eased from 4.40 per cent in March 2007 to 2.55 per cent by end-June 2007 and further to 0.78 per cent by end-September before it increased to 2.50 per cent at end-March 2008 and further to 2.67 per cent by April 25, 2008.

35. During March 2007-March 2008, pubic sector banks (PSBs) readjusted their deposit rates downwards by 25-50 basis points, while those offering lower deposit rates for similar maturity earlier increased their deposit rates by 50-100 basis points. Similarly, PSBs paying higher interest rates earlier on shorter term deposits of up to one year maturity also revised their deposit rates downwards by 25 basis points. In particular, the interest rates offered by the PSBs on deposits of above one year maturity moved from the range of 7.25-9.50 per cent in March 2007 to 8.00-9.25 per cent in March 2008, while deposit rates for shorter term deposits of up to one year maturity decreased from the range of 2.75-8.75 per cent to 2.75-8.50 per cent during the same period. On the other hand, private sector banks increased their interest rates for long term deposits of above one year maturity from a range of 6.75-9.75 per cent to 7.25-9.75 per cent during the same period. Foreign banks set deposit rates lower for maturities of less than one year while they have marginally raised their rates for deposits of longer maturities.

36. On the lending side, the benchmark prime lending rates (BPLRs) of PSBs increased by 75 basis points from a range

of 12.25-12.75 per cent to 12.25-13.50 per cent during 2007-08. The private sector banks increased their BPLR from a range of 12.00-16.50 per cent to a range of 13.00-16.50 per cent, in the same period. The range of BPLRs for foreign banks, however, remained unchanged at 10.00-15.50 per cent during the same period. The median lending rates for term loans (at which maximum business is contracted) in respect of PSBs moved from a range of 9.13-12.50 per cent in March 2007 to 10.00-13.00 per cent by March 2008.

37. The Indian equity market witnessed large swings during 2007-08. The BSE Sensex (1978-79=100) increased by 19.7 per cent during the year from 13072 at end-March 2007 to 15644 at end-March 2008. The intra-year peak of 20873 was recorded on January 8, 2008 whereas the intra-year trough of 12445 was recorded on April 2, 2007. Corporates mobilised large resources through public issues during the year. Sound macroeconomic fundamentals, private corporate profitability, institutional buying support and global macroeconomic conditions were the major factors determining the movements in equity prices. As on April 25, 2008 the BSE Sensex stood at 17126.

Developments in the External Sector

38. The Reserve Bank's end-March 2008 release sets out the balance of payments data for April-December 2007. In US dollar terms, merchandise exports increased by 24.6 per cent during April-December 2007 from 23.9 per cent in April-December 2006. Provisional information on commodity-wise trade available from the Directorate General of Commercial Intelligence and Statistics (DGCI&S) shows that export growth in 2007-08 was driven by petroleum products, engineering goods and gems and jewellery. During the first nine months of 2007-08, merchandise import growth accelerated to 27.9 per cent from 27.7 per cent a year ago, mainly due to an increase of 29.9 per cent in non-oil imports from 22.7 per cent in April-December 2006. The growth in non-oil imports was mainly due to capital goods, pearls and precious stones, chemicals, and gold and silver. Oil imports increased by 24.0 per cent as against 39.4 per cent during April-December 2006 as the average price of the Indian basket of international crude recorded an annual increase of 15.9 per cent to US $ 74.7 per barrel in April-December 2007. On payments basis, the merchandise trade deficit increased to US $ 66.5 billion during April-December 2007 from US $ 50.3 billion in the corresponding period of 2006-07.

39. Net invisible earnings amounted to US $ 50.5 billion in April-December 2007 as against US $ 36.3 billion a year ago. The key contributors to invisibles were remittances from Indians working overseas, export of software services and travel earnings. Private transfers, comprising primarily remittances from overseas Indians, remained sizeable at US $ 28.8 billion as compared with US $ 20.2 billion a year ago. While the inward remittances for family maintenance increased by 39.0 per cent, local withdrawals from non-resident Indian (NRI) deposit accounts were higher by 49.0

per cent which may be attributed to higher returns domestically *vis-à-vis* NRI deposits. Software export proceeds amounted to US $ 27.5 billion as against US $ 21.8 billion in April-December 2006. Miscellaneous receipts, net of software exports, stood at US $ 18.1 billion in April-December 2007 as compared with US $ 17.6 billion a year ago, mainly on account of business services such as trade-related services, business and management consultancy, engineering and technical know-how. Invisible payments increased to US $ 49.7 billion during the first nine months of 2007-08 as compared with US $ 43.1 billion a year ago. The key components of invisible payments were travel payments, transportation, business and management consultancy, technical services, dividends, profit and interest payments. With invisible receipts rising faster than payments, the net invisible surplus increased from US $ 36.3 billion in April-December 2006 to US $ 50.5 billion in April-December 2007. Reflecting these developments in the merchandise and invisible accounts, the current account deficit (CAD) at US $ 16.0 billion was higher than US $ 14.0 billion in the corresponding period of the previous year.

40. Net capital inflows surged by 172 per cent to US $ 81.9 billion during April-December 2007 as compared with US $ 30.1 billion a year ago. While net foreign direct investment (FDI) increased by US $ 8.4 billion from US $ 7.6 billion in April-December 2006, portfolio investment recorded a substantial increase of US $ 33.0 billion from US $ 5.2 billion. Enabled by finer spreads and in response to rising financing requirements for domestic capacity expansion, net external commercial borrowings (ECBs) increased to US $ 16.3 billion as against an increase of US $ 9.8 billion in the previous year. During the first nine months of 2007-08, NRI deposits registered a net outflow of US $ 0.9 billion as against an increase of US $ 3.7 billion in April-December 2006, responding to the reduction in the ceiling on interest rate on NRI deposits in April 2007. Net short-term trade credit rose to US $ 10.8 billion as compared with US $ 5.7 billion a year ago. On the whole, debt flows (net) in the form of external assistance, ECBs, NRI deposits and short-term credit put together increased to US $ 27.5 billion in April-December 2007 from US $ 20.2 billion a year ago.

41. There was a large accretion of US $ 67.2 billion to foreign exchange reserves, excluding valuation changes, during April-December 2007 as against US $ 16.2 billion in April-December 2006. Valuation gains, reflecting the appreciation of major currencies against the US dollar, accounted for US $ 8.9 billion of the total accretion to the reserves during April-December 2007. Including these valuation effects, the foreign exchange reserves recorded an increase of US $ 76.1 billion and rose to reach a level of US $ 275.3 billion by end-December 2007. India's external debt increased by US $ 31.8 billion from end-March 2007 to US $ 201.4 billion at end-December 2007. The increase was mainly under ECBs (US $ 15.3 billion) and short-term credit (US $ 8.8 billion). Valuation changes due to the depreciation of the US dollar *vis-à-vis* major international currencies and the Indian rupee, accounted for US $ 6.0

billion of the increase in external debt during the period. In the total external debt stock, ECBs accounted for the highest share (28.3 per cent), followed by NRI deposits (21.4 per cent), multilateral debt (18.8 per cent) and bilateral debt (8.6 per cent). At end-2007, the ratio of short-term debt to total debt was 17.5 per cent. The share of US dollar–denominated debt in total debt was highest at 54.5 per cent, followed by 17.1 per cent in rupee–denominated debt and 11.2 per cent in Japanese yen–denominated debt.

42. Information available for subsequent months from the DGCI&S indicates that merchandise exports increased by 22.8 per cent in US dollar terms during April-February 2007-08 as compared with 23.2 per cent in the corresponding period of the previous year. On the other hand, imports showed an increase of 30.1 per cent as compared with 25.2 per cent. While the increase in oil imports was lower at 26.4 per cent as compared with 31.2 per cent, non-oil import recorded a higher growth of 31.8 per cent as compared with 22.6 per cent. During April-February 2007-08, the trade deficit widened to US $ 72.5 billion which was 46.8 per cent higher than the deficit of US $ 49.4 billion in the corresponding period of the previous year.

43. The sustained strength of capital flows during the year is noteworthy. Net portfolio flows on account of investments by FIIs surged to US $ 20.3 billion in 2007-08 from US $ 3.2 billion in the previous year. Net inflows in the form of FDI rose to US $ 25.5 billion in April-February 2007-08 from US $ 19.6 billion a year ago. Net inflows under ADRs/GDRs increased to US $ 8.7 billion from US $ 3.8 billion. On the other hand, net accretions to NRI deposits amounted to US $ 0.1 billion as against US $ 3.9 billion. During 2007-08, the foreign exchange reserves increased by US $ 110.5 billion to US $ 309.7 billion by end-March 2008 and stood at US $ 313.5 billion as on April 18, 2008.

44. The Indian foreign exchange market witnessed generally orderly conditions during 2007-08 with the exchange rate exhibiting two-way movements. The exchange rate of the rupee against the US dollar, which was Rs.43.59 at end-March 2007 appreciated by 5.6 per cent to Rs.41.29 at end-April 2007 and further to Rs.39.27 by January 8, 2008. In the subsequent period the exchange rate depreciated, easing to Rs.39.97 per US dollar by end-March 2008. The rupee-euro exchange rate depreciated from Rs.58.14 at end-March 2007 to Rs.63.09 by end-March 2008. Overall, during 2007-08, the rupee appreciated by 9.1 per cent against the US dollar and by 7.5 per cent against pound sterling but depreciated by 7.7 per cent against the Japanese yen, and by 7.8 per cent against the euro. As on April 25, 2008 the exchange rate of the rupee was Rs.40.18 per US dollar, Rs.62.90 per euro, Rs.79.25 per pound sterling and Rs.38.47 per 100 Japanese yen.

45. The exchange rate policy in recent years has been guided by the broad principles of careful monitoring and management of exchange rates with flexibility, without a fixed target or a pre-announced target or a band, coupled with the ability to intervene, if and when necessary. The overall approach to the

management of India's foreign exchange reserves takes into account the changing composition of the balance of payments and endeavours to reflect the 'liquidity risks' associated with different types of flows and other requirements.

Developments in the Global Economy

46. Global economic activity decelerated somewhat in relation to earlier expectations, mainly on account of the slowdown in the US economy. During the first quarter of 2008, the unfolding of the subprime mortgage crisis coupled with growing concerns about a contraction of economic activity in the US in 2008 appears to be feeding into a deterioration in the outlook for global growth which has remained relatively resilient so far. There are some signs that the slowdown in the US may spill over to the euro area, China and Japan with potential implications for the emerging market economies (EMEs) through trade, financial markets and other linkages. According to the World Economic Outlook (WEO) of the International Monetary Fund (IMF) released in April 2008, the forecast for global real GDP growth, on a purchasing power parity basis, is expected to slow from 4.9 per cent in 2007 to 3.7 per cent in 2008 – as compared with the projection of 4.1 per cent published in January 2008 – and 3.8 per cent in 2009. World real GDP growth, on the basis of market exchange rates, is estimated to decelerate from 3.7 per cent in 2007 to 2.6 per cent in 2008 and 2009.

47. In the US, real GDP grew by 0.6 per cent in the fourth quarter of 2007 as compared with 2.1 per cent a year ago and 4.9 per cent in the previous quarter. In the first quarter of 2008, labour markets weakened with the unemployment rate rising to 5.1 per cent in March 2008. Household and consumption demand is likely to be affected with home prices having fallen by 10.7 per cent in the year ending January 2008, bank seizures having more than doubled in March 2008 over the level a year ago and the year-on-year monthly foreclosure continuing to increase in March 2008 for the 27th consecutive month. US real GDP growth is expected to slow further during 2008 as the housing market downturn deepens and the financial market turmoil spreads across the financial system with macroeconomic implications as apprehended by the IMF in its April 2008 Global Financial Stability Report. The index of leading indicators increased marginally in March after a continuous decline up to February 2008. However, consumer sentiment was at its lowest level in 26 years in April 2008. The US economy is expected to show some improvement in the second half of 2008, when tax rebates in the fiscal stimulus package could lift growth. The IMF's April 2008 update of its WEO expects the US economy to grow at a slower pace of 0.5 per cent in 2008 as against 2.2 per cent in 2007, but projects some recovery to 0.6 per cent in 2009.

48. Real GDP in the euro area grew by 2.3 per cent in the fourth quarter of 2007 on a year-on-year basis as compared with 3.3 per cent a year ago. Real activity appears to have strengthened in the first quarter of 2008. Unemployment fell in

January-February 2008 to a record low of 7.1 per cent notwithstanding currency appreciation, surging oil prices and the US slowdown. Growth in European service industries has accelerated above projections with optimism on export prospects. However, European retail sales fell in March after rising for the first time in five months in February. Retailers continue to lack pricing power with consumer spending held down by inflation at its highest level in 14 years. The April 2008 update of the IMF's WEO has placed real GDP growth of the euro area at 1.4 per cent in 2008 and 1.2 per cent in 2009 as against 2.6 per cent in 2007.

49. The Japanese economy grew by 3.7 per cent in the fourth quarter of 2007 as compared with 2.2 per cent a year ago. In the first quarter of 2008, lead indicators point to some slackening of momentum while consumer and business sentiment has weakened. Japan's factory production fell in January-February 2008 as a deepening US slowdown weakened demand for cars and electronics. Exports and production are slowing and wages remain subdued. Consumer sentiment in Japan has been worsening with higher crude oil prices and the rising prices of daily necessities. The April 2008 WEO of the IMF has projected that Japan's economy, the world's second largest, will grow by 1.4 per cent in 2008 and by 1.5 per cent in 2009 as compared with the estimated growth of 2.1 per cent in 2007.

50. These unusual developments in global economy indicate heightened uncertainties and emerging challenges for the conduct of monetary policy, especially for EMEs. The IMF has forecast that the emerging and developing economies' growth will slow to 6.7 per cent in 2008 from 7.9 per cent in 2007 and further to 6.6 per cent in 2009. Developing Asia will slow by 1.5 percentage points to a still-rapid 8.2 per cent. However, downside risks are emerging to the extent EMEs' growth has depended heavily on external demand and also due to the possibility of capital inflows drying up in the present risk-averse scenario. Rise in risk aversion has already dampened private bond issuance in several EMEs. Most importantly, inflation has raised its head in several EMEs and this might complicate monetary policy decision-making even further, particularly in view of the greater weight for food in consumer prices as well as inflation perceptions in EMEs.

51. The Chinese economy grew by 11.9 per cent in 2007 as compared with 11.1 per cent in 2006 in spite of measures to cool down the pace of growth, including reduction of export rebates and restrictions on processing exports. In the first quarter of 2008, however, growth has moderated to 10.6 per cent as compared with 11.7 per cent a year ago. Reflecting the slowdown in export growth, China's trade surplus fell year-on-year by 10.8 per cent in March 2008 to US $13.4 billion. The total foreign exchange reserves, however, increased to US $ 1.7 trillion in March 2008 as compared with US $ 1.2 trillion in March 2007. In 2008, the Chinese economy is expected to moderate to a growth of 9.3 per cent as tightening policies take effect. The CSI 300 Index, which tracks yuan-denominated A shares listed on China's

two exchanges, has fallen by 28.8 per cent to 3803.1 on April 25, 2008 after increasing six-fold in the two years through 2007. The Chinese authorities are making efforts to resolve problems such as overheated growth in fixed asset investment, excessive supplies of money and credit and a huge trade surplus.

52. Among other major Asian economies, the Korean economy grew by 5.0 per cent in 2007, decelerating marginally from 5.1 per cent in 2006 despite higher exports to emerging markets such as China. Economic activity is expected to slow down further to 4.2 per cent in 2008 before accelerating to 4.4 per cent in 2009. In Thailand, economic activity is expected to grow by 5.3 per cent in 2008 and further to 5.6 per cent in 2009 as against 4.8 per cent in 2007, as stronger domestic demand growth and expansionary public expenditures offset slowing export growth.

53. Continuing strong demand and dwindling stocks are reflected in a tight supply-demand food situation globally, leading to the emergence of food price inflation as a key risk to global stability. The FAO's global food price index, which rose by 40 per cent in 2007 to the highest level on record, has continued to increase in the first quarter of 2008 as well, as world food stocks have fallen to their lowest levels in 25 years. Food import bills in the low-income food-deficit countries are likely to rise by 35 per cent for the second consecutive year in 2008. Shortages and high prices for all kinds of food have caused social tensions around the world in recent months in Haiti, Indonesia, Pakistan and several African countries. China has imposed price controls on cooking oil, grain, meat, milk and eggs. In Egypt, the Government has significantly raised food subsidies and signed a bilateral agreement with Kazakhstan for 1 million tonnes of wheat at a preferential price to be delivered during 2008. Indonesia has removed the 5 per cent duty on wheat import and suspended a 10 per cent duty on imported soybeans. In April 2008, the global food crisis appears to have intensified with Kazakhstan – one of the world's biggest wheat exporters – curbing exports, alongside restrictions in Russia, Ukraine and Argentina. These curbs are likely to trigger similar moves in other foodgrain exporting countries in the face of rising domestic prices worldwide.

54. In the global foodgrains market, prices of major crops such as corn, soyabeans and wheat have increased by 58.2 per cent, 86.3 per cent and 56.5 per cent, respectively, by April 25, 2008 from a year ago in response to surging demand. The increase in overall foodgrain prices has gained momentum from higher energy and fertiliser prices, low levels of inventories, shortfalls in certain crops mainly caused by weather-related factors such as the ongoing drought in Australia and strong increases in the demand for crops. Higher rice prices are also contributing to inflation in many developing countries as the price of rice, a staple in the diets of nearly half the world's population, has almost doubled on international markets in the last three months. Drawing down of costly stockpiles of rice in recent years has removed an effective price dampener

in the face of adverse demand-supply imbalances. Rising prices and a growing fear of scarcity have prompted some of the world's largest rice producers – India, Vietnam, Egypt and Cambodia – at end-March 2008 to announce drastic limits on the amount of rice they export which have driven prices on the world market even higher. Philippines has started to track down rice hoarders. Rice prices in Thailand have trebled over their level in the beginning of 2008. With Indonesia joining other major rice exporters in banning exports, international near-month futures price of rice on Chicago Board of Trade (CBOT) has risen to a high of US $ 23.8 per hundredweight on April 25, 2008 – up by 71 per cent since January 2008. On the same day, futures prices were quoted higher at US $ 24.18 for July 2008, but the quotes moderated for September 2008 to US $ 22.09 and for May 2009 to US $ 22.38.

55. Wheat prices remained generally firm and volatile since October 2007 on account of repeated downward revisions of production forecasts in a number of major exporting countries, most notably Australia. World wheat output is now estimated to have risen by only 1.6 per cent in 2007. Trade is expected to contract because of high and volatile prices, coupled with soaring freight rates. One month wheat futures at the CBOT rose from US $ 9.15 per bushel on January 2, 2008 to US $ 12.8 on February 27, 2008 before falling to US $ 8.01 on April 25, 2008. On the same day, futures prices for wheat were quoted higher for July 2008 at US $ 8.16, for December 2008 at US $ 8.49 and for May 2009 at US $ 8.68.

56. Strong demand for animal feed as well as for ethanol is the main driver in global coarse grain markets, but supply tightness in several exporting countries is also providing support to prices. The futures prices of corn on CBOT, which had moderated somewhat up to July 2007, started moving up thereafter and reached US $ 5.77 on April 25, 2008. On the same day, futures prices for corn were quoted higher for July 2008 at US $ 5.90, for September 2008 at US $ 6.00 and for May 2009 at US $ 6.25.

57. Metal prices have increased by 23.7 per cent during first three months of 2008 after declining by 8.1 per cent during 2007 following increases of 53.6 per cent in 2006 and 36.3 per cent in 2005. In the futures markets, aluminium, zinc and lead prices are showing a downward trend since October 2007. Copper prices have been buoyed up by the depreciating US dollar and high demand. Futures price of copper on the New York Mercantile Exchange (Nymex) increased to a record level of US $ 4.03 per pound on April 9, 2008. As on April 25, 2008 the May 2008 futures prices for copper which stood at US $ 3.96 per pound were quoted lower for July 2008 at US $ 3.91, at US $ 3.89 for September 2008 and at US $ 3.78 for May 2009. Spot gold rose to US $ 1000.10 an ounce on March 13, 2008 – the highest since January 1980 – as the dollar fell to a record low against the euro and on concerns about declining supply on mine shutdowns in South Africa, before declining to US $ 885.15 an ounce on April 25, 2008.

58. Prices of crude oil, which have rebounded since July 2007, increased by

83.2 per cent up to April 25, 2008 from their level a year ago and near-month futures prices have ruled at the record level of US $ 119.64 per barrel on April 25, 2008 – the highest since trading began on the Nymex in 1983. On the same day, oil futures ruled at a lower level of US $ 115.77 for September 2008 and US $ 114.06 for December 2008 and US $ 111.6 for May 2009. According to the Energy Information Administration (EIA), tight fundamentals, reflected by low available crude oil surplus production capacity, combined with supply concerns in several oil exporting countries, have continued to put upward pressure on world crude oil prices. The outlook over the next two years points to some easing of the oil market balance due to increased production outside of the Organization of the Petroleum Exporting Countries (OPEC) and planned additions to OPEC capacity. However, delays to capacity additions in both OPEC and non-OPEC nations could alter the outlook, as could OPEC production decisions. According to the EIA, the price of West Texas Intermediate (WTI) crude oil is expected to be at US $ 100.61 per barrel in 2008 and US $ 92.50 per barrel in 2009. Surplus production capacity is projected to decelerate from its current level of a little over 2 million barrels per day (bbl/d) to more than 1 million bbl/d by the end of 2009.

59. In the US, consumer prices increased from 2.8 per cent in March 2007 to 4.0 per cent in March 2008. In the euro area, inflation increased to 3.6 per cent in March 2008 – the highest level since the introduction of the euro – from 1.9 per cent a year ago. In Japan, inflation increased to a decade-high rate of 1.2 per cent in March 2008 from (-) 0.1 per cent a year ago on account of rising oil and food costs. In the UK, CPI inflation decelerated to 2.5 per cent in February-March 2008 from 2.8 per cent a year ago. At the retail level (in terms of retail prices index or RPI), inflation rose to 4.8 per cent in the UK in March 2007 – the highest since 1991 – but declined thereafter to 3.8 per cent in March 2008 with some fluctuations in between. Inflation pressures have also raised concerns in some of the EMEs such as China, Malaysia, Indonesia and Chile.

60. Core CPI inflation in the US increased to 2.4 per cent in March 2008 from 2.3 per cent in February 2008. In the UK, core CPI inflation has been declining in tandem with the headline rate and stood at 1.2 per cent in February-March, down from 1.3 per cent in January 2008. In the euro area, core CPI inflation increased to 2.0 per cent in March 2008 from 1.8 per cent in February 2008. Core inflation in Japan turned positive (0.1 per cent) in March 2008 as compared with – 0.1 per cent in February 2008. The increase in producer prices has been sharper than in consumer prices, reflecting increased input costs. In the US, producer prices increased from 3.1 per cent in March 2007 to 6.9 per cent in March 2008. In the euro area, producer prices increased from 2.8 per cent in March 2007 to 5.3 per cent in March 2008. In the UK, producer prices increased to 6.2 per cent in March 2008 from 2.7 per cent in March 2007. Wholesale price inflation in Japan increased from 1.2 per cent in February 2007 to 3.4 per cent in February 2008.

Overall, the persistence of high food and oil prices sustained at elevated levels and continued high prices of other commodities pose significant inflation risks for the global economy and challenges for monetary policy worldwide.

61. In the EMEs, the recent jump in headline inflation caused by higher energy and food prices are of concern since this requires a balanced response in controlling inflation while being alert to decelerating impulses from the slowdown in the developed countries and the possibilities of a prolonged global financial market turmoil. Even though higher headline inflation may be driven initially by rising food and energy prices, it could quickly lead to broader price and wage pressures in the EMEs which are witnessing rapid growth. In China, inflation accelerated to 8.7 per cent in February 2008 before easing to 8.3 per cent in March as compared with 3.3 per cent in March 2007 despite the central bank's repeated efforts to rein in inflation through monetary tightening policies. At end-March 2008, the Chinese State Council decided to increase budgetary subsidies for grain production and the government's minimum grain procurement prices to address the potential shortfall in grain production. Farmers' interest in grain production has been declining as raw material costs were rising faster than grain prices. Consumer price inflation in Korea accelerated to 3.9 per cent in March 2008 from 2.2 per cent in March 2007 which is causing concern. Inflation increased to 5.3 per cent in March 2008 in Thailand from 2.0 per cent in March 2007.

62. Concerns about a US slowdown and the uncertainty surrounding the financial health of some of the biggest US financial entities have imparted considerable volatility in the US equity markets since January 2008. On January 21, 2008 equity markets across the world experienced sharp declines with fall in Asian stocks as well. The volatility and bearishness in equity markets have continued in February-April 2008 on account of weak US economic data and substantial write-offs by financial institutions. The Dow Jones Industrial Average, Standard and Poor's (S&P) 500 and Nasdaq Composite exhibited considerable volatility and posted declines of 1.5 per cent, 6.5 per cent and 4.9 per cent, respectively, by April 25, 2008 over their levels a year ago. In the fixed income segment, Government bond yields in the major economies, which had firmed up in the first half of 2007, have softened thereafter since demand for government debt has increased as investors shifted their funds to the treasuries acknowledging the likelihood that the economy is already in a recession and seeking safety. The US 10-year bond yield increased from 4.70 per cent at end-December 2006 to 5.29 per cent on June 12, 2007 before falling to 3.87 per cent on April 25, 2008. The 10-year bond yield in the euro area increased from 3.95 per cent at end-December 2006 to 4.68 per cent on July 9, 2007 before falling to 4.18 per cent on April 25, 2008. The Japanese 10-year bond yield has increased from 1.68 per cent at end-December 2006 to 1.97 per cent on June

13, 2007 before falling to 1.61 per cent on April 25, 2008. These recent developments are indicative of evolving uncertainties in international financial markets with implications for EMEs.

63. On a trade-weighted basis, the US dollar has been depreciating since 2006 with intermittent fluctuations. After the cuts in the Fed funds rates since September 2007, the US dollar has weakened against other currencies. The pound sterling moved to the level of US $ 1.99 on April 25, 2008 – close to the 26-year high of US $ 2.11 reached on November 8, 2007 – amidst concerns relating to the US subprime mortgage market. The euro, which has also been strengthening against the US dollar since June 2007, rose to a peak of US $ 1.60 on April 22, 2008 before declining to US $ 1.56 on April 25, 2008. The Canadian dollar appreciated against the US dollar to a 33-year high to reach US $ 1.09 on November 6, 2007 before declining to US $ 1.01 on April 25, 2008. Turkey experienced a sharp appreciation in its currency vis-a-vis the US dollar to reach the level of 86.95 cents on January 10, 2008 before moving to 77.95 cents on April 25, 2008. The New Zealand dollar had appreciated to 81.10 cents to reach a 22-year peak against the US dollar on July 24, 2007 before declining to 78.07 cents on April 25, 2008.

64. Since the beginning of the turbulence in August 2007, central banks of advanced economies have responded with both conventional and unconventional measures to ease liquidity stress in financial markets and solvency issues among large financial institutions. There has, however, been several aspects that differentiate the approaches of the central banks. Some central banks, notably the ECB, the Reserve Bank of Australia and the Swiss National Bank have responded by providing liquidity to inter-bank markets, implicitly viewing the financial turmoil as essentially a problem of liquidity tightness. These central banks have provided liquidity through fine-tuning operations aimed at assuring orderly conditions in their respective money markets. On the other hand, some central banks like the US Fed, the Bank of England and the Bank of Canada have responded in a more diverse fashion, regarding the market stress as reflecting both liquidity seizure as well as broader threats to financial stability, coupled with dangers of the slowdown in economic activity becoming protracted. Accordingly, they have moved to inject liquidity into money markets through normal and special facilities. They have also relaxed the class of eligible securities for liquidity availment from the central bank. Furthermore, they have also cut policy rates substantially amid fears that the subprime crisis could turn into a major credit crunch with adverse implications for the real sector. The US Fed has also been involved in resolution of problems arising in non-bank entities like investment banks and insurance companies. The Bank of England has provided generalised and institution-specific emergency liquidity and facilities for swapping securities.

65. In the second phase of central bank intervention in December 2007 (the first phase being spread over August-

September), major central banks such as the Federal Reserve, the Bank of Canada, the Bank of England, the European Central Bank and the Swiss National Bank (SNB) injected liquidity in a coordinated manner. Actions taken by the Federal Reserve included the establishment of a temporary Term Auction Facility (TAF) against a wide variety of collateral that can be used to secure loans at the discount window; the establishment of foreign exchange swap lines with the ECB and the SNB which will provide dollars in amounts of up to US $ 20 billion and US $ 6 billion to the ECB and the SNB, respectively, for use in their jurisdictions; a Term Securities Lending Facility announced on March 11, 2008; and a Primary Dealer Credit Facility (PDCF) on April 22, 2008. The Fed has also conducted nine auctions amounting to US $ 340 billion having 28-day maturity and an auction of US $ 20 billion having 35-day maturity.

66. Since December 2007, the ECB has conducted seven US dollar TAF auctions amounting to US $ 85 billion up to April 24, 2008 for 28 days maturity each. The Bank of Canada has conducted five 28-day auctions amounting to US $ 10 billion till April 17, 2008. The SNB has conducted four auctions amounting to US $ 20 billion for 28 days each up to April 22, 2008. The Bank of England increased liquidity injections from £2.85 billion to £11.35 billion for its operations in December 2007-January 2008 of which £10 billion was offered for 3-month maturity. It also announced that long term repo operations would be held against a wider range of high quality collateral. In April 2008, the Bank of England launched a scheme to allow banks to swap temporarily their high quality mortgage-backed and other securities for UK Treasury Bills. It has so far allotted amounts of £44.9 billion (three months), £2.95 billion (six months), £1.6 billion (nine months) and £ 0.8 billion (12 months) in four long-term repo auctions since December 2007.

67. Some central banks have cut policy rates since the third quarter of 2007 when the financial market turmoil surfaced. During September 18, 2007 to March 18, 2008 the US Federal Reserve cut its policy rate by 300 basis points to 2.25 per cent after seventeen increases to 5.25 per cent between June 2004 and June 2006. The Bank of England reduced its repo rate to 5.0 per cent by 25 basis points each in February and April 2008. The Bank of Canada reduced its rate to 3.0 per cent by 25 basis points reductions each in December 2007 and January 2008 and 50 basis points each in March and April 2008. Central banks of several countries, including the euro area, New Zealand, Japan, Korea, Malaysia, Thailand and Mexico have not changed their rates since the last quarter of 2007. Some central banks that have tightened their policy rates in recent months include the Reserve Bank of Australia (Cash Rate raised by 25 basis points in February-March 2008 to 7.25 per cent); the People's Bank of China (lending rate raised to 7.47 per cent in December 2007 from 7.29 per cent in September 2007); the Banco Central de Chile (benchmark lending rate raised to 6.25 per cent in January 2008 from 5.75 per cent in October 2007), and Banco Central do Brasil (overnight Selic rate raised by 50 basis points to 11.75 per cent in April 2008).

68. Large capital flows to EMEs have elicited various responses from central banks for managing and stabilising these flows including monetary tightening involving either hikes in policy rates or in reserve requirements or both. In China, the required reserve ratio was raised from 8 per cent in July 2006 to 16.0 per cent on April 25, 2008. After a gap of 17 years, the Bank of Korea raised reserve requirements from 5 per cent to 7 per cent for local currency deposits and short-term foreign currency deposits in November and December 2006, respectively. Meanwhile, in several EMEs including China and Korea, central bank bonds have continued to absorb liquidity from the banking system.

69. Measures directly aimed at managing capital flows are also in evidence in many EMEs. On December 18, 2006 Thailand imposed unremunerated reserve requirements (URR) of 30 per cent on most capital inflows, requiring them to be deposited with the central bank for one year. However, with effect from March 3, 2008 the Bank of Thailand has lifted the URR on short-term capital inflows and said it would introduce three supporting measures to temper the impact of the change. These measures involve (a) an increase in the foreign investment limit to US $30 billion to allocate to securities companies, mutual funds and individual investors, (b) an improvement in measures to prevent baht speculation and (c) a revision to the structure of non-residential baht accounts so as to help monitor fund flows of non-residents. In May 2007, Colombia introduced a package of measures, including a 40 per cent URR on external borrowing to be held for six months in the central bank. Additionally, a new ceiling on the foreign exchange position of banks, including gross positions in derivative markets, was stipulated to limit circumvention of the URR and banks' exposure to counterparty risk. The PBC raised the amount of foreign currencies that lenders must keep as reserves to 5 per cent from 4 per cent of their foreign-currency deposits from May 15, 2007. The Bank of Korea is investigating large volume trading of currency forward contracts by exporters and financial companies to limit gains in the won, which appreciated to a 10-year high in 2007. Chile and Brazil's central bank have bought up substantial amount of inflows from the spot market to add to reserves and also conducted sizeable operations in the forward markets.

70. Over the year gone by, global developments have brought forward several new realities that pose severe challenges to monetary policy globally. First, concerns relating to the US slowdown and its intensity have mounted in view of the potential spillover on to the global economy. Second, threats to the global economy are emanating from advanced economies in sharp contrast to earlier crises which stemmed from the emerging world. Third, there are indications that protectionist tendencies have increased around the world in anticipation of the growing possibilities of slower growth in advanced economies. In several key commodity-producing economies, policy measures are in place and are being intensified to restrict the availability of

supplies to the international markets. Fourth, linkages between financial sector developments and the real sector have become more worrisome than before, with apprehensions that financial turmoil may spillover to the real sector with adverse implications for employment and growth. With financial institutions reporting tightening in lending standards, deterioration in asset quality and deceleration in consumer loan demand, there are signals that events in the financial markets are beginning to have a persisting impact on other dimensions of the real economy as well. Fifth, higher and more volatile prices of food, energy and other commodities have imparted a significant upside bias to inflation and inflation expectations across the world, complicating the conduct of monetary policy at a time of severe financial stress. In several countries, there are threats to food availability with consequent social tensions. Sixth, terms-of-trade losses due to soaring commodity prices and exchange rate appreciation are reducing the capacity of the euro area and Japan to contribute to a re-balancing of the world economy. Seventh, EMEs are exhibiting resilience so far in the face of the global financial turmoil reflecting relatively stronger macroeconomic framework and sustainable macroeconomic balances. Thus, there is so far some divergence in terms of growth performance between mature economies and EMEs but whether, how long and to what extent it will persist is uncertain. On the other hand, inflationary pressures appear to be common to mature economies and EMEs but the latter are under heavier pressure.

71. There are several issues emerging out of recent financial developments that are interacting with global macroeconomic changes and carry implications for the conduct of monetary policy globally. First, financial markets are currently at the heart of the turmoil and are regarded as sources of higher potential instability going forward. Despite sizeable central bank action over a wide spectrum, market interest rates and policy rates continue to be widely divergent. Second, there are renewed concerns about the gaps in the financial architecture and its limited capability for withstanding shocks or for preventing spillovers. Third, the effectiveness of financial regulations and supervision has come under scrutiny, especially in the context of appropriately assessing capital adequacy in large financial institutions, complex financial products and vehicles and risk management practices. In this context, it is important to note that even the Basel II and related processes are being reviewed in their granularities. Fourth, the role of credit rating agencies is being subjected to critical reassessment, particularly in view of their envisaged role under Basel II. There is active discussion on the need for credit rating agencies to clearly differentiate the ratings for structured products, improve their disclosure of rating methodologies, and assess the quality of information provided by originators, arrangers, and issuers of structured products. Fifth, current practices relating to transparency and disclosure are being subject to careful appraisal in view of their inadequacy in the context of structured financial products and special purpose vehicles.

Sixth, the role of investment banks and their adequacy of capital needs to be reviewed, along with stipulation of separate yet complementary sets of best practices for hedge fund investors and asset managers to increase accountability for participants in this industry.

Overall Assessment

72. While aggregate supply capacities expanded and alleviated domestic macro-imbalances in 2007-08 to some extent, available indicators suggest that economic activity in India currently continues to be mainly demand-driven. The rate of gross fixed capital formation at current prices rose by 2.1 percentage points of GDP at current market prices in 2007-08, more than compensating for the decline of 0.3 percentage points in the rate of private final consumption expenditure and that of 0.2 percentage points in the rate of government final consumption expenditure. Looking ahead, the Union Budget for 2008-09 is likely to provide a stimulus to both private and government consumption in view of the proposals for effective reduction of the tax burden under personal income and excise as well as the revenue expenditure implications emanating from the recommendations of the Sixth Pay Commission. The dominance of investment demand in the economy is likely to persist in 2008-09 and beyond, supported as it were by the buoyancy in corporate saving in view of the sustained resilience of sales and profitability, and the ongoing improvement in public sector saving. Furthermore, patterns of domestic industrial output and imports remain skewed in favour of capital goods, indicative of ongoing expansion in capacity, both new and existing. Moreover, resources raised through public issues as well as investment intentions more than doubled in 2007-08, pointing to the corporate sector's positive assessment of evolving demand conditions and underlying plans for expanding production capacities. Finally, the sharp widening of the merchandise trade deficit reflects the spillover of domestic demand into the external sector with implications for the year ahead.

73. The pick-up in inflation during the fourth quarter of 2007-08 has, however, mainly emanated from supply-side pressures such as the one-off increase in domestic petrol and diesel prices to partially offset the global crude oil price increase over the year; continuous hardening of prices of petroleum products that are not administered, rising prices of wheat and oilseeds and the adjustment in steel prices in March 2008 due to the surge in international prices. In recognition of the unanticipated supply-sided origin of pressures in the recent months, partly due to global developments, the first response of public policy to the hardening of inflation has been in terms of reducing import duty on rice and edible oils, followed by a ban on exports of non-basmati rice and pulses, an increase in the minimum export price relating to basmati rice, reduction of customs duty on butter, ghee and maize, and administrative measures to enable imposition of stock limits on selected agricultural products. There are growing concerns that this

upsurge in inflation in India has occurred at a time when global commodity prices have been volatile at historically elevated levels and central banks in mature and emerging economies alike have been articulating heightened inflation concerns. Consequently, there are concerns that demand pressures, which have been reasonably contained so far, are being coupled with supply-side factors which, if not temporary in view of global demand-supply imbalances, could impact domestic inflation significantly.

74. Monetary and financial conditions appear to have gone through underlying shifts in the fourth quarter of 2007-08. While the rate of money supply has dipped from mid-February 2008 in tandem with a moderation in the growth of time deposits, it remains high in relation to indicative projections. On the other hand, the moderation in non-food credit growth that was evident in the first half of 2007-08 appears to have extended into the fourth quarter of the year. The deceleration has been marked in respect of interest-sensitive sectors such as housing, personal loans and real estate as well as in some categories of services such as trade, professional and other services, shipping, transport operators, tourism, hotels and restaurants which had been recording significantly elevated growth rates in preceding years. These movements in banking aggregates have enabled a better balance between banks' sources and uses of funds than before, as reflected in the decline in the incremental non-food credit deposit ratio to below 75 per cent for the first time since August 2004.

75. During the fourth quarter of 2007-08, financial markets were impacted by unusual swings and high volatility in foreign exchange flows as well as in cash balances of the Government with the Reserve Bank with consequent shifts in liquidity conditions. These variations were smoothened by active liquidity management through a combination of instruments such as the MSS, the LAF and the CRR so that volatility in overnight interest rates was broadly contained within the informal LAF corridor. As a result, advance tax payments did not produce the usual spikes in money market rates. Generally orderly conditions were also observed in the Government securities market with some widening of yield spreads across maturities on concerns about rising inflation domestically, recent escalations in food, energy and metal prices internationally, and the atmosphere of heightened uncertainty. In the credit market, while deposit rates have been adjusted downwards, lending rates have edged up. In the foreign exchange market, two-way movements in spot rates have been in evidence in the fourth quarter of 2007-08 and in April 2008. On the other hand, asset prices, particularly equity prices, rose to record highs in January 2008 before declining dramatically in February-March 2008.

76. Finances of the Central Government have undergone further consolidation in 2007-08 in consonance with the path charted under the FRBM. Sustained buoyancy in corporation and personal income taxes lifted gross tax revenues above the budgeted level by 0.8 percentage points of GDP. Reflecting the

fruits of a better balancing of the tax structure, marked improvement in compliance and efficiency gains in tax administration, the tax-GDP ratio has moved up from 9.2 per cent in 2003-04 to 12.5 per cent in 2007-08 and is likely to reach 13.0 per cent in 2008-09. While aggregate expenditure was 0.7 percentage points of GDP higher than budgeted, this was essentially on account of revenue (non-Plan) expenditure in the form of interest payments and subsidies. Capital expenditure, however, declined in relation to budget estimates. There was also a sizeable recourse to mobilisation of resources through extra-budgetary transactions in the form of issuances of securities to public sector entities. These developments are indicative of potential pressures in the period ahead, notwithstanding the marginal reduction achieved in the revenue deficit and in the gross fiscal deficit in relation to GDP.

77. Within India's growing integration with the global economy, some aspects of India's external sector developments in 2007-08 merit attention. First, there has been a sizeable widening of the trade deficit on sustained demand for non-oil imports – particularly for capital goods, export-related inputs and bullion – and as a result of escalating international crude oil prices. Second, net capital flows in April-December 2007 were 2.7 times those in April-December 2006 and 1.8 times of the net flows in the full year 2006-07. Gross capital inflows to India constituted 18 per cent of gross private capital flows to emerging and developing economies in 2007 reported by the IMF's WEO. Third, outward FDI has more than doubled, reflecting the growing global reach of the Indian corporate sector. Fourth, the level of reserves is currently the third largest stock of reserves among the EMEs but still lower than India's international liabilities at US $ 371 billion at book value at end-September 2007.

78. The global economic outlook has worsened since the Third Quarter Review of January 2008. Until October 2007, there appeared to have been reasonable confidence in the resilience of the world economy to cope with the freeze in US financial markets – world GDP growth was expected by the IMF to be 0.3 percentage points above its initial April 2007 forecast for 2007 but lower by 0.1 percentage points for 2008. Since January 2008, this confidence appears to have eroded rapidly. In April 2008, the IMF's forecast for 2008 has been lowered by 1.2 percentage points and by 1.1 percentage points for 2009 from the April 2007 projections. Risks of contagion from the financial turmoil are regarded as high with a 25 per cent probability of it spreading into a global recession – world real GDP growth of 3 per cent or less. According to the IMF, a one per cent reduction in US GDP growth leads to a 0.5 percentage points decline in growth in advanced European economies with a six month lag, and about a 0.75 percentage points decline in the growth of EMEs, taking into account the joint effect of a slowdown in the US and Europe. World trade is also expected to decelerate – by 1.2 percentage points by the IMF and by 1.0 percentage points by the World Trade Organisation – in 2008 reflecting the expectations of slower global growth.

79. Globally, inflation has risen considerably from its level a year ago in mature economies and EMEs alike. While the upsurge in inflation is reflected in varying degrees in consumer prices, both headline and core, the increase in producer prices on the back of commodity price pressures has been relatively higher reflecting the sharp increase in input costs. The resurgence of inflation risks worldwide from food and energy prices has also exacerbated the concerns about slowdown in activity in the context of compressed real disposable incomes and consumer purchasing power. Other factors imparting upside pressures to inflation are persistent strength in underlying demand, especially from EMEs, and low levels of inventories. Supply side pressures are expected to persist in the coming months with considerable uncertainties surrounding the evolution of key commodity prices and second order effects.

80. Growth forecasts for EMEs have been moderated in the face of the financial turbulence and the anticipated slowdown in the US economy. The underlying macroeconomic fundamentals of the EMEs remain resilient and the robust momentum of domestic demand in large emerging economies of Asia and Latin America could withstand a protracted weakening of growth in advanced economies. They, however, remain vulnerable to negative effects in terms of slower export growth and volatility in financial flows. Furthermore, asset prices have declined and equity markets in EMEs seem coupled and volatile in tandem with US markets, indicating that some rebalancing is still underway. A key risk to the outlook for EMEs is rising food, energy and commodity prices that are already imparting inflationary pressures and raising concerns about impacting the momentum of growth in these economies. Several EMEs are increasingly having to deal with rising public intolerance to high food inflation which appears to be setting into a structural phenomenon due to more frequent crop failures than before and diversion of acreage for bio-fuels, supported in the US by fiscal subsidies. Moreover, the rising international commodity prices have impacted EMEs differently with commodity exporters benefiting from sizeable terms of trade gains while commodity importers have experienced wider trade deficits and higher domestic inflation. Finally, the recent monetary policy responses in the US have also heightened the uncertainties facing EMEs by widening interest rate differentials and increasing the costs of sterilisation, especially in a period when inflationary pressures warrant tightening. It is in the context of these concerns that EMEs have generally been reluctant to lower key policy rates in consonance with the US. Some EMEs have recently raised policy rates on domestic economy considerations while the majority have kept interest rates on hold.

81. The outlook for the global financial system is overcast by the rising incidence of losses and write-offs in banking systems in the US and Europe amidst dislocations in the securitised credit market. Banks are facing capital constraints, as credit/market risks associated with off-balance sheet investments have to be re-intermediated.

Credit to housing is the worst affected. Banks in the US and Europe have reported a widespread tightening in credit standards. There are also growing uncertainties surrounding the viability of financial guarantors and doubts about their business models as well as the approach of rating agencies with potential systemic implications. Global financial markets have exhibited heightened uncertainty and bearish sentiment in the early months of 2008, exacerbated by weakening macroeconomic prospects. Credit markets continue to be seized up with spreads even on investment grade credits continuing to remain widened and those on sub-investment grade credits at prohibitive levels. Global equity markets dropped sharply in January 2008 and weakened again in March-April with volatility well above long-term averages. In the continuing turmoil, bond markets have re-emerged as safe havens. In the currency markets, the US dollar has been weakening against the backdrop of monetary policy actions, already undertaken and prospective.

82. In the overall assessment, there have been significant shifts in both global and domestic developments in relation to initial assessments. While global growth was expected to moderate in the Annual Policy Statement of April 2007, the outlook for the global economy deteriorated from the time of the Mid-Term Review of October, and sharply after the Third Quarter Review of January 2008. The dangers of global recession have increased at the current juncture although consensus expectations do not rule out a soft landing. Globally, inflationary pressures were evident in April 2007 in the elevated levels of commodity and asset prices. From January 2008, the upside pressures from international food and energy prices appear set to impart a degree of persistent upward pressure to inflation globally. At the end of July 2007, risks from financial markets had enhanced the vulnerability of the global financial system, with amplified exchange rate fluctuations and large changes in the magnitude and direction of capital flows. There was growing uncertainty as to when, how and to what extent would the withdrawal of liquidity take place and impact economies like India. By January 2008, it was clear that the subprime mortgage crisis carries by far the gravest risks for the world economy. On the domestic front, the outlook remained positive up to January 2008, with indications of moderation in industrial production, service sector activity, business confidence and non-food credit, as anticipated. In the ensuing months, consensus assessment of the prospects for growth in the year ahead have been trimmed. Since January 2008, risks to inflation and inflation expectations from the upside pressures due to international food, crude and metal prices have become more potent and real than before. Volatile capital flows, large movements in the cash balances of the Government and consequent changes in liquidity conditions continue to complicate monetary management.

II. Stance of Monetary Policy for 2008-09

83. The Third Quarter Review of January 29, 2008 had noted with concern the

unfolding of global developments and the responses of monetary authorities which seemed to provide an indication of the threat to growth and financial stability worldwide. Consequently, developments in global financial markets in the context of the subprime crisis warranted more intensified monitoring and swift responses with all available instruments to preserve and maintain domestic macroeconomic and financial stability. In addition, risks to inflation from high and volatile international prices of fuel, food and metal prices had intensified, complicating the task of monetary authorities in assuaging liquidity and solvency stress in financial markets and institutions. It was also indicated that liquidity management will continue to assume priority in the conduct of monetary policy. In this context, financial markets continued to be under careful and continuous surveillance with a readiness to respond flexibly and pre-emptively to ensure orderly liquidity conditions, particularly in the context of the management of volatile and large movements in capital flows. Against this backdrop, it was emphasised that monetary policy has to be vigilant and proactive in cushioning the real economy from excess volatility in financial markets while recognising that India cannot be totally immune to global developments. Accordingly, the Third Quarter Review reaffirmed the stance of monetary policy set out in the Annual Policy Statement of April 2007 and subsequent Reviews of reinforcing the emphasis on price stability and well-anchored inflation expectations while ensuring a monetary and interest rate environment conducive to continuation of the growth momentum and orderly conditions in financial markets. While credit quality continued to receive priority, credit delivery, in particular, for employment-intensive sectors was emphasised while pursuing financial inclusion. Reckoning global factors as becoming increasingly relevant even though domestic factors dominated the policy stance, the Third Quarter Review committed to monitor the evolving heightened global uncertainties and the domestic situation impinging on inflation expectations, financial stability and the growth momentum in order to respond swiftly with both conventional and unconventional measures, as appropriate.

84. It is observed that domestic financial markets have not been seriously impacted by the turbulence overseas, except for equity markets which have reflected the widespread risk aversion and the increase in uncertainty in the international financial environment. On the other hand, localised factors such as banks' balance sheet adjustments in the run-up to the year-end closure of accounts, advance tax flows and sizeable movements in Government cash balances produced large swings in market liquidity. Consequently, the LAF switched from an absorption mode up to mid-February into persistent daily injections during the rest of the month. In the first half of March, the LAF returned to moderate daily absorption, but switched into sizeable liquidity injections during March 17-31, as expected. In accordance with the priority assigned to liquidity management in the Third Quarter Review, MSS

auctions were held in abeyance from mid-February 2008 in view of the tightening of liquidity conditions. Furthermore, in pursuance of the policy of active demand management of liquidity using all the policy instruments flexibly, including the option to conduct overnight or longer term repo/reverse repo under LAF, additional arrangements were instituted at the request of a number of banks in view of the schedule of advance tax payments in mid-March 2008 and the subsequent bank holidays (March 20-22, 2008). As stated earlier, additional LAF operations on March 14, 17 and 31, 2008 were held to enable banks to manage year-end liquidity conditions. MSS auctions were resumed from April 9, 2008 in conjunction with LAF reverse repos to manage large surpluses in financial markets. These liquidity management operations have, by and large, smoothed market interest rates and enabled their orderly evolution. It is important to recognise, however, that the unwinding of the specific factors currently in evidence will have implications for the evolution of market liquidity in the period ahead in an environment of heightened uncertainty and volatility in global markets and the danger of potential spillovers to domestic equity and currency markets. Against this backdrop, liquidity management will continue to receive priority in the hierarchy of policy objectives, going forward. In particular, the volatility in capital flows and in cash balances of the Government will continue to necessitate active liquidity management with a combination of instruments as warranted.

85. Notwithstanding the moderation in industrial activity which was anticipated in the Mid-Term Review and the Third Quarter Review, the outlook for sustaining the underlying growth momentum appears to be reasonably well embedded into the medium-term. In the Third Quarter Review, it was indicated that while the moderation in private consumption expenditure merits consideration, a disaggregate analysis of supply and demand factors across select sectors would enable appropriate public policy responses. The recent measures announced in the Union Budget 2008-09 to *inter alia* raise personal disposable incomes and to reduce and rationalise excise duties reflects this approach. Institutional and procedural changes to improve credit delivery to productive sectors, especially those with relatively higher employment intensity, have been undertaken by the Reserve Bank. Going forward, the combination of these measures should provide a conducive environment for the revival of consumption demand. Investment demand is robust and likely to remain the driving force of overall economic activity, powered by rising domestic saving, ongoing improvement in productivity and the actualisation of the sizeable expansion of supply capabilities that has been underway since 2003-04. At the same time, it is important to recognise that the threats to growth and stability from global developments have increased considerably with highly uncertain likelihood of early resolution. Besides the dangers surrounding the unfolding of events in international financial markets referred to earlier,

potential inflationary pressures from international food and energy prices appear to have amplified and, by current indications, are likely to remain so for some time. Furthermore, there is now much higher probability of a global economic and credit slowdown than was anticipated till recently.

86. Initial forecasts predict a near-normal rainfall at 99 per cent of the long period average for the country as a whole in the 2008 south-west monsoon season, auguring well for the sustenance of trend growth in agriculture. The expected decline in world GDP growth in 2008 in relation to the preceding year could temper the prospects of growth in the industrial and service sectors at the margin although the underlying momentum of expansion in these sectors is likely to be maintained. In view of these factors, overall, for policy purposes, real GDP growth in 2008-09 may be placed in the range of 8.0 to 8.5 per cent, assuming that (a) global financial and commodity markets and real economy will be broadly aligned with the central scenario as currently assessed and (b) domestically, normal monsoon conditions prevail.

87. In view of the lagged and cumulative effects of monetary policy on aggregate demand and assuming that supply management would be conducive, capital flows would be managed actively and in the absence of new adversities emanating in the domestic or global economy, the policy endeavour would be to bring down inflation from the current high level of above 7.0 per cent to around 5.5 per cent in 2008-09 with a preference for bringing it as close to 5.0 per cent as soon as possible, recognising the evolving complexities in globally transmitted inflation. The resolve, going forward, would continue to be to condition policy and perceptions for inflation in the range of 4.0-4.5 per cent so that an inflation rate of around 3.0 per cent becomes a medium-term objective consistent with India's broader integration into the global economy and with the goal of maintaining self-accelerating growth over the medium-term.

88. Money supply has risen above indicative projections persistently through 2005-07 on the back of sizeable accretions to the Reserve Bank's foreign exchange assets and a cyclical acceleration in credit and deposit growth, particularly the latter, in 2007-08. In view of the resulting monetary overhang, it is necessary to moderate monetary expansion and plan for a rate of money supply in the range of 16.5-17.0 per cent in 2008-09 in consonance with the outlook on growth and inflation so as to ensure macroeconomic and financial stability in the period ahead. Consistent with the projections of money supply, the growth in aggregate deposits in 2008-09 is placed at around 17.0 per cent or around Rs.5,50,000 crore. Based on an overall assessment of the sources of funding and the overall credit requirements of the various productive sectors of the economy, the growth of non-food credit including investments in bonds/debentures/shares of public sector undertakings and private corporate sector and commercial paper (CP) is placed at around 20.0 per cent in 2008-09 consistent with the monetary projections.

89. The escalated levels of international food and crude prices carry some pressures for the external sector. On the whole, it is prudent to assume for policy purposes a continued strong and sustainable external sector though with a marginally higher order of overall trade and current account deficits in 2008-09 than in the preceding year. It is likely that net capital flows would comfortably meet the external financing requirements in 2008-09.

90. The Union Budget for 2008-09 has placed the GFD at 2.5 per cent of GDP for 2008-09, down from 3.1 per cent in the revised estimates for 2007-08 and within the FRBM target. The revenue deficit has been placed at 1.0 per cent of GDP in 2008-09, rescheduled from the target on account of enhanced allocations for the social sector. The net market borrowing programme of the Centre for 2008-09 is budgeted at Rs.99,000 crore as against Rs.1,10,727 crore in the previous year. The moderate reduction in the size of the Government borrowing programme is consistent with the path of the GFD envisaged in the FRBM.

91. Fiscal developments, especially on account of evolving expenditure commitments related to the implementation of the farm debt waiver scheme, the recommendations of the Sixth Pay Commission, issuance of Government bonds to oil and fertiliser companies to cover their under-recoveries/subsidy need to be continuously monitored in view of the prevailing conditions characterised by high and volatile global food prices and the incomplete pass-through of the escalation of international crude prices to prices of domestic petroleum products.

92. The heightened uncertainty surrounding global financial markets and the unusual policy responses of major central banks provides some indications of the threats to global growth and stability that loom over the near-term horizon. High volatility, still frozen credit markets and massive losses suffered by large financial institutions could impact India's external financing conditions – trade, capital flows and asset prices – and, therefore, the evolving monetary policy stance in 2008-09. While India's foreign trade is well-diversified and the reliance on external finance has averaged around one per cent of GDP, domestic activity and sentiment cannot remain immune to these developments. The major source of the direct impact is through the financial flows, in particular, in the equity markets and, consequently, on the foreign exchange market in India.

93. Recent global developments have considerably heightened the uncertainty surrounding the outlook on capital flows to India, complicating the conduct of monetary and liquidity management. In view of the strong fundamentals of the economy and massive injections of liquidity by central banks in advanced economies, there could be sustained inflows, as in the recent past. If the pressures intensify, it may necessitate stepped up operations in terms of capital account management and more active liquidity management with all

instruments at the command of the Reserve Bank. At the same time, it is necessary in the context of recent global events not to exclude the possibility of reversals of capital flows due to any abrupt changes in sentiments or global liquidity conditions. In this scenario, it is important to be ready to deal with potentially large and volatile outflows along with spillovers. In this context, there is headroom with the Reserve Bank to deal with both scenarios in terms of the flexibility in the deployment of instruments such as the MSS, the CRR, the SLR and the LAF for active liquidity management in both directions, complemented by prudential regulations and instruments for capital account management.

94. In assessing the prospects for the global economy in 2008-09, it is useful to recognise the anticipated global slowdown and heightened uncertainties in addition to mounting inflationary pressures. Whether the slowdown would have a moderating effect on inflationary pressures or whether the global economy would slip into stagflation is not yet clear. Inflationary pressures seem common to the global and our domestic economy with some elements of contagion. Overall, uncertainties in regard to the Indian economy, however, appear less relative to those in the global economy and moderation in growth rather than a significant slowdown appears likely in the case of India. In regard to the interaction between global and national economies, some early signs of revival of protectionism are seen globally, especially in regard to food and fuel policies. This makes the assessment of impact of the global economy on India, particularly in regard to inflation and capital flows, extremely difficult. However, domestic factors will continue to dominate the policy setting, with a contextual emphasis on inflation expectations while recognising the significance of maintaining hard-earned gains in terms of both outcomes of and positive sentiments on India's growth momentum.

95. In brief, given the unprecedented complexities involved and the heightened uncertainties at this juncture, there are some key factors that govern the setting of the stance of monetary policy for 2008-09. First, there is the immediate challenge of escalated and volatile food and energy prices which possibly contain some structural components. It is necessary, however, to recognise that there are also cyclical components in their evolution. Second, while demand pressures persist, there has been some improvement in the domestic supply response alongside a build-up of additional capacities, enabled by a conducive policy environment. Accordingly, even as investment demand remains strong, supply elasticities can be expected to improve further and new capacities should come on stream in the months ahead. Third, monetary policy has lagged and cumulative effects as demonstrated in the positive outcomes relating to growth and stability at the current juncture, barring recent episodes of external shocks. Calibrated monetary

policy actions undertaken since September 2004 thus continue to have some stabilising influence on the economy. Further, the very recent initiatives in regard to supply-management by the Government of India and measures relating to the cash reserve ratio by the Reserve Bank are in the process of impacting the economy, while a more reliable assessment of crop prospects is underway. Fourth, critical to the setting of monetary policy is the importance of anchoring expectations relating to both global and domestic developments. Accordingly, policy responses for managing expectations should consider the evolving global and domestic uncertainties surrounding the slowing down of global output growth and also the potential for exaggerated bearishness in the Indian context. Fifth, while monetary policy has to respond proactively to immediate concerns, it cannot afford to ignore considerations over a relatively longer term perspective of, say, one to two years, with respect to overall macroeconomic prospects. At the same time, it is critical at this juncture to demonstrate on a continuing basis a determination to act decisively, effectively and swiftly to curb any signs of adverse developments in regard to inflation expectations. In view of the above unprecedented uncertainties and dilemmas, it is important to take informed judgements with regard to the timing and magnitude of policy actions; and such judgements need to have the benefit of evaluation of incoming information on a continuous basis.

96. The Reserve Bank will continue with its policy of active demand management of liquidity through appropriate use of the CRR stipulations and open market operations (OMO) including the MSS and the LAF, using all the policy instruments at its disposal flexibly, as and when the situation warrants.

97. In sum, barring the emergence of any adverse and unexpected developments in various sectors of the economy, assuming that capital flows are effectively managed, and keeping in view the current assessment of the economy including the outlook for growth and inflation, the overall stance of monetary policy in 2008-09 will broadly be:

- To ensure a monetary and interest rate environment that accords high priority to price stability, well-anchored inflation expectations and orderly conditions in financial markets, while being conducive to continuation of the growth momentum.
- To respond swiftly on a continuing basis to the evolving constellation of adverse international developments and to the domestic situation impinging on inflation expectations, financial stability and growth momentum, with both conventional and unconventional measures, as appropriate.
- To emphasise credit quality as well as credit delivery, in particular, for employment-intensive sectors, while pursuing financial inclusion.

III. Monetary Measures

(a) Bank Rate

98. The Bank Rate has been kept unchanged at 6.0 per cent.

(b) Repo Rate/Reverse Repo Rate

99. The repo rate under the LAF is kept unchanged at 7.75 per cent.

100. The reverse repo rate under the LAF is kept unchanged at 6.0 per cent.

101. The Reserve Bank has the flexibility to conduct repo/reverse repo auctions at a fixed rate or at variable rates as circumstances warrant.

102. The Reserve Bank retains the option to conduct overnight or longer term repo/reverse repo under the LAF depending on market conditions and other relevant factors. The Reserve Bank will continue to use this flexibility including the right to accept or reject tender(s) under the LAF, wholly or partially, if deemed fit, so as to make efficient use of the LAF in daily liquidity management.

(c) Cash Reserve Ratio

103. Scheduled banks are required to maintain cash reserve ratio (CRR) of 7.75 per cent with effect from the fortnight beginning April 26, 2008 and 8.0 per cent with effect from the fortnight beginning May 10, 2008 as announced on April 17, 2008. On a review of the evolving liquidity situation, it is considered desirable to increase the CRR by 25 basis points to 8.25 per cent with effect from the fortnight beginning May 24, 2008.

First Quarter Review

104. The First Quarter Review of this part of the Annual Policy Statement for the year 2008-09 will be announced on July 29, 2008.

Part II. Annual Statement on Developmental and Regulatory Policies for the Year 2008-09

105. The Annual Statement of April 2007 and subsequently the Mid-Term Review of October 2007 set the stance of developmental and regulatory policies for the year 2007-08 in terms of emphasis on credit quality, orderly conditions in financial markets, greater credit penetration and financial inclusion. In the Third Quarter Review of January 2008, heightened vigilance in the context of potential spillovers from the global financial turbulence was accorded priority, along with preparedness for swift responses to ensure financial stability. During 2007-08, development of the financial market infrastructure, liberalisation of foreign exchange transactions, strengthening risk management in banks and supervisory processes in response to financial innovations engaged the Reserve Bank, alongside the refinement of credit delivery mechanisms with specific focus on agriculture, micro, small and medium enterprises and financial inclusion.

106. The setting of developmental and regulatory policies for 2008-09 will continue to focus on developing a sound, efficient and vibrant financial system that

ensures the efficient provision of financial services to the widest sections of society. In the context of recent financial developments internationally, the securing and maintenance of financial stability will continue to receive priority from a policy perspective. Credible communication, adequate and timely availability of information and a broad-based, participative and consultative approach in the conduct of its developmental and regulatory policies with involvement of all stakeholders would shape the Reserve Bank's responses to the emerging challenges.

107. Recent financial developments have brought to the fore several issues that carry implications for the health of the financial sector. First, there is close scrutiny of the business strategies of banks and financial institutions which are based on the model of 'originate and distribute'. Second, issues relating to securitisation are being debated in the context of incentive structures that provide for economising on capital requirements and enhancement of off-balance sheet exposures relative to considerations of financial soundness. Third, recent events have also underscored the need for enhanced market transparency relating to disclosures of off-balance sheet exposures, particularly with regard to liquidity commitments to conduits, valuations regarding structured credit products and the like. Fourth, the apparent inadequacy of financial institutions' capital cushions has been exposed. In this context, the role of sovereign wealth funds as providers of capital is being carefully assessed by supervisory authorities across the world. Fifth, the sharp repricing of risk that began in the middle of 2007 has raised issues relating to the marking to market of portfolios of financial institutions and attendant issues relating to capital provision. Sixth, there are concerns that existing risk pricing and management tools and techniques employed in banks and financial institutions are inadequate in relation to the evolving risks. Seventh, there is a progressive blurring of the boundaries between liquidity and solvency stress in situations of generalised uncertainty and loss of confidence among financial entities. Eighth, the role of structured investment vehicles (SIVs), the potential liquidity demands that could crystallise on balance sheets and the degree of leverage embedded in the global financial system has been largely underestimated with implications for the soundness and efficiency of the financial sector. Ninth, the functioning of the credit rating agencies and excessive reliance of institutional investors on the ratings are under scrutiny.

108. Against this backdrop, several measures have been suggested for mitigating the impact and improving the global financial system. According to the Institute of International Finance (IIF), banks should commit themselves to follow best practices in a number of areas where the financial crisis has revealed

weaknesses. 'Best practice' should not imply legal obligations but high standards for entities to develop their own tailor-made solutions. The proposals made by the Financial Stability Forum (FSF) [a forum of select senior representatives of national financial authorities – including central banks, supervisory authorities and treasury departments – international financial institutions, international regulatory and supervisory groupings and committees of central bank experts] and ratified in early April 2008 by the G-7 to be implemented over the next 100 days are comprehensive and cover full and prompt disclosure of risk exposures, write downs and fair value estimates for complex and illiquid instruments; urgent action by setters of accounting standards and other relevant standard setters to improve accounting and disclosure standards for off-balance sheet or entities and to enhance guidance on fair value accounting, particularly on valuing financial instruments in periods of stress; strengthening of risk management practices, supported by supervisors' oversight, including rigorous stress testing; and strengthening of capital positions as needed. In addition, proposals made by the FSF for implementation by end-2008 include: strengthening prudential oversight of capital, liquidity, and risk management under Basel II, especially for complex structured credit instruments and off-balance sheet vehicles; enhancing transparency and valuation for off-balance sheet entities, securitisation exposures, and liquidity commitments under the Basel Committee's guidance; enhancing due diligence in the use of ratings; adherence by credit rating agencies to the revised code of conduct of the International Organisation of Securities Commissions (IOSCO); strengthening the authorities' responsiveness to risk through cooperation and exchange of information so as to act swiftly to investigate and penalise fraud, market abuse, and manipulation; implementing robust arrangements for dealing with stress in the financial system such as liquidity support from the central banks; and, strengthening arrangements for dealing with weak and failing banks, domestically and cross border. It may be noted that the International Monetary and Financial Committee (IMFC) has welcomed the above policy recommendation of FSF [The IMFC is a Committee of select Board of Governors of the IMF of which the Finance Minister, Shri P. Chidambaram is a member].

109. In the light of the current macroeconomic environment and global developments as discussed in Part I of the Statement, the Annual Statement on Developmental and Regulatory Policies focuses on certain key areas: new financial instruments, carrying forward development of various segments of financial markets and strengthening financial market infrastructure; developing a safe, secure and integrated real time payment and settlement system; further liberalisation of foreign exchange transactions; cross-border

supervision, risk-based supervision and bank-led financial conglomerates; strengthening the supervisory framework as appropriate to evolving requirements; enhancing public confidence and consolidation in urban cooperative banks (UCBs) and regional rural banks (RRBs); improved credit delivery mechanisms and conducive credit culture, customer service and financial inclusion.

110. The Annual Statement on Developmental and Regulatory Policies for the year 2008-09 is divided into four sections. I. Financial Markets; II. Credit Delivery Mechanism and Other Banking Services; III. Prudential Measures; and IV. Institutional Developments.

I. Financial Markets

Government Securities Market

111. The Reserve Bank has taken significant steps to further broaden and deepen the Government securities market in consultation with market participants. In this direction, the following initiatives are proposed:

(a) Central Government Securities

(i) Floating Rate Bonds: Status

112. The Mid-Term Review of October 2007 had indicated that a new issuance structure for floating rate bonds (FRBs) is being built into the Negotiated Dealing System (NDS) auction format being developed by the Clearing Corporation of India Limited (CCIL) to simplify the methodology for pricing of FRBs in the secondary market. The CCIL is currently developing the primary auction module for the dated Government securities which would cover all types of instruments, including FRBs. The issuance of FRBs would be considered at an appropriate time, taking into account the market conditions.

(ii) Ways and Means Advances to the Government of India: Status

113. The Reserve Bank, in consultation with the Government of India, has retained the extant arrangements for the Ways and Means Advances (WMA) for the fiscal year 2008-09. As per the arrangements, the WMA limits would continue to be fixed on a half-yearly basis and are placed at Rs.20,000 crore for the first half and Rs.6,000 crore for the second half of 2008-09. The applicable interest rate on WMAs and overdrafts would continue to be linked to the repo rate, as *hitherto.* The Reserve Bank, however, retains the flexibility to revise the limits in consultation with the Government of India, taking into consideration the prevailing circumstances.

(iii) Auction Process of Government of India Securities

114. An Internal Working Group (Chairman: Shri H.R. Khan) was constituted to review the auction procedure for the Government securities and make suggestions to reduce the time taken for completion of the auction process with a view to improving efficiency on par with the best

international practices. Some of the important recommendations made by the Working Group include: reduction in the time gap between bid submission and declaration of auction results; withdrawal of the facility of bidding in physical form; submission time for the non-competitive bids to be de-linked from that of competitive bids; competitive bids to be submitted only through the Negotiated Dealing System (NDS); and designing of a secured web system facilitating direct participation of non-NDS members in the auctions of Government securities. The modalities for implementing the recommendations of the Working Group are being worked out.

(iv) Restructuring of Primary Dealers' Activities: Status

115. Primary Dealers (PDs) were permitted in July 2006 to manage risks inherent in their business by diversifying into other business lines, *i.e.,* corporate debt, money market, equity and securitisation instruments, subject to certain prudential limits, while retaining the requirement of predominance of Government securities business. They were also allowed to offer certain fee-based services. PDs, however, are not permitted to set up step-down subsidiaries in order to ensure that the balance sheets of the PDs do not get affected by the spillover of risks from other businesses/subsidiaries and that the regulation of PDs is focused on their primary dealership activities. In compliance with the guidelines, all the nine standalone PDs have restructured their operations for undertaking permissible activities.

(v) The Government Securities Act, 2006: Status

116. The Government Securities (GS) Act, 2006 was passed and was published in the Gazette of India on August 31, 2006 for general information. The Government Securities Regulations, 2007 were framed by the Reserve Bank in terms of Section 32(1) of the GS Act, which came into force from December 1, 2007. The main features of the Regulations include investor friendly automatic redemption facility, *i.e.,* no physical discharge is required if the investors submit bank account details for receiving redemption proceeds of Government security held in the form of bond ledger account (BLA), subsidiary general ledger (SGL) or stock certificate; facility of pledge, hypothecation or lien of Government security; simplified procedure for recognition of title to a Government security of a deceased holder; nomination facility for stock certificate and BLAs; simplified procedure for issue of duplicate Government promissory note; and simplified procedure for making vesting order. For better customer service, it is proposed to widely disseminate these investor friendly features of the regulations through media publicity and the website of the Reserve Bank by way of easy to understand material and frequently asked questions (FAQs).

(b) Debt Management for State Governments

(i) Non-Competitive Bidding Scheme in the Auctions of the State Development Loans

117. The Mid-Term Review of October 2007 indicated that a scheme for non-competitive bidding facility in the auctions of State Development Loans (SDLs) was incorporated in the Revised General Notification issued by all State Governments on July 20, 2007 with a view to widening the investor base and enhancing the liquidity of SDLs. The business requirement specification relating to this scheme has been incorporated in the dated securities auction module of the NDS auction which is being developed by the CCIL. The module is expected to become functional by September 2008.

(ii) Ways and Means Advances Limits of the States: Status

118. On a review of the State-wise limits of normal WMA for the year 2007-08, the Reserve Bank has kept these limits unchanged for the year 2008-09. Accordingly, the aggregate normal WMA limit for State Governments is placed at Rs.9,925 crore, including the WMA limit of Rs.50 crore for the Government of the Union Territory of Puducherry. Other terms and conditions of the Scheme remain unchanged.

(c) Development of Market Infrastructure

(i) Introduction of Interest Rate Futures

119. A Working Group on Interest Rate Futures (Chairman: Shri V.K. Sharma) was constituted to review the experience gained with interest rate futures since its introduction in India in June 2003 with particular reference to product design issues. The recommendations of the Group were presented to the Technical Advisory Committee (TAC) for Money, Foreign Exchange and Government Securities Markets and their suggestions/ views were taken into consideration in the Group's report which has been placed on the Reserve Bank's website on March 3, 2008 for comments/suggestions. Action on the recommendations of the report would be initiated on the basis of the feedback received.

(ii) Separate Trading for Registered Interest and Principal of Securities

120. A Working Group (Chairman: Shri M.R. Ramesh) comprising banks and market participants was constituted to suggest guidelines in order to operationalise Separate Trading for Registered Interest and Principal of Securities (STRIPS) in Government securities. The Working Group submitted its report which was placed on the Reserve Bank's website for wider dissemination. An implementation group also examined the issue of operationalisation of STRIPS. With the enactment of the Government Securities Act, 2006 effective from December 1, 2007, it is proposed to introduce STRIPS in Government securities by the end of 2008-09. The activity of stripping/ reconstitution of securities would be

carried out on the Public Debt Office (PDO)-NDS platform.

(iii) Multi-modal Settlement

121. A new settlement mechanism in Government securities through settlement banks is being formulated in order to facilitate direct access of NDS and NDS-OM participants who do not maintain current accounts but maintain SGL accounts with the Reserve Bank. This new system would facilitate phasing out of current accounts of non-banks and non-PD entities with the Reserve Bank. The CCIL has developed the required software changes and has also entered into arrangements with three banks to function as settlement banks for the present. The new arrangement is expected to be operationalised in May 2008.

(iv) NDS-OM: Extension of Access through the CSGL Route

122. Access to the order matching segment on NDS (NDS-OM), which was launched in August 2005, was initially allowed to commercial banks and primary dealers and later to other NDS members such as insurance companies, mutual funds and large provident funds for their proprietary deals. Access to NDS-OM was extended to other entities maintaining gilt accounts with NDS members, *i.e.,* banks and PDs through the Constituents' Subsidiary General Ledger (CSGL) route from May 2007. Initially, permission was accorded to deposit-taking NBFCs, provident funds, pension funds, mutual funds, insurance companies, cooperative banks, RRBs and trusts. With effect from November 2007, the facility has also been extended to the systemically important non-deposit taking NBFCs (NBFCs-ND-SI). These entities can place orders on NDS-OM through direct NDS-OM members, *i.e.,* banks and PDs, using the CSGL route. Such trades are settled through the CSGL account and current account of the NDS-OM members.

123. Certain segments of investors such as other non-deposit taking NBFCs, corporates and FIIs do not have access to NDS-OM through the CSGL route. In the light of requests received, it is proposed:

- to allow these participants also to access the NDS-OM through the CSGL route.

(v) Clearing and Settlement of OTC Rupee Interest Rate Derivatives

124. It was announced in the Annual Policy Statement of May 2004 that a clearing and settlement arrangement through the CCIL was being considered to strengthen the over-the-counter (OTC) derivatives market and mitigate the risks involved. With some of the underlying issues having been addressed with the enactment of the Payment and Settlement Systems Act, 2007 a clearing and settlement arrangement for OTC rupee derivatives is proposed to be put in place. The modalities for operationalising the clearing and settlement system for the OTC rupee interest rate derivatives would be worked out in consultation with the CCIL.

(d) Repo in Corporate Bonds

125. Most of the recommendations of the High Level Committee on Corporate Bonds and Securitisation (Chairman: Dr. R.H. Patil) have been taken up for implementation. The Union Budget, 2008-09 has abolished tax deduction at source (TDS) on corporate bonds. The trading platforms started by the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE) have now been in operation since July 2007. The Fixed Income Money Market and Derivatives Association of India (FIMMDA) trade reporting platform for capturing the OTC trade data has also been operational since September 2007.

126. These initiatives will ensure development of a healthy secondary market once there is adequate incentive for more public issuances and listing. The Securities and Exchange Board of India (SEBI) is in the process of simplification of the issuance procedures and rationalisation of the listing norms for corporate bonds.

127. As indicated in the Mid-Term Review of October 2007, introduction of repo in corporate bonds would be considered once the prerequisites *viz.,* efficient price discovery through greater public issuances and secondary market trading, and an efficient and safe settlement system based on Delivery versus Payment (DvP) III and Straight Through Processing (STP) are met.

Foreign Exchange Market

128. Measures towards further liberalisation and improvement of foreign exchange facilities are set out below.

(a) Expansion of Hedging Facilities

129. With a view to facilitating domestic crude oil refining companies to hedge their commodity price risk exposures, it is proposed to:

- permit domestic crude oil refining companies to hedge their commodity price risk on domestic purchase of crude oil and sale of petroleum products on the basis of underlying contracts which are linked to international prices on overseas exchanges/markets.
- permit domestic crude oil refining companies to hedge their commodity price risk on crude oil imports in overseas exchanges/ markets on the basis of their past performance up to 50 per cent of the volume of actual imports during the previous year or 50 per cent of the average volume of imports during the previous three financial yeas, whichever is higher. The companies will have to ensure regularisation of the contracts booked under this facility by production of supporting import orders during the currency of the hedge.

(b) Introduction of Currency Futures

130. The draft report of the Internal Working Group on Introduction of Currency Futures in India (Chairman: Shri Salim Gangadharan) was placed on the

Reserve Bank's website on November 16, 2007. The comments received from the public, banks, market participants, academicians and the Government of India were discussed in the meetings of the TAC on Money, Foreign Exchange and Government Securities Markets. Taking into account the feedback and expert views of the TAC, the report has been finalised and has been placed on the Reserve Bank's website on April 28, 2008. An RBI-SEBI Standing Technical Committee has been set up to advise on operational aspects in regard to trading of currency futures on exchanges. In consultation with the SEBI, it has been decided that currency futures will be introduced in the eligible exchanges and the broad framework is expected to be finalised by the end of May 2008.

(c) Overseas Direct Investment

131. With a view to further liberalising the policy on overseas investment, it is proposed:

- to allow Indian companies to invest overseas in energy and natural resources sectors such as oil, gas, coal and mineral ores in excess of the current limits with the prior approval of the Reserve Bank.

(d) Capitalisation of Export Proceeds

132. In order to rationalise the policy on capitalisation of outstanding exports and to align it with the export-import policy, it is proposed that:

- Indian parties may now approach the Reserve Bank for capitalisation of export proceeds for exports outstanding beyond the prescribed period of realisation.

(e) Liberalisation of Settlement of Claims Relating to Export Bills

133. In order to liberalise further the procedures relating to settlement of claims in respect of export bills, it is proposed to permit authorised dealer (AD) banks to write off, in addition to claims settled by the Export Credit Guarantee Corporation of India (ECGC), the outstanding export bills settled by other insurance companies which are regulated by the Insurance Regulatory and Development Authority (IRDA). Accordingly, AD banks shall henceforth, on an application received from the exporter, supported by documentary evidence from the ECGC/insurance companies confirming that the claim in respect of the outstanding bills has been settled and that the export incentives, if any, have been surrendered, write off the relative export bills.

(f) Liberalisation of the Period for Realisation and Repatriation of Export Proceeds

134. At present, exporters are required to realise and repatriate to India the full export value of goods or software exported within six months from the date of export. Exporters who have been certified as 'Status Holder' in terms of Foreign Trade Policy, 100 per cent Export-Oriented Units (EOUs) and units set up under Electronic Hardware Technology Parks (EHTPs), Software Technology Parks (STPs) and Biotechnology Parks (BTPs)

Schemes are permitted to realise and repatriate the full value of export proceeds within a period of 12 months from the date of export. Where the goods or software are exported by the units in the Special Economic Zones (SEZs), the stipulation of the period of realisation and repatriation to India of the full export value of goods or software is not applicable. Requests have been received to extend the period of realisation of exports proceeds in view of the external environment. It is, therefore, proposed in consultation with the Government of India:

- to enhance the present period for realisation and repatriation to India of the full export value of goods or software exported from six months to twelve months from the date of export, subject to review after one year.

II. Credit Delivery Mechanisms and Other Banking Services

(a) Augmenting RRBs' Funds for Lending to Agriculture and Allied Activities

135. With a view to augmenting RRBs' funds/resource base, commercial banks/ sponsor banks have been allowed to classify loans granted to RRBs for on-lending to agriculture and allied activities as indirect finance to agriculture in their books.

(b) Weaker Sections' Lending Target: Ensuring Adherence

136. In terms of the revised guidelines on lending to priority sector effective from April 30, 2007 domestic SCBs are required to lend 40 per cent of adjusted net bank credit (net bank credit plus investments made by banks in non-SLR bonds held in the held to maturity category) or credit equivalent of off-balance sheet exposures, whichever is higher, to the priority sector. These SCBs are also required to lend at least 18 per cent to the agriculture sector and 10 per cent to weaker sections covering small and marginal farmers with land holding of five acres and less; landless labourers, tenant farmers and share croppers; artisans, village and cottage industries where individual credit limits do not exceed Rs. 50,000; beneficiaries of Swarnajayanti Gram Swarozgar Yojana (SGSY), Swarna Jayanti Shahari Rozgar Yojana (SJSRY), the Scheme for Liberation and Rehabilitation of Scavengers (SLRS) and the Differential Rate of Interest (DRI) scheme; scheduled castes and scheduled tribes; self-help groups (SHGs); and distressed poor who have to prepay their debt to the informal sector against appropriate collateral or group security. It has been observed that banks have not been achieving the sub-target of 10 per cent for lending to weaker sections. At present, domestic SCBs having shortfall in the priority sector lending target and/ or the agriculture sub-target are allocated amounts for contribution to the Rural Infrastructure Development Fund (RIDF) maintained with the National Bank for Agriculture and Rural Development (NABARD). It is, therefore, proposed:

- to take into account shortfall in lending to weaker sections also for the purpose of allocating amounts to the domestic SCBs for contribution to RIDF or funds with other financial institutions as specified by the Reserve Bank, with effect from April 2009.

(c) Increasing Opportunities for Flow of Credit to Priority Sectors

137. In terms of the revised guidelines on lending to the priority sector, SCBs can undertake outright purchase of any loan asset eligible to be categorised under the priority sector from other banks and financial institutions and classify the same under the respective categories of priority sector lending (direct or indirect), provided the loans purchased are held at least for a period of six months. To enable greater flow of credit to the priority sectors, it is proposed:

- to allow RRBs to sell loan assets held by them under priority sector categories in excess of the prescribed priority sector lending target of 60 per cent.

(d) Simplification of Lending Procedures for Crop Loans

138. The Working Group (Chairman: Shri C.P.Swarnkar) appointed by the Reserve Bank and the Committee on Agricultural Indebtedness (Chairman: Dr.R.Radhakrishna) appointed by the Government of India made several recommendations to address credit constraints faced by farmers, including the issue of availability of cash throughout the year for agricultural operations. The report of the Internal Working Group (Chairman: Shri V.S.Das), set up by the Reserve Bank to examine the recommendations of the Radhakrishna Committee, has been placed on the Reserve Bank's website for wider consultation.

139. While action on the recommendation of the Radhakrishna Committee will be finalised based on comments/responses received, it is proposed:

- to ask each domestic commercial bank, including RRBs, to select one district for introduction, on a pilot basis, of a simplified cyclical credit product for farmers to enable them to continuously utilise a core component of 20 per cent of the credit limit. This arrangement should ensure minimum year-round liquidity as long as the interest is serviced.
- to introduce a simplified procedure for crop loans to landless labourers, share croppers, tenant farmers and oral lessees whereby banks can accept an affidavit giving details of land tilled/crops grown by such persons for loans up to Rs.50,000 without any need for independent certification. Banks could also encourage the Joint Liability Group (JLG)/SHG mode of lending for such persons.

(e) Promotion of Livelihood in the Unorganised Sector: Role of Financial System

140. The National Commission for Enterprises in the Unorganised Sector

(Chairman: Dr. Arjun K. Sengupta) had submitted to the Central Government a report on 'Conditions of Work and Promotion of Livelihood in the Unorganised Sector' which had suggested a package of measures for addressing some critical issues relating to farm and non-farm sectors. The report of the Internal Working Group constituted within the Reserve Bank to study the recommendations of the National Commission that are relevant to the financial system and to suggest an appropriate action plan would be placed on the Reserve Bank's website by May 15, 2008.

(f) Banking Code for Micro and Small Enterprises

141. In collaboration with the Indian Banks' Association (IBA), the Banking Codes and Standards Board of India (BSCBI) is evolving a banking code for small and micro enterprises which will go a long way in empowering the sector.

(g) Working Group on Rehabilitation/ Nursing of Potentially Viable Sick SME Units

142. As indicated in the Mid-Term Review of October 2007, a Working Group (Chairman: Dr.K.C.Chakraborty) was constituted with representatives from banks and the Small Industries Development Bank of India (SIDBI) to examine the feasibility of SMEs bringing in additional capital through alternative routes such as equity participation and venture financing and to suggest remedial measures for those potentially viable sick units that can be rehabilitated at the earliest. The report of the Group has been placed on the Reserve Bank's website for wider dissemination/ response.

(h) Strengthening Regional Rural Banks and Enhancement of their Operational Efficiency: Status

143. As indicated in the Mid-Term Review of October 2007, a Working Group (Chairman: Shri G.Srinivasan) has been constituted with representatives from the NABARD, sponsor banks and RRBs in order to prepare RRBs to adopt appropriate technology and migrate to core banking solutions for better performance and improved customer services. The Group is expected to submit its report by June 30, 2008.

144. The Task Force for Improving the Operational Efficiency of RRBs (Chairman: Dr.K.G.Karmakar), set up in 2006, had submitted its report to the Reserve Bank in February 2007. While some action points have been referred to the Government of India, action has already been taken on accepted recommendations and the remaining are under examination.

(i) Revival of Rural Co-operative Credit Structure: Status

145. Based on the recommendations of the Task Force on Revival of Rural Co-operative Credit Institutions (Chairman: Prof.A.Vaidyanathan) and in consultation with State Governments, the Government of India had approved a

package for revival of the short-term rural cooperative credit structure. So far, 20 States (Andhra Pradesh, Arunachal Pradesh, Bihar, Chhattisgarh, Gujarat, Haryana, Jammu and Kashmir, Karnataka, Madhya Pradesh, Maharashtra, Meghalaya, Nagaland, Orissa, Punjab, Rajasthan, Tamilnadu, Tripura, Uttarkhand, Uttar Pradesh and West Bengal) have executed Memoranda of Understanding (MoUs) with the Government of India and the NABARD, as envisaged under the package. Seven States have made necessary amendments in their Cooperative Societies Acts. An aggregate amount of Rs.3,325.12 crore has been released by the NABARD as the Government of India's share and State Governments have released their shares to the tune of Rs.333.93 crore to seven States for recapitalisation assistance of Primary Agricultural Credit Societies (PACS).

146. Implementation and monitoring of the revival package are being overseen by the National Implementing and Monitoring Committee (NIMC) set up by the Government of India. Furthermore, a study of the long-term cooperative credit structure was entrusted to the Task Force by the Government of India, which had submitted its report in August 2006. It was announced in the Union Budget 2008-09 that the Central Government and the State Governments have reached an agreement on the content of the package for revival of the long-term cooperative credit structure. The cost of the package is estimated at Rs.3,074 crore, of which the Central Government's share will be Rs.2,642 crore.

(j) Micro-finance: Status

147. The SHG-bank linkage programme has emerged as the major micro-finance programme in the country and is being implemented by commercial banks, RRBs and cooperative banks. As on March 31, 2007, 28.94 lakh SHGs had outstanding bank loans of Rs.12,366.49 crore. While commercial banks accounted for 70.8 per cent of the outstanding loans, RRBs and cooperative banks accounted for 22.7 per cent and 6.5 per cent, respectively.

148. Out of 290 banks reporting data on recovery to the NABARD as on March 31, 2007, 73 per cent of banks had more than 80 per cent recovery on loans given to SHGs.

(k) Financial Inclusion

(i) Pilot Project of State Level Bankers' Committees (SLBCs) for 100 per cent Financial Inclusion

149. So far, 277 districts have been identified for 100 per cent financial inclusion and the target has been achieved in 134 districts in 18 States and five Union Territories. Notably, all districts of Haryana, Himachal Pradesh, Karnataka, Kerala, Uttarakhand, Puducherry, Daman and Diu, Dadra & Nagar Haveli and Lakshadweep have achieved 100 per cent financial inclusion. An evaluation of the progress made in achieving 100 per cent financial inclusion in these districts is being undertaken to

draw lessons for further action in this regard.

(ii) General Purpose Credit Cards and Overdrafts Against 'No-frills' Account as Indirect Finance to Agriculture Under Priority Sector

150. With a view to providing credit card like facilities in rural areas with limited point-of-sale (POS) and limited automated teller machine (ATM) facilities, all SCBs, including RRBs, were advised in December 2005 to introduce a General Credit Card (GCC) Scheme for their constituents in rural and semi-urban areas, based on the assessment of income and cash flow of the household similar to that prevailing under normal credit cards. Banks also provide a small overdraft facility against basic banking 'no-frills' accounts. At present, 50 per cent of the credit outstanding under GCC is allowed to be classified as indirect finance to agriculture under the priority sector. It is proposed:

- to permit banks to classify 100 per cent of the credit outstanding under GCC and overdrafts up to Rs.25,000 against 'no-frills' accounts in rural and semi-urban areas as indirect finance to agriculture under the priority sector.

(iii) Working Groups on Improvement of Banking Services in Lakshadweep, Himachal Pradesh and Jharkhand

151. As indicated in the Mid-Term Review of October 2007, Working Groups were constituted to undertake studies of banking services in the Union Territory of Lakshadweep and States of Himachal Pradesh and Jharkhand. The Working Groups have submitted their reports and their recommendations have been forwarded to the respective agencies through regional offices of the Reserve Bank for implementation.

(iv) Differential Rate of Interest (DRI) Scheme: Eligibility Limits Raised

152. The limit of loans under the DRI Scheme was raised from Rs.6,500 to Rs.15,000 and that of housing loans under the Scheme from Rs.5,000 to Rs.20,000 per beneficiary, on the basis of the announcements made in the Union Budget for 2007-08. Consequent upon the announcement made in the Union Budget for 2008-09 the borrower's eligibility criterion in terms of annual family income has been raised to Rs.18,000 in rural areas and Rs.24,000 in urban areas.

(v) Concept Paper on Financial Literacy and Counselling Centres

153. The Mid-Term Review of October 2007 had indicated that a concept paper on Financial Literacy and Counselling Centres would be prepared and placed on the Reserve Bank's website. Accordingly, a concept paper on Financial Literacy and Counselling Centres has been prepared and placed on the Reserve Bank's website on April 3, 2008 for public feedback in order to take this initiative forward.

(vi) Financial Literacy

154. Lack of knowledge among common persons with respect to financial services and financial planning is a major reason for financial exclusion. The Reserve Bank launched Project Financial Literacy with a view to creating awareness, especially among common persons, on matters relating to banking, finance and the central bank for promoting financial inclusion. The literacy campaign is targeted at groups such as rural folk, urban poor, school/college children, women, senior citizens and defence personnel. A multilingual website for common persons was launched in July 2007. This was followed by a number of initiatives such as having a section on financial education on the Reserve Bank's website, educational books for children and rural folk in the form of comics, participation in fairs/exhibitions through educational displays/exhibits/ interactive games. Notably, the Reserve Bank put up an exhibition on the evolution of banking in India since Independence aboard the Azadi Express, a train run by the Government of India all over the country to celebrate 60 years of India's Independence. The Reserve Bank also organised essay competitions across the country to generate interest among the children in the area of banking and finance. A Young Scholar's Internship Award Scheme, designed at giving opportunity to young college students to work as interns with the Reserve Bank during their vacations, is under implementation.

(vii) Assistance to RRBs for Adoption of ICT Solutions

155. As indicated in the Mid-Term Review of October 2007, a Working Group (Chairman: Shri G. Padmanabhan) was constituted to examine providing financial assistance to RRBs for defraying a part of their initial cost in implementing Information and Communication Technology (ICT)-based solutions, including installation of solar power generating devices for powering ICT equipment in remote and under-served areas. The Group has since submitted its report, which is under examination.

(viii) Ex-Servicemen, Retired Government/ Bank Employees to act as Business Correspondents

156. In the Union Budget for 2008-09, the Finance Minister indicated that individuals such as retired bank officers, ex-servicemen and others would be allowed to be appointed as credit counsellors. Accordingly, guidelines for allowing retired bank/government employees and ex-servicemen as business correspondents were issued on April 24, 2008.

(l) Review of Lead Bank Scheme

157. The Lead Bank Scheme, introduced in 1969, aimed at coordinating the activities/efforts of banks, State Governments and other developmental agencies for promoting overall development of the rural sector. Although the Scheme was reviewed in 1989 when the service area approach was adopted,

there have been significant changes in the financial system in the post-reform period. More recently, there is increased focus on financial inclusion. At the same time, planning has become more decentralised with greater devolution of expenditure to the grassroots levels. In the revised context and in order to improve the effectiveness of the Scheme as announced in the Mid-Term Review of October 2007, a High Level Committee (Chairperson: Smt. Usha Thorat) with members drawn from various financial institutions, banks and State Governments was constituted to review the Lead Bank Scheme. The Committee has so far held seven meetings and has interacted with most of the State Governments and banks. Interactions are also proposed with academics and Non-Governmental Organisations (NGOs). The Committee is expected to submit its report by July 2008.

(m) *Credit Delivery, Credit Pricing and Credit Culture*

158. In the Mid-Term Review of Monetary and Credit Policy of November 2003, the importance of adequate, timely and hassle free credit delivery, appropriate credit pricing related to risk and a conducive credit culture was emphasised. Since then, there have been several developments including doubling of credit to agriculture, significant rise in credit to the small and medium enterprises (SMEs) sector, administered interest rates for crop loans, one time settlement (OTS) and rescheduling/ restructuring schemes for distressed farmers, simplification of procedures and other measures such as adoption of business correspondent (BC) model and use of smart cards. The regulations under the Credit Information Companies Act have been notified and soon new credit information companies will be authorised to commence business. This is expected to reduce information asymmetry and facilitate efficient credit allocation and pricing while fostering a better credit culture. While concessional credit and debt relief schemes are intended to alleviate farmers' distress and reopen the credit lines that have been choked, sustaining an appropriate credit culture going forward would require incentive systems for greater flow and efficient allocation of credit. Accordingly, it is proposed:

- to set up an Internal Working Group to look at issues relating to credit delivery, credit pricing and credit culture in a holistic manner.

(n) *Banks' Services to the Common Person and Transparency in Charges Levied*

159. In the last few years, the Reserve Bank has been focusing on safeguarding the interest of common persons in their interface with banks while improving the ease and efficiency of conducting banking transactions. The measures taken by the Reserve Bank include setting up of the Banking Codes and Standards Board of India, revamping the Banking Ombudsman scheme, constitution of board-level customer service committees

in banks, dissemination of customer-centric information in local languages and promoting fair and transparent policies and practices, especially in the matter of bank charges, interest rates, customer acquisition and debt collection. Banks have also responded positively, including adoption of the Code of Commitment to their customers. Nevertheless, analyses of the types, frequency and trends of complaints reaching the Reserve Bank and the offices of the Banking Ombudsmen suggest that the essence of the Code still needs to percolate down to the level of the customer service delivery interface in banks. Banks, therefore, need to pay closer attention to these aspects, particularly, sensitivity of the staff to meeting the legitimate expectations of customers. They also need to ensure that they have in place effective internal arrangements for customer grievance redressal.

160. In 2007, on account of concerns about high bank charges and excessive interest rates in personal segment, the Reserve Bank laid down principles for ensuring reasonableness of bank charges and communicating them in respect of identified basic banking services. Banks were also cautioned against excessive interest rates, which are not sustainable and may be seen as usurious and broad guidelines in this regard were laid down. For greater transparency in setting interest rates banks were advised that they must use external or market-based rupee benchmark interest rates for pricing their floating rate loan products. The Reserve Bank has, thus, attempted to involve banks' boards in implementation of various guidelines to ensure fairness, reasonableness and transparency in bank charges for various services and setting interest rates and use of external transparent benchmark for this purpose while giving them flexibility on consideration of commercial judgement. It is expected that banks' boards will take necessary care that these objectives are met and need for more prescriptive regulation is avoided.

161. With a view to bringing about greater transparency, the Reserve Bank is in the process of collecting details of various charges levied by banks for public dissemination.

(o) Currency Management

162. Currency management continues to be guided by benchmarks set in terms of operational efficiency and improved customer service. All currency chest branches of banks have been equipped with note sorting machines to ensure quality and genuineness of bank notes in circulation. These machines segregate notes into fit and unfit categories and facilitate timely detection of counterfeit notes. During 2007-08, soiled notes to the tune of 27 per cent of notes in circulation were withdrawn from circulation while fresh notes to the extent of 37 per cent were introduced with a view to ensuring adequate supply of notes of all denominations and to improve the quality of bank notes in

circulation. In order to ensure that all bank branches provide better customer services to members of public at bank counters for exchange of notes, it is proposed:

- to introduce a scheme of incentives and penalties for bank branches (including currency chests), based on their performance in rendering such services.

III. Prudential Measures

(a) Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances: Infrastructure Projects Involving Time Overrun

163. In terms of the current guidelines, banks had been advised that as regards industrial projects to be financed by them, the date of completion of the project should be clearly spelt out at the time of financial closure of the project and if the date of commencement of commercial production extends beyond a period of six months after the date of completion of the project as originally envisaged, the account should be treated as a sub-standard asset. For infrastructure projects, however, the period for recognising asset impairment was extended to one year with effect from March 31, 2007.

164. On a representation made in regard to delays in completion of infrastructure projects for legal and other extraneous reasons, the Reserve Bank undertook a review of select projects and concluded that there is merit in this representation. Accordingly, it has been decided that:

- in case of infrastructure projects to be financed by banks, the date of completion of the project should be clearly spelt out at the time of financial closure of the project and if the date of commencement of commercial production extends beyond a period of two years (as against the current norm of one year) after the date of completion of the project as originally envisaged, the account should be treated as sub-standard. The revised instructions will be effective from March 31, 2008.

(b) Off-Balance Sheet Exposures of Banks

165. The Reserve Bank has, in the light of domestic developments, taken steps to strengthen the prudential framework in respect of on-balance sheet exposures of banks. Such measures included additional risk weights and provisioning requirements for exposures to specific sectors. In view of the recent developments in the global financial markets and drawing from suggestions for ensuring financial stability, it is proposed:

- to review current stipulations regarding conversion factors, risk weights and provisioning requirements for specific off-balance sheet exposures of banks and prescribe prudential requirements as appropriate. The guidelines in this regard would be placed on the Reserve Bank's website by May 15, 2008.

166. In view of the risks associated with international financial developments impacting the balance sheets of corporates and banks, the Third Quarter Review of January 2008 had urged banks to review large foreign currency exposures and put in place a system for monitoring such unhedged exposures on a regular basis so as to minimise risks of instability in highly uncertain conditions. Banks were also urged to carefully monitor corporate activity in terms of treasury/trading activity and sources of other income to the extent that embedded credit/market risks pose potential impairment to the quality of banks' assets.

167. The Reserve Bank has also issued comprehensive guidelines on derivatives laying down broad generic principles for undertaking all derivative transactions, management of risks and sound corporate governance requirements as also adoption of suitability and appropriateness policy. Banks and their clients who have scrupulously followed the extant guidelines, including the Regulations framed under the FEMA, both in letter and spirit, would be well equipped to meet any potential consequences.

(c) Review of Loans to Commodities Sector by Banks

168. In view of the current public policy concerns in regard to trading in food items, banks are required to review their advances to traders in agricultural commodities including rice, wheat, oilseeds and pulses as also advances against warehouse receipts. They are further advised to exercise caution while extending such advances to ensure that bank finance is not used for hoarding. The first such review should be completed by May 15, 2008 and forwarded to the Reserve Bank for carrying out supervisory review of banks' exposure to the commodity sector.

(d) Prudential Norms for Housing

169. On a review of recent developments, it has been decided to enhance the limit of Rs.20 lakh to Rs.30 lakh in respect of bank loans for housing in terms of applicability of risk weights for capital adequacy purposes. Accordingly, such loans will carry a risk weight of 50 per cent.

(e) Credit Information Companies

170. The Reserve Bank had issued a press release on April 18, 2007 inviting applications from companies interested in continuing/commencing the business of credit information. The last date for submission of such applications was July 31, 2007. In response, 13 applications have been received. An external High Level Advisory Committee (HLAC) (Chairman: Dr.R.H.Patil) has been set up by the Reserve Bank for screening the applications and recommending the names of the companies to which certificates of registration can be granted by the Reserve Bank. After the

announcement of the FDI policy for Credit Information Companies, the processing of applications has been taken up and the Reserve Bank would complete the process by June 30, 2008.

(f) Three-Track Approach for Basel II

171. The Reserve Bank has adopted a three-track approach to capital adequacy regulation in India with the norms stipulated at varying degrees of stringency for different categories of banks given the variations in size, nature and complexity of operations and relevance of different types of banks to the Indian financial sector, the need to achieve greater financial inclusion and to provide an efficient credit delivery mechanism. Accordingly, commercial banks, which account for a major share in the total assets of the banking system and are Basel II standards compliant, would be on Track I, banks which are Basel I compliant would be on Track II and banks which are in the nature of local community banks would be on Track III.

172. An Internal Technical Group (Chairman: Shri Prashant Saran) has been constituted to propose criteria for the applicability of Basel norms to State Cooperative Banks/District Central Cooperative Banks/RRBs. The Group is expected to submit its report by June 30, 2008.

(g) Cross-border Supervision

173. The Mid-Term Review of October 2007 proposed to constitute a Working Group to lay down the road-map for adoption of a suitable framework for cross-border supervision and supervisory cooperation with overseas regulators, consistent with the framework envisaged in the Basel Committee on Banking Supervision (BCBS). Accordingly, an Internal Working Group (Chairman: Shri S.Karuppasamy) has been constituted which is currently studying the cross-country practices, including the legal issues in this regard.

(h) Consolidated Supervision and Financial Conglomerates

174. The Mid-Term Review of October 2007 proposed to integrate the process of consolidated supervision with the financial conglomerate monitoring mechanism in order to enhance the effectiveness of the banking supervisory system for bank-led conglomerates. Accordingly, realignment of various internal supervisory processes for implementing an enhanced consolidated supervision process would be completed by August 31, 2008.

(i) Supervisory Review Process on Activities of the Trusts/SPVs Set up by Banks

175. Special purpose vehicles (SPVs) and Trusts are set up by banks to carry out a number of activities such as facilitating securitisation, asset management and investing in other entities. These entities are generally unregulated and are subject to inadequate independent board oversight. Besides, the downstream activities of these entities are normally not captured in the financial statements

of the bank. As the activities of these entities could be a potential risk to the parent bank and could also pose systemic risk, there is a need for placing them under suitable supervisory oversight. Accordingly, it is proposed:

- to constitute a Working Group to study and recommend a suitable supervisory framework for activities of SPVs/Trusts set up by banks.

(j) New Model of Risk-Based Supervision: Evolution

176. Risk-based supervision (RBS) was introduced on a pilot basis in eight selected banks in 2003-04, which was extended to 15 banks in 2004-05, four more banks in 2005-06 and eight more banks in 2006-07. On the basis of the experience gained from these pilot runs and with a view to evolving an appropriate model of RBS, a departmental Group has been set up to study international practices on such systems. The study would focus on impact assessment, periodic reviews of horizontal risks across the system, inclusion of supervisory review process prescribed under Pillar 2 of Basel II framework in the RBS assessment, simplification of the existing system of risk profiling and would recommend an appropriate RBS framework with a view to integrating the RBS system with the existing supervisory process based on capital adequacy, asset quality, management, earnings, liquidity, and systems (CAMELS) evaluation.

(k) Overseas Operations of Indian Banks: Review of Existing Off-Site Monitoring Framework

177. In view of the rapid expansion of overseas operations, introduction of new products and processes, increasing off-balance sheet exposures including derivative products, a need has arisen for a review of the reporting system. Accordingly, an inter-departmental Group has been constituted to review the existing regulatory and supervisory framework for overseas operations of Indian banks and recommend appropriate changes, including off-site reporting systems.

(l) Financial Stability Forum (FSF) Report: Status

178. As already mentioned, in the wake of the turmoil in global financial markets, the FSF brought out a report in April 2008 identifying the underlying causes and weaknesses in the international financial markets. The Report contains, *inter alia*, proposals of the FSF for implementation by end-2008 regarding strengthening prudential oversight of capital, liquidity and risk management, enhancing transparency and valuation, changing the role and uses of credit ratings, strengthening the authorities' responsiveness to risk and implementing robust arrangements for dealing with stress in the financial system. The Reserve Bank had put in place regulatory guidelines covering many of these aspects, while in regard to others, actions are being initiated. In many cases,

actions have to be considered as work in progress. In any case, the guidelines are aligned with global best practices while tailoring them to meet country-specific requirements at the current stage of institutional developments. The proposals made by the FSF and status in regard to each in India are narrated below:

1. Strengthened Prudential Oversight of Capital, Liquidity and Risk Management

(i) Capital requirements: Specific proposals will be issued in 2008 to:

- *Raise Basel II capital requirements for certain complex structured credit products;*
- *Introduce additional capital charges for default and event risk in the trading books of banks and securities firms;*
- *Strengthen the capital treatment of liquidity facilities to off-balance sheet conduits.*

Changes will be implemented over time to avoid exacerbating short-term stress.

(ii) Liquidity:

Supervisory guidance will be issued by July 2008 for the supervision and management of liquidity risks.

(iii) Oversight of risk management:

Guidance for supervisory reviews under Basel II will be developed that will:

- *Strengthen oversight of banks' identification and management of firm-wide risks;*
- *Strengthen oversight of banks' stress testing practices for risk management and capital planning purposes;*
- *Require banks to soundly manage and report off-balance sheet exposures;*

Supervisors will use Basel II to ensure banks' risk management, capital buffers and estimates of potential credit losses are appropriately forward looking.

(iv) Over-the-counter derivatives:

Authorities will encourage market participants to act promptly to ensure that the settlement, legal and operational infrastructure for over-the-counter derivatives is sound.

179. The road-map for the implementation of Basel II in India has been designed to suit the country-specific conditions. The phased implementation process got underway with the Basel II Accord being made applicable to foreign banks operating in India and Indian banks having operational presence outside India with effect from March 31, 2008. All other commercial banks (except Local Area Banks and RRBs) are encouraged to migrate to Basel II in alignment with them but in any case not later than March 31, 2009. The process of implementation is being monitored on an on-going basis for calibration and fine-tuning.

180. The minimum capital to risk-weighted asset ratio (CRAR) in India is placed at 9 per cent, one percentage point above the Basel II requirement. Further, regular monitoring of banks' exposure to sensitive sectors and their liquidity position is also undertaken. In India, off-balance sheet vehicles in the form of SPVs for the purpose of securitisation are in existence for which extensive guidelines, in line with the international best practices, have already been issued. Liquidity facilities to such SPVs are subject to capital charge. Banks have been required to put in place appropriate stress test policies and relevant stress test frameworks for various risk factors by March 31, 2008.

181. In order to further strengthen capital requirements, it has been decided to review the credit conversion factors, risk weights and provisioning requirements for specific off-balance sheet items including derivatives. Further, in India, complex structures like synthetic securitisation have not been permitted so far. Introduction of such products, when found appropriate, would be guided by the risk management capabilities of the system.

182. The Reserve Bank had issued broad guidelines for asset-liability management and banks have flexibility in devising their own risk management strategies as per board-approved policies. However, in regard to liquidity risks at the very short end, the Reserve Bank has taken steps to mitigate risks at the systemic level and at the institution level as well. The Reserve Bank has introduced greater granularity to measurement of liquidity risk by splitting the first time bucket (1-14 days, at present) into three time buckets, *viz.,* next day, 2-7 days and 8-14 days. The net cumulative negative mismatches in the three time buckets have been capped at 5 per cent, 10 per cent, 15 per cent of the cumulative cash outflows.

183. The Reserve Bank had recognised the risks of allowing access to unsecured overnight market funds to all entities and, therefore, restricted the overnight unsecured market for funds only to banks and primary dealers (PD). Since August 2005, the overnight call market is a pure inter-bank market. Accordingly, trading volumes have shifted from the overnight unsecured market to the collateralised market.

184. Greater inter-linkages and excessive reliance on call money borrowings by banks could cause systemic problems. The Reserve Bank has, therefore, introduced prudential measures to address the extent to which banks can borrow and lend in the call money market. On a fortnightly average basis, call market borrowings outstanding should not exceed 100 per cent of capital funds (*i.e.,* sum of Tier I and Tier II capital) in the latest audited balance sheet.

185. Recognising the potential of 'purchased inter-bank liabilities' (IBL) to create systemic problems, the Reserve Bank had issued guidelines in March 2007

prescribing that IBL of a bank should not exceed 200 per cent of its net worth (300 per cent for banks with a CRAR more than 11.25 per cent).

2. Enhancing Transparency and Valuation

(i) Robust risk disclosures:

- *The FSF strongly encourages financial institutions to make robust risk disclosures using leading disclosure practices at the time of their mid-year 2008 reports.*
- *Further guidance to strengthen disclosure requirements under Pillar 3 of Basel II will be issued by 2009.*

(ii) Standards for off-balance sheet vehicles and valuations: Standard setters will take urgent action to:

- *Improve and converge financial reporting standards for off-balance sheet vehicles;*
- *Develop guidance on valuations when markets are no longer active, establishing an expert advisory panel in 2008.*

(iii) Transparency in structured products:

Market participants and securities regulators will expand the information provided about securitised products and their underlying assets.

186. The Reserve Bank has, over the years, issued guidelines on valuation of various instruments/assets in conformity with the international best practices while keeping India-specific conditions in view. In order to encourage market discipline, the Reserve Bank has developed a set of disclosure requirements which allow the market participants to assess key pieces of information on capital adequacy, risk exposure, risk assessment processes and key business parameters which provide a consistent and understandable disclosure framework that enhances comparability. Banks are also required to comply with the Accounting Standard (AS) on Disclosure of Accounting Policies issued by the Institute of Chartered Accountants of India (ICAI).

187. In recognition of the fact that market discipline can contribute to a safe and sound banking environment and as part of the ongoing efforts to implement the Basel II Accord, the Reserve Bank issued guidelines on minimum capital ratio (Pillar 1) and market discipline (Pillar 3) in April 2007 and guidelines for Pillar 2 (supervisory review process) were issued in March 2008. Under these guidelines, non-compliance with the prescribed disclosure requirements would attract a penalty, including financial penalty.

3. Changes in the Role and Uses of Credit Ratings

Credit rating agencies should:

- *Implement the revised IOSCO Code of Conduct Fundamentals for Credit Rating Agencies to manage conflicts* *of interest in rating structured products and improve the quality of the rating process;*

- *Differentiate ratings on structured credit products from those on bonds and expand the information they provide.*

Regulators will review the roles given to ratings in regulations and prudential frameworks.

188. The Reserve Bank has undertaken a detailed process of identifying the eligible credit rating agencies whose ratings may be used by banks for assigning risk weights for credit risk. Banks should use the chosen credit rating agencies and their ratings consistently for each type of claim, for both risk weighting and risk management purposes. Banks are not allowed to 'cherry pick' the assessments provided by different credit rating agencies. If a bank has decided to use the ratings of some of the chosen credit rating agencies for a given type of claim, it can use only the ratings of those credit rating agencies, despite the fact that some of these claims may be rated by other chosen credit rating agencies whose ratings the bank has decided not to use. External assessments for one entity within a corporate group cannot be used to risk weight other entities within the same group.

189. Banks must disclose the names of the credit rating agencies that they use for the risk weighting of their assets, the risk weights associated with the particular rating grades as determined by the Reserve Bank through the mapping process for each eligible credit rating agency as well as the aggregated risk weighted assets as required.

190. In India, complex structures like synthetic securitisations have not been permitted so far. As and when such products are to be introduced, the Reserve Bank would put in place the necessary enabling regulatory framework, including calibrating the role and capacity building of the rating agencies.

4. *Strengthening the Authorities' Responsiveness to Risks*

- *A college of supervisors will be put in place by end-2008 for each of the largest global financial institutions.*

191. In the Indian context, there have been exchange of supervisory information on specific issues between the Reserve Bank and few other overseas banking supervisors/regulators. Supervisory cooperation has been working smoothly and efficiently.

192. The Mid-Term Review of October 2007 had announced the constitution of a Working Group to lay down a road-map for adoption of a suitable framework for cross-border supervision and supervisory cooperation with overseas regulators, consistent with the framework envisaged in the Basel Committee on Banking Supervision (BCBS). A Working Group has been constituted in March 2008 and would complete the work by August 2008. A number of overseas regulators of countries such as the USA, the UK,

Canada, Hong Kong, Australia and Singapore have been formally approached to share systems and practices, including legal positions, in the matter of supervisory cooperation and sharing of information with overseas regulators. The response from a few countries has been received and is being examined. The 'Supervisory College' arrangement for this purpose is also being examined by the Group.

5. Robust Arrangements for Dealing with Stress in the Financial System

- *Central banks will enhance their operational frameworks and authorities will strengthen their cooperation for dealing with stress.*

193. In the Reserve Bank, there is an institutional arrangement in place to oversee the functioning of the financial markets on a daily basis. There is a Financial Market Committee monitoring and assessing the functioning of different financial markets. Based on such an oversight, appropriate and prompt action is taken, whenever necessary.

194. The Reserve Bank has the necessary framework for provision of liquidity to the banking system, in terms of Sections 17 and 18 of the Reserve Bank of India Act, 1934. The regular liquidity management facilities of the Reserve Bank include the LAF, OMO and MSS besides standing facilities such as export credit refinance (ECR) and the liquidity facility for standalone PDs. The Reserve Bank can undertake purchase/sale of securities of the Central or State Governments and can purchase, sell and rediscount bills of exchange and promissory notes drawn on and payable in India and arising out of bona fide commercial or trade transactions for provision/absorption of liquidity for normal day-to-day liquidity management operations as also for provision of emergency liquidity assistance to the banks under the lender of last resort function.

195. The Reserve Bank is empowered under the existing legal framework to deal with the resolution of weak and failing banks. The Banking Regulation Act provides the legal framework for voluntary amalgamation and compulsory merger of banks under Sections 44 (A) and 45, respectively. The Deposit Insurance and Credit Guarantee Corporation (DICGC) offers deposit insurance cover in India. The mergers of many weak private sector banks with healthy banks has improved overall stability of the system. Not a single scheduled commercial bank in the country has capital adequacy ratio which is less than the minimum regulatory requirement of nine per cent.

IV. Institutional Developments

Payment and Settlement Systems

(a) Payment and Settlement Systems Act, 2007

196. The Payment and Settlement Systems Bill was passed by the Parliament and became an Act known as 'Payment

and Settlement Systems Act, 2007' after receiving the assent of the President on the December 20, 2007. The Act empowers the Reserve Bank to regulate and supervise the payment and settlement systems in the country; gives it authority to permit the setting up/continuance of such systems and to call for information/ data and issue directions from/to payment system providers. The Act defines a payment system and gives legal recognition to multilateral netting and settlement finality. Accordingly, the Reserve Bank has placed the draft regulations under the Payment and Settlement Systems Act, 2007 on its website inviting public comments to be received latest by May 15, 2008. The regulations will be finalised in consultation with the Government of India.

(b) IT-based Financial Inclusion Products and Services

197. Information Technology (IT) has enhanced the scope of financial inclusion with low cost technology by reaching out to hitherto unexplored sectors of the economy. The usage of card-based products for multiple applications is cost-effective and holds potential for large-scale deployment. With a wide range of IT-based products such as smart cards, hand held devices and secured message transfers, there is an imperative need to ensure that these instruments blend seamlessly with the existing operative systems at the bank level. Accordingly, banks are urged to ensure that security of banking transactions is adequately addressed while using such products.

(c) Real Time Gross Settlement (RTGS): Compliance with the Core Principles

198. The RTGS system implemented by the Reserve Bank has been in operation for nearly four years. The system has also stabilised over the years and has been witnessing increased coverage in terms of bank branches and transaction volume. The Bank for International Settlements (BIS) has published a set of Core Principles in 2001 which are in the nature of standards to measure the efficiency of the systemically important payment systems and the Reserve Bank has been assessing the compliance of the Indian RTGS system with these principles on annual basis. As per the latest review, the system is fully compliant with six core principles, broadly compliant with three, and one principle is not applicable for the Indian RTGS system. Out of the four responsibilities of the central bank under the core principles, full compliance has been achieved in respect of two core principles, broad compliance with one and one responsibility is not applicable in the Indian context.

(d) Electronic Payment Products: Status

199. The coverage of the RTGS system has increased significantly. By March 31, 2008 RTGS connectivity was available in more than 43,500 bank branches. The Reserve Bank continues to improve the quality of services through the RTGS.

200. The launch of the pilot project for Cheque Truncation System, which aims

at enhancing efficiency in the retail cheque clearing section, has become operational from February 1, 2008 in 10 banks.

201. The Committee (Chairman: Dr.R.B.Barman), constituted for introduction of the National Settlement System (NSS), examined various models and recommended the Centralised Funds Transfer System (CFTS) model for implementation. Under the CFTS model, banks would be able to transfer funds across all Deposit Accounts Departments (DADs) on real time basis. So far, CFTS has been implemented at 16 centres.

202. The Electronic Clearing Service (ECS), which facilitates bulk payments, is currently available at 68 centres. The Mid-Term Review of October 2007 had proposed to operationalise the National Electronic Clearing Service (NECS) using the existing infrastructure of National Electronic Funds Transfer (NEFT) system with a view to widening the geographical coverage of the ECS in consultation with banks. Software development and testing has been completed for the first phase covering the existing ECS centres and the testing report has been approved for implementation.

203. Considering that the potential for a shift from paper-based system to electronic system is large, the processing charges for ECS / EFT / NEFT were waived up to March 31, 2008. The Reserve Bank, in its role as promoter and facilitator of electronic funds transfer would like to continue this approach for one more year. Accordingly, the processing charges for all electronic payment products, *viz.,* ECS, EFT, NEFT and RTGS are waived for another year *i.e.,* up to March 31, 2009.

(e) Regulatory Guidelines: Mobile Payments

204. The reach of mobile phones has been increasing at a rapid pace in India. There were about 231 million mobile phone connections in the country at the end of December 2007. The rapid expansion of this mode of communication has thrown up a new payment delivery channel for banks. Many countries in the world have adopted this mode of delivery to successfully spread the reach of the banking facility to the remote parts of their respective countries. This channel facilitates small value payments to merchants, utility service providers and the like and money transfers at a low cost.

205. The Reserve Bank is in the process of formulating the regulatory guidelines for mobile payments systems in India and is in discussion with banks, service providers and industry bodies for this purpose. The draft guidelines will be placed on the Reserve Bank's website by June 15, 2008.

(f) Electronic Based Social Security Payments

206. The report of the Committee (Chairman: Dr.R.B.Barman), set up by the Reserve Bank to examine matters relating to electronic based payments by the Central and State Governments under

various social welfare schemes like social security pension payment, National Rural Employment Guarantee Scheme (NREGS) and insurance scheme for persons living below the poverty line, has been placed on the Reserve Bank's website.

(g) Migration from Paper Based Payment Systems to Electronic Payment Systems: Mandating

207. The Reserve Bank has been continuously taking initiatives to migrate from paper-based payment to electronic payment systems by creating the appropriate technological infrastructure. In this context, an Internal Group was constituted to examine various issues connected with the use of electronic payment systems. Based on the Group's report, an approach paper was placed on the Reserve Bank's website inviting comments/suggestions from the public. On the basis of the feedback, effective from April 1, 2008 all payment transactions of Rs. one crore and above in the money, Government securities and foreign exchange markets and the regulated entities (banks, PDs and NBFCs) have been made mandatory to be routed through the electronic payment mechanism.

(h) Eligibility Criteria for Access to Payment Systems

208. An Internal Working Group, constituted to prepare comprehensive draft guidelines on minimum eligibility criteria for direct members of the clearing houses, submitted its report in September 2007 which was placed on the Reserve Bank's website for public comments. Final guidelines in this connection have been made effective from January 1, 2008 and banks have been advised to implement these guidelines.

Urban Cooperative Banks

(a) Creation of Umbrella Organisation and Revival Fund for Urban Cooperative Banks: Setting up of a Working Group

209. The Working Group (Chairman: Shri N.S.Vishwanathan), constituted to explore various options and alternate instruments/avenues for raising of regulatory capital funds of urban cooperative banks (UCBs), observed that creating a legal framework for facilitating the emergence of umbrella organisation(s) like those prevalent in other parts of the world appears to be the only long-term solution for raising of capital in the UCB sector. There have also been requests from the sector for creation of a revival/liquidity support fund. Accordingly, it is proposed:

- to constitute a Working Group comprising representatives of the Reserve Bank, Central/State Governments and the UCB sector to suggest measures, including the appropriate regulatory and supervisory framework, to facilitate emergence of umbrella organisation(s) for the UCB sector in the respective States.

(b) Opening of On-site ATMs by UCBs: Liberalisation

210. At present, UCBs are allowed to open on-site ATMs subject to certain

eligibility norms, including minimum deposit criterion of Rs.100 crore. With a view to liberalising this facility, it is proposed:

- to dispense with the extant eligibility norms for opening on-site ATMs for well-managed and financially sound UCBs in the States that have signed MoUs with the Reserve Bank and those registered under the Multi-State Cooperative Societies Act, 2002.

(c) Branch Licensing Norms: Liberalisation

211. As proposed in the Annual Policy Statement of April 2007, well-managed and financially sound UCBs in States that have signed MoUs with the Reserve Bank and those registered under the Multi-State Cooperative Societies Act, 2002 were permitted to open branches and extension counters subject to fulfilling certain eligibility criteria. With a view to liberalising and rationalising the branch licensing norms for such UCBs, it is proposed:

- to consider approvals for branch expansion, including off-site ATMs, based on annual business plans, subject to maintenance of minimum CRAR of 10 per cent on a continuing basis and other regulatory comfort.

(d) Insurance Business by UCBs: Liberalisation of Norms

212. At present, UCBs registered in States that have signed MoUs with the Reserve Bank or registered under the Multi-State Cooperative Societies Act, 2002 with a minimum net worth of Rs.10 crore are permitted to undertake insurance business as corporate agents without risk participation, subject to certain conditions. Taking into consideration the representations from UCBs, it is proposed:

- to dispense with the minimum net worth criterion for undertaking such insurance business provided other criteria as prescribed from time to time are met.

(e) Individual Housing Loan: Enhancement of Limit

213. As per extant norms, UCBs can grant housing loans to individuals up to a maximum of Rs.25 lakh. Based on the representations made by UCBs, it is proposed:

- to increase the extant limit on individual housing loans from Rs.25 lakh to a maximum of Rs.50 lakh in respect of Tier-II UCBs, subject to certain conditions.

(f) Information Technology Support to UCBs

214. As proposed in the Mid-Term Review of October 2007 and in pursuance of commitments made under the Memoranda of Understanding (MoUs) signed with various State Governments and the Central Government, a Working Group (Chairman: Shri R.Gandhi) was constituted comprising representatives of

the Reserve Bank, State Governments and the UCBs to examine various areas where IT support could be provided by the Reserve Bank. The Group submitted its report on April 17, 2008 which is under consideration.

Non-Banking Financial Companies

Financial Regulation of Systemically Important NBFCs: Review of Prudential Regulations

215. In 2006, regulatory guidelines covering the prudential norms for systemically important NBFCs and banks' relationship with them were put in place. The Reserve Bank has been monitoring the functioning of systemically important NBFCs and banks' exposure to them.

216. It is observed that many systemically important non-deposit taking NBFCs are highly leveraged and use short-term sources to fund their activities. In the light of international developments and increasing bank exposure to these systemically important NBFCs, it has now been decided to review the regulations in respect of capital adequacy, liquidity and disclosure norms. Revised instructions will be issued by May 31, 2008.

Committee on Financial Sector Assessment: Developments

217. The Mid-Term Review of October 2007 had outlined the progress made by the Committee on Financial Sector Assessment (CFSA) (Chairman: Dr.Rakesh Mohan; Co-Chairman: Dr.D.Subbarao). Since then, the four Advisory Panels constituted by the Committee covering Financial Stability Assessment and Stress Testing, assessment of relevant international standards and codes as applicable to Financial Regulation and Supervision, Institutions and Market Structure and Transparency Standards have prepared their draft reports and these reports have been sent to external peer reviewers in relevant subject areas. The comments from the peer reviewers on five out of eleven reports have already been received. Two external experts have also been undertaking an overarching review of all draft reports. The peer reviews are expected to be completed by May 2008 and the CFSA has proposed a two-day seminar in Mumbai for closer interaction with peer reviewers. The reports of the CFSA as also those of Advisory Panels are expected to be finalised by end-June 2008 and will be placed thereafter on the Reserve Bank's website.

Mid-term Review

218. A review of the Annual Statement on Developmental and Regulatory Policies will be undertaken on October 24, 2008.

Mumbai
April 29, 2008

*Macroeconomic and Monetary Developments in 2007-08**

I. The Real Economy

During 2007-08, the Indian economy continued to expand at a robust pace for the fifth consecutive year, although there was some moderation in the growth momentum during the course of the year (Table 1 and Chart 1). According to the advance estimates released by Central Statistical Organisation (CSO), the real GDP growth rate moderated to 8.7 per cent in 2007-08 from 9.6 per cent in 2006-07. The moderation in growth occurred in all the three sectors, *viz.,* agriculture and allied activities, industry and services. Notwithstanding the moderation, the growth performance was in tune with the high average real GDP growth of 8.7 per cent per annum during the five-year period, 2003-04 to 2007-08. India also continued to be one of the fastest growing economies of the world.

Agricultural Situation

The cumulative rainfall during the 2007 South-West monsoon season (June 1 to September 30) was 5 per cent above normal of the long-period average (LPA) as against 1 per cent below normal a year ago. Barring short spells of rainfall deficiency during the first week of June, third and fourth weeks of July, and third week of August, the seasonal rainfall was well-distributed over time. At the end of the season water stock in the 81 major reservoirs was 79 per cent of the full reservoir level (FRL), lower than 87 per cent during the corresponding period of the previous year but higher than the average of 67 per cent during the last 10 years. Cumulative rainfall during the North-East monsoon (October 1, 2007 to December 31, 2007) was, however, 32 per cent below normal as compared with 21 per cent below normal during the corresponding period of the previous year.

*Issued with the Annual Policy Statement for 2008-09.

Table 1: Growth Rates of Real GDP

(Per cent)

Sector	2000-01 to 2007-08 (Average)	2005-06	2006-07*	2007-08#	2006-07 Q1	2006-07 Q2	2006-07 Q3	2007-08 Q1	2007-08 Q2	2007-08 Q3	April-December 2006-07	April-December 2007-08
1	2	3	4	5	6	7	8	9	10	11	12	13
1. Agriculture and Allied Activities	**2.6 (20.8)**	**5.9 (19.6)**	**3.8 (18.5)**	**2.6 (17.5)**	**3.3**	**3.6**	**3.4**	**3.8**	**3.7**	**3.2**	**3.4**	**3.5**
2. Industry	**7.2 (19.6)**	**8.0 (19.4)**	**10.6 (19.5)**	**8.6 (19.5)**	**10.0**	**10.7**	**10.3**	**10.6**	**8.3**	**8.4**	**10.3**	**9.1**
2.1 Mining and Quarrying	4.8	4.9	5.7	3.4	4.2	4.1	6.1	3.2	7.7	4.9	4.8	5.2
2.2 Manufacturing	7.9	9.0	12.0	9.4	11.7	12.2	11.3	11.9	8.6	9.3	11.7	9.9
2.3 Electricity, Gas and Water Supply	5.0	4.7	6.0	7.8	4.3	6.6	7.6	8.3	7.3	5.3	6.2	6.9
3. Services	**8.9 (59.6)**	**11.0 (61.1)**	**11.2 (61.9)**	**10.6 (63.0)**	**11.6**	**11.5**	**11.1**	**10.6**	**10.4**	**10.3**	**11.4**	**10.4**
3.1 Trade, Hotels, Restaurants, Transport, Storage and Communication	10.3	11.5	11.8	12.1	10.8	12.5	12.0	11.9	11.4	11.3	11.8	11.6
3.2 Financing, Insurance, Real Estate and Business Services	8.8	11.4	13.9	11.7	13.6	13.9	14.7	11.1	10.7	11.6	14.1	11.1
3.3 Community, Social and Personal services	5.8	7.2	6.9	7.0	10.3	7.2	5.6	7.6	7.7	7.6	7.6	7.7
3.4 Construction	10.5	16.5	12.0	9.6	13.1	12.0	10.8	10.7	11.1	8.4	11.9	10.0
4. Real GDP at Factor Cost	**7.2**	**9.4**	**9.6**	**8.7**	**9.6**	**10.1**	**9.1**	**9.3**	**8.9**	**8.4**	**9.6**	**8.9**

Memo: (Amount in Rupees crore)

	2005-06	2006-07	2007-08
a) Real GDP at factor cost	26,12,847	28,64,310	31,14,452
b) GDP at current market prices	35,80,344	41,45,810	46,93,602

*: Quick Estimates #: Advance Estimates

Note: Figures in parentheses denote shares in real GDP and may not add up to 100 due to rounding off.

Source : Central Statistical Organisation.

Of the 36 meteorological sub-divisions, cumulative rainfall was deficient/scanty/no rain in 27 sub-divisions (same as last year) (Table 2). As on April 10, 2008, the

Chart 1: Real GDP - Growth Rate

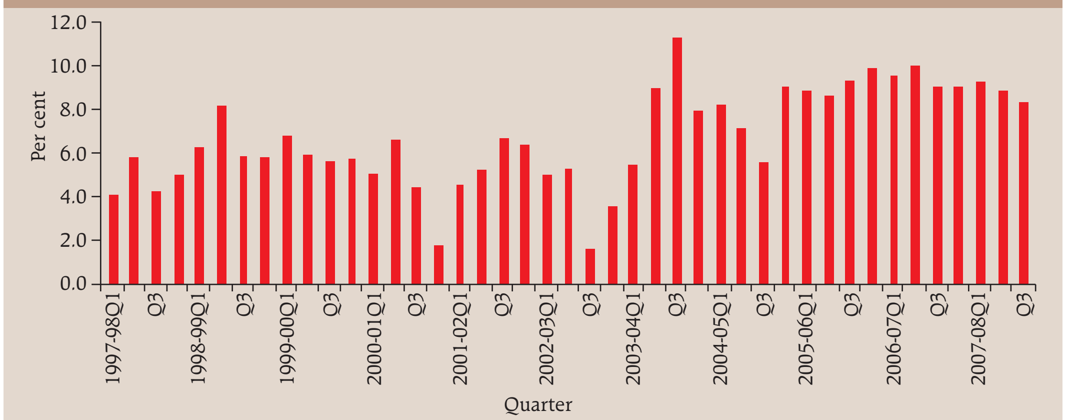


Table 2: Cumulative Rainfall

(Number of Meteorological Divisions)

Year	South-West Monsoon					North-East Monsoon				
	Cumulative Rainfall: Above(+)/ Below (-) Normal (per cent)	Spatial Distribution				Cumulative Rainfall: Above(+)/ Below (-) Normal (per cent)	Spatial Distribution			
		Excess Rainfall	Normal Rainfall	Deficient Rainfall	Scanty/ No Rain		Excess Rainfall	Normal Rainfall	Deficient Rainfall	Scanty/ No Rain
1	2	3	4	5	6	7	8	9	10	11
1998	6	12	21	3	0	-	28	6	1	1
1999	-4	3	26	7	0	-	20	7	6	3
2000	-8	5	23	8	0	-	0	4	13	19
2001	-8	1	30	5	0	-	14	10	9	3
2002	-19	1	14	19	2	-33	3	7	12	14
2003	2	7	26	3	0	9	9	9	6	12
2004	-13	0	23	13	0	-11	8	10	17	1
2005	-1	9	23	4	0	10	11	6	5	14
2006	-1	6	20	10	0	-21	3	6	14	13
2007	5	13	17	6	0	-32	2	7	9	18

Excess : +20 per cent or more. Normal : +19 per cent to - 19 per cent. Deficient :- 20 per cent to -59 per cent.
Scanty : - 60 per cent to -99 per cent. No Rain: -100 per cent.
Source : India Meteorological Department.

total live water storage was 31 per cent (33 per cent last year) of the FRL.

According to the India Meteorological Department (IMD) forecast released in April 2008, the rainfall during the South-West monsoon season (June-September) 2008 for the country as whole is likely to be 99 per cent of the LPA or near normal with a model error of +/- 5 per cent. This is well above the forecast of 95 per cent during the corresponding period of the previous year.

The sowing of kharif crops improved during 2007-08 on account of satisfactory rainfall during the South-West monsoon and remunerative market prices. The reported sown area was about 2.8 per cent higher than the previous year. In contrast, area sown under rabi crops so far (as reported on April 4, 2008) has been 2.9 per cent lower than a year ago on account of the deficiency in rainfall. The lower sowing under rabi was observed across all the major crops except rice and groundnut (Table 3).

According to the Third Advance Estimates for 2007-08, the total foodgrains production is slated to reach an all-time high at 227.3 million tonnes, surpassing the target set earlier (221.5 million tonnes) and recording an increase of 4.6 per cent over the previous year (217.3 million tonnes) (Table 4). The enhanced foodgrains production reflects the expected increase across all major crops. Amongst non-foodgrains, while the production of cotton and oilseeds are expected to increase over the previous year, that of sugarcane is likely to show a decline.

Food Management

Total procurement of rice and wheat during 2007-08 aggregated to 37.5 million tonnes, which was 4.5 per cent higher

Table 3: Progress of Area under Crops - 2007-08

(Million hectares)

Crop	Normal Area	Area Coverage (As on October 26, 2008)			Crop	Normal Area	Area Coverage (As reported on April 4, 2008)		
		2006	2007	Variation			2007	2008	Variation
1	2	3	4	5	1	2	3	4	5
***Kharif* Crops**					***Rabi* Crops**				
Rice	38.2	37.1	37.3	0.2	Rice	3.7	4.1	4.3	0.2
Coarse Cereals	22.9	22.1	22.0	-0.1	Wheat	26.2	28.2	27.7	-0.5
of which:					Coarse Cereals	6.4	7.1	6.8	-0.2
Bajra	9.4	9.3	8.7	-0.6	*of which:*				
Jowar	4.4	3.8	3.6	-0.2	Jowar	5.0	4.9	4.7	-0.3
Maize	6.2	6.8	7.5	0.6	Maize	0.7	1.0	1.1	0.0
Total Pulses	10.9	11.4	12.6	1.2	Total Pulses	11.4	14.2	13.5	-0.7
Total Oilseeds	15.4	16.8	17.7	0.9	Total Oilseeds	8.8	10.2	9.6	-0.6
of which:					*of which:*				
Groundnut	5.5	4.8	5.4	0.6	Groundnut	0.8	1.1	1.3	0.2
Soyabean	6.6	8.1	8.8	0.6	Rapeseed/Mustard	5.9	6.6	6.0	-0.6
Sugarcane	4.2	4.8	5.1	0.3	Sunflower	1.2	1.3	1.1	-0.1
Cotton	8.3	9.0	9.3	0.4					
All Crops	**100.8**	**102.1**	**104.9**	**2.8**	**All Crops**	**56.5**	**63.8**	**61.9**	**-1.8**

Source : Ministry of Agriculture, Government of India.

than that procured during the corresponding period of the previous year, mainly on account of increase in wheat procurement. Total offtake of rice

Table 4: Agricultural Production

(Million tonnes)

Crop	2003-04	2004-05	2005-06	2006-07	2007-08	
					Target	Achievement @
1	2	3	4	5	6	7
Rice	88.5	83.1	91.8	93.4	93.0	95.7
Kharif	78.6	72.2	78.3	80.2	80.0	82.8
Rabi	9.9	10.9	13.5	13.2	13.0	12.9
Wheat	72.2	68.6	69.4	75.8	75.5	76.8
Coarse Cereals	37.6	33.5	34.1	33.9	37.5	39.7
Kharif	32.2	26.4	26.7	25.6	28.7	30.9
Rabi	5.4	7.1	7.3	8.3	8.8	8.8
Pulses	14.9	13.1	13.4	14.2	15.5	15.2
Kharif	6.2	4.7	4.9	4.8	5.5	6.4
Rabi	8.7	8.4	8.5	9.4	10.0	8.8
Total Foodgrains	213.2	198.4	208.6	217.3	221.5	227.3
Kharif	117.0	103.3	109.9	110.6	114.2	120.0
Rabi	96.2	95.1	98.7	106.7	107.3	107.3
Total Oilseeds	25.2	24.4	28.0	24.3	30.0	28.2
Kharif	16.7	14.1	16.8	14.0	18.5	19.0
Rabi	8.5	10.2	11.2	10.3	11.5	9.2
Sugarcane	233.9	237.1	281.2	355.5	310.0	344.2
Cotton #	13.7	16.4	18.5	22.6	22.0	23.2
Jute and Mesta ##	11.2	10.3	10.8	11.3	11.0	11.5

@: Third Advance Estimates as on April 22, 2008.
#: Million bales of 170 kgs each.
##: Million bales of 180 kgs each.
Source : Ministry of Agriculture, Government of India.

and wheat during 2007-08 (up to December 31, 2007) at 27.3 million tonnes was almost of the same order as that during the corresponding period of the previous year. As on February 1, 2008, total stocks of foodgrains with the Food Corporation of India (FCI) and other Government agencies were at 21.4 million tonnes - higher by 18.4 per cent than that a year ago (18.1 million tonnes). While the stock of rice (14.0 million tonnes) was 11.1 per cent higher than that of last year (12.6 million tonnes), the stock of wheat (7.2 million tonnes) was 33.0 per cent higher than that of the previous year (5.4 million tonnes) (Table 5).

Table 5: Management of Food Stocks

(Million tonnes)

Month	Opening Stock of Foodgrains			Procurement of Foodgrains			Foodgrains Off-take					Closing Stock	Norms
	Rice	Wheat	Total	Rice	Wheat	Total	PDS	OWS	OMS-Domestic	Exports	Total		
1	2	3	4	5	6	7	8	9	10	11	12	13	14
2004-05	13.1	6.9	20.6	24.0	16.8	40.8	29.7	10.6	0.2	1.0	41.5	18.0	
2005-06	13.3	4.1	18.0	26.6	14.8	41.4	31.4	9.8	1.1	0.0	42.3	16.6	
2006-07	13.7	2.0	16.6	26.7	9.2	35.9	31.6	5.1	0.0	0.0	36.8	17.9	
2006-07 #	13.7	2.0	16.6	26.7	9.2	35.9	23.6	3.8	0.0	0.0	27.3	18.1	
2007-08 #	13.2	4.7	17.9	26.4	11.1	37.5	24.7	2.6	0.0	0.0	27.3	21.4	
2006													
April	13.7	2.0	16.6	1.7	8.7	10.3	2.5	0.3	0.0	0.0	2.7	22.8	16.2
May	12.8	9.0	22.8	1.6	0.6	2.2	2.9	0.4	0.0	0.0	3.2	22.3	
June	12.0	9.3	22.3	1.5	0.0	1.5	2.6	0.6	0.0	0.0	3.0	20.5	
July	11.1	8.2	20.5	0.8	0.0	0.8	2.7	0.4	0.0	0.0	3.0	17.1	26.9
August	9.5	7.3	17.1	0.5	0.0	0.5	2.7	0.4	0.0	0.0	3.0	15.5	
September	7.8	6.7	15.5	0.2	0.0	0.2	2.6	0.5	0.0	0.0	3.0	12.6	
October	6.0	6.4	12.6	8.0	0.0	8.0	2.5	0.3	0.0	0.0	2.8	18.6	16.2
November	12.5	6.0	18.7	2.0	0.0	2.0	2.5	0.4	0.0	0.0	2.9	17.8	
December	12.1	5.6	17.8	2.6	0.0	2.6	2.6	0.3	0.0	0.0	3.0	17.5	
2007													
January	12.0	5.4	17.5	4.3	0.0	4.3	2.7	0.4	0.0	0.0	3.1	18.1	20.0
February	12.6	5.4	18.1	2.4	0.0	2.4	2.7	0.5	0.0	0.0	3.1	19.1	
March	14.0	5.1	19.1	1.2	0.0	1.2	2.7	0.5	0.0	0.0	3.2	17.9	
April	13.2	4.7	17.9	0.9	7.9	8.7	2.6	0.2	0.0	0.0	2.8	25.1	16.2
May	13.5	11.6	25.1	1.5	2.6	4.0	2.8	0.2	0.0	0.0	3.0	25.9	
June	12.6	13.3	25.9	1.3	0.7	2.0	2.7	0.4	0.0	0.0	3.0	23.9	
July	11.0	12.9	23.9	0.8	0.0	0.8	2.9	0.4	0.0	0.0	3.2	21.2	26.9
August	9.2	12.0	21.2	0.1	0.0	0.1	2.8	0.3	0.0	0.0	3.0	17.9	
September	6.9	11.0	18.0	0.1	0.0	0.1	2.7	0.3	0.0	0.0	2.9	15.6	
October	5.5	10.1	15.6	7.4	0.0	7.4	2.7	0.3	0.0	0.0	2.9	19.7	16.2
November	10.7	9.0	19.7	1.8	0.0	1.8	2.7	0.3	0.0	0.0	2.9	18.5	
December	10.1	8.4	18.5	3.6	0.0	3.6	2.7	0.3	0.0	0.0	3.0	19.2	
2008													
January	11.5	7.7	19.2	4.5	0.0	4.5	–	–	–	–	–	21.4	20.0
February	14.0	7.2	21.4	3.0	0.0	3.0	–	–	–	–	–	–	
March	–	–	–	1.6	0.0	1.6	–	–	–	–	–	–	

PDS : Public Distribution System. OWS : Other Welfare Schemes. OMS : Open Market Sales. – : Not Available.

: Off-take up to December 31 and stock as at end-January.

Note : Closing stock figures may differ from those arrived at by adding the opening stocks and procurement and deducting off-take, as stocks include coarse grains also.

Source : Ministry of Consumer Affairs, Food and Public Distribution, Government of India.

Table 6: Index of Industrial Production: Sectoral and Use-Based Classification of Industries

(Per cent)

Industry Group	Weight in IIP	Growth			Weighted Contribution#		
		2006-07	2006-07	2007-08 P	2006-07	2006-07	2007-08 P
		April-March	April-February		April-March	April-February	
1	2	3	4	5	6	7	8
Sectoral							
Mining	10.5	5.3	5.0	5.1	3.4	3.3	4.0
Manufacturing	79.4	12.5	12.2	9.1	91.1	91.1	89.5
Electricity	10.2	7.3	7.2	6.6	5.5	5.7	6.5
Use-Based							
Basic Goods	35.6	10.3	10.1	7.4	27.2	27.6	25.6
Capital Goods	9.3	18.2	18.3	17.5	17.6	17.6	23.2
Intermediate Goods	26.5	12.0	11.7	9.2	27.0	27.3	27.9
Consumer Goods (a+b)	28.7	10.1	9.5	6.3	28.5	27.8	23.3
a) Consumer Durables	5.4	9.2	9.7	-1.0	6.7	7.4	-1.0
b) Consumer Non-durables	23.3	10.4	9.5	8.9	21.8	20.4	24.3
General	**100.0**	**11.5**	**11.2**	**8.7**	**100.0**	**100.0**	**100.0**

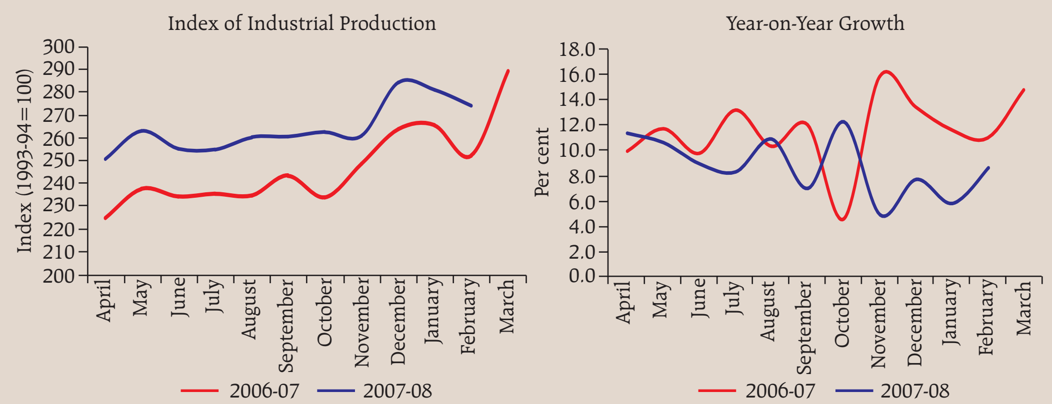
P : Provisional. # : Figures may not add up to 100 due to rounding off.

Source: Central Statistical Organisation.

Industrial Performance

Industrial growth moderated during April-February 2007-08 primarily reflecting the performance of manufacturing sector (Table 6 and Chart 2). Growth in index of industrial production (IIP) decelerated to 8.7 per cent during April-February 2007-08 from 11.2 per cent during April-February 2006-07 with the manufacturing sector growth moderating to 9.1 per cent from 12.2 per cent. While the growth in the electricity sector decelerated to 6.6 per cent during April-February 2007-08 from 7.2 per cent a year ago, that of the

Chart 2: Industrial Production



mining sector increased marginally to 5.1 per cent from 5.0 per cent over the same period.

The moderation in the manufacturing sector reflected decelerated/negative growth in eleven out of seventeen manufacturing industry groups accounting for 49.3 per cent weight in the IIP (Table 7).

'Machinery and equipment', 'basic metal and alloy industries', 'non-metallic mineral products', 'cotton textiles', 'textile products' and 'transport equipment and parts' were amongst the major groups which registered deceleration in growth largely due to base effect. 'Metal products and parts' recorded negative growth due to decline in the production of tin metal containers, welded link chains and razor blades. 'Chemicals and chemical products except products of petroleum and coal' with the highest weight in the IIP, however, registered a double-digit growth mainly due to strong growth in filament yarn, viscose staple fibre, hair oil and clinical drugs. 'Jute and other

Table 7: Performance of Manufacturing Groups

(Per cent)

Industry Group	Weight in IIP	Growth Rate			Weighted Contribution #		
		2006-07	2006-07	2007-08 P	2006-07	2006-07	2007-08 P
		April-March	April-February		April-March	April-February	
1	2	3	4	5	6	7	8
1. Wood and wood products, furniture and fixtures	2.7	29.1	21.6	45.8	2.4	1.9	5.6
2. Jute and other vegetable fibre textiles (except cotton)	0.6	-15.8	-13.5	30.8	-0.4	-0.4	0.9
3. Other manufacturing industries	2.6	7.7	10.4	18.7	2.4	3.2	7.5
4. Basic metal and alloy industries	7.5	22.8	22.8	12.9	16.6	17.0	14.0
5. Beverages, tobacco and related products	2.4	11.1	11.8	11.8	4.5	5.0	6.6
6. Leather and leather and fur products	1.1	0.6	1.4	11.8	0.0	0.1	1.1
7. Chemicals and chemical products except products of petroleum and coal	14.0	9.6	9.0	11.3	15.0	14.7	23.6
8. Machinery and equipment other than transport equipment	9.6	14.2	14.2	9.5	18.2	18.6	16.8
9. Rubber, plastic, petroleum and coal products	5.7	12.9	12.4	9.4	6.4	6.3	6.4
10. Food products	9.1	8.5	6.3	6.7	5.7	4.3	5.7
11. Non-metallic mineral products	4.4	12.8	13.1	6.3	6.6	6.9	4.4
12. Cotton textiles	5.5	14.8	14.3	4.5	4.8	4.8	2.1
13. Textile products (including wearing apparel)	2.5	11.5	11.2	4.0	3.2	3.2	1.5
14. Wool, silk and man-made fibre textiles	2.3	7.8	7.4	3.5	1.9	1.9	1.1
15. Transport equipment and parts	4.0	15.0	15.2	3.3	8.2	8.5	2.5
16. Paper and paper products and printing, publishing and allied activities	2.7	8.7	8.6	2.5	2.3	2.3	0.9
17. Metal products and parts (except machinery and equipment)	2.8	11.4	7.7	-3.1	2.3	1.6	-0.8
Manufacturing - Total	**79.4**	**12.5**	**12.2**	**9.1**	**100.0**	**100.0**	**100.0**

P : Provisional. # : Figures may not add up to 100 due to rounding off.
Source: Central Statistical Organisation.

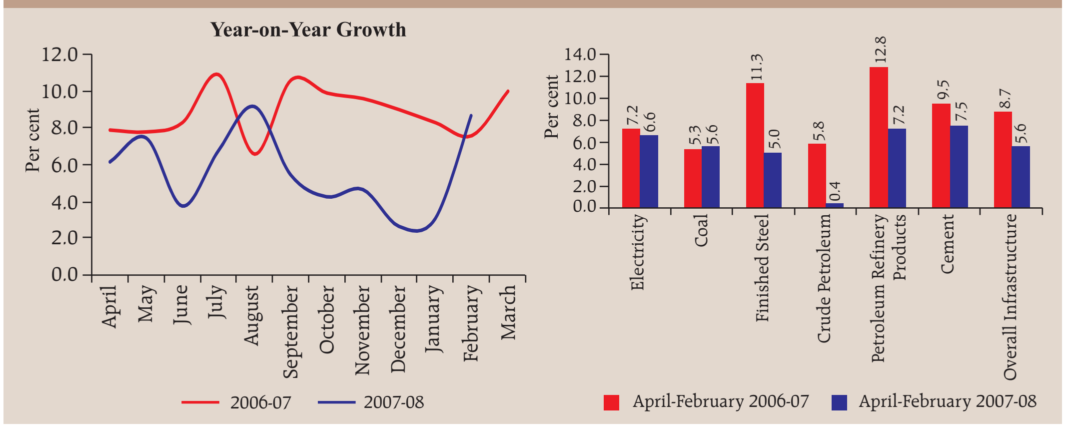
vegetable fibre textiles' registered a turnaround with a positive growth during the period.

In terms of use-based classification, the capital goods sector recorded double-digit growth during April-February 2007-08 (see Table 6). The continued capacity addition by manufacturing firms helped the robust growth of capital goods. The growth in the intermediate goods sector decelerated on account of slowdown in production of newsprint bleached, cotton yarn, polished granite/stone chips, and ball and roller bearings. The growth in consumer goods sector decelerated to 6.3 per cent during April-February 2007-08 from 9.5 per cent during April-February 2006-07 largely due to negative growth in the consumer durables segment, particularly in telephone instruments, motor cycles and wrist watches. The basic goods sector growth decelerated to 7.4 per cent during April-February 2007-08 from 10.1 per cent during April-February 2006-07 due to decline in production in respect of soda ash, fertilisers, carbon steel and steel castings.

Infrastructure

During April-February 2007-08, growth of the infrastructure sector decelerated to 5.6 per cent from 8.7 per cent during the corresponding period of the previous year, reflecting deceleration in all the sectors, except coal (Chart 3). The deceleration in the electricity sector was mainly on account of moderation in thermal power generation and decline in nuclear power generation. High base as well as decline in refinery output in certain public sector refineries contributed to decelerated growth in petroleum refinery products. The slowdown in the cement sector was mainly on account of high base and capacity constraints. The sharp deceleration in crude oil production was attributable to the decline in production in Oil India Limited (OIL) and Oil and Natural Gas Corporation (ONGC) plants by 1.3 per cent and 0.2 per cent, respectively, during April-February 2007-08. In six out of eleven months of 2007-08, the crude oil sector recorded decline in production, which led to decelerated

Chart 3: Growth in Infrastructure Industries



growth at 0.4 per cent for April-February 2007-08. The coal sector recorded a growth of 5.6 per cent during April-February 2007-08 as compared with 5.3 per cent during the corresponding period of last year. High base as also capacity constraints faced by major steel producers led to decelerated growth in the steel sector during the same period.

Services Sector

The services sector maintained its double-digit growth at 10.6 per cent during 2007-08 despite some moderation in pace. It continued to be the major contributor to GDP growth. During April-December 2007, the services sector recorded a growth of 10.4 per cent, somewhat lower than 11.4 per cent during April-December 2006 (see Table 1). The growth in services sector continued to be broad based. 'Trade, hotels, transport and communication', 'financing, insurance, real estate and business services' and 'construction' sub-sectors registered lower but double digit growth rates, while 'community, social and personnel services' recorded a higher but single digit growth during April-December 2007 than during April-December 2006. The sub-sector 'trade, hotel, transport and communication' contributed almost one third (34.5 per cent) to overall real GDP growth during April-December 2007 (Table 8).

Leading indicators of service sector activity for April-February 2007-08 show that the growth rates in tourist arrivals, revenue earning freight traffic of the railways, commercial vehicles production, new cell phone connections, passengers handled by civil aviation at domestic terminals, cement

Table 8 : Growth in Services Sectors

(Contribution to real GDP growth; percentage points)

Year/Quarter	Construction	Trade, Hotels, Transport and Communication	Financing, Insurance, Real Estate and Business Services	Community, Social and Personal Services	Total Services
1	2	3	4	5	6
2000-01	0.4	1.6	0.5	0.7	3.2
2001-02	0.2	2.0	0.9	0.6	3.8
2002-03	0.5	2.2	1.1	0.6	4.3
2003-04	0.7	2.9	0.8	0.8	5.2
2004-05	1.0	2.7	1.2	1.0	5.8
2005-06	1.1	3.0	1.5	1.0	6.6
2006-07	0.8	3.1	1.9	1.0	6.8
2007-08	0.7	3.2	1.7	0.9	6.6
2006-07 : Q1	0.9	2.8	1.9	1.4	7.0
: Q2	0.9	3.3	2.0	1.1	7.3
: Q3	0.7	3.1	1.9	0.7	6.5
: Q4	0.8	3.4	1.3	0.8	6.2
2007-08 : Q1	0.8	3.1	1.6	1.0	6.5
: Q2	0.8	3.1	1.6	1.1	6.7
: Q3	0.6	3.0	1.6	1.0	6.1

Table 9: Indicators of Service Sector Activity

(Growth rates in per cent)

Sub-sector	2005-06	2006-07	2006-07	2007-08
			April-February	
1	2	3	4	5
Tourist arrivals	12.4	13.6	13.0 *	11.3 *
Commercial vehicles production #	10.6	33.0	34.3	4.5
Railway revenue earning freight traffic	10.7	9.2	9.1	9.0
New cell phone connections	89.4	85.4	90.3	40.0
Cargo handled at major ports	10.4	9.5	9.4	12.2
Civil aviation				
a) Export cargo handled	7.3	3.6	3.4	8.0
b) Import cargo handled	15.8	19.4	19.5	20.9
c) Passengers handled at international terminals	12.8	12.1	12.0	12.0
d) Passengers handled at domestic terminals	27.1	34.0	35.3	21.6
Cement **	12.4	9.1	9.5	7.5
Steel **	10.8	11.7	11.3	5.0
Aggregate deposits of SCBs	18.1	23.8	23.8 *	22.2 *
Non-food credit of SCBs	31.8	28.5	28.5 *	22.3 *

* : April-March # : Leading Indicator for transportation.

** : Leading indicators for construction. SCBs: Scheduled Commercial Banks

Source : Ministry of Tourism; Ministry of Commerce and Industry; Ministry of Statistics and Programme Implementation; Reserve Bank of India; and Centre for Monitoring Indian Economy.

and steel moderated over the previous year (Table 9).

Aggregate Demand

The growth of the Indian economy during 2007-08 was driven by investment demand. The estimated share of gross fixed capital formation (GFCF) in real GDP increased to 32.6 per cent in 2007-08 from 30.6 per cent in 2006-07, while that of private final consumption expenditure (PFCE) declined to 67.1 per cent from 68.4 per cent over the same period (Table 10).

Table 10 : Disposition of GDP at Market Prices (at 1999-2000 Prices)

(Rates as per cent of GDP)

Item	2006-07*	2007-08#	2006-07			2007-08			2006-07	2007-08
			Q1	Q2	Q3	Q1	Q2	Q3	April-December	
1	2	3	4	5	6	7	8	9	10	11
1. Total Final Consumption Expenditure	68.4	67.1	72.1	68.9	69.5	70.2	67.5	68.4	70.1	68.7
(i) Private Final Consumption Expenditure	58.6	57.6	60.6	60.3	60.6	59.7	58.6	59.8	60.5	59.4
(ii) Government Final Consumption Expenditure	9.8	9.5	11.5	8.6	8.9	10.5	8.9	8.6	9.6	9.3
2. Gross Fixed Capital Formation	30.6	32.6	30.8	31.2	29.7	32.7	33.7	31.6	30.5	32.6
3. Change in Stocks	2.1	2.0	2.1	2.2	2.0	2.1	2.1	1.9	2.1	2.0
4. Valuables	1.2	1.5	1.3	1.3	1.2	1.4	1.5	1.6	1.3	1.5
5. Exports	20.6	20.1	24.4	18.5	18.7	23.4	16.6	19.9	20.4	20
6. *Less:* Imports	24.7	24.2	25.5	26.9	24.1	24.8	25.3	24.6	25.4	24.9
7. Discrepancies	1.8	0.9	-5.3	4.8	3.2	-5.0	3.9	1.1	1.0	0.1
Memo:										(Rupees crore)
Real GDP at market prices	31,17,372	33,89,614	7,04,997	7,21,913	8,23,935	7,70,843	7,85,296	8,93,767	22,50,845	24,49,906

* : Quick Estimates. # : Advance Estimates.

Source : Central Statistical Organisation.

Saving and Investment

Gross Domestic Saving (GDS), as a percentage of GDP at current market prices, increased to 34.8 per cent in 2006-07 from 34.3 per cent in 2005-06 mainly due to improvement in the saving performance by the private corporate and public sectors. On the other hand, the household saving rate declined marginally in 2006-07 from the previous year on account of a decline in the financial saving rate. During the Tenth Five-Year Plan period, however, the household saving rate has remained stable, averaging 23.7 per cent (Table 11). The rate of Gross Domestic Capital Formation (GDCF) is estimated to be higher at 35.9 per cent of GDP in 2006-07 than 35.5 per cent in 2005-06. In terms of GDP, while the overall saving rate increased by 0.5 percentage points in 2006-07, the overall investment rate increased by 0.4 percentage points, reflecting a marginal narrowing down of current account deficit.

Corporate Performance

The performance of non-government non-financial companies moderated during 2007-08 (up to December 2007) relative to the previous year, but still remained healthy (Table 12). Sales growth, which slowed down in the first

Table 11: Rates of Gross Domestic Saving and Investment

(Per cent of GDP at current market prices)

Item	2001-02	2002-03	2003-04	2004-05	2005-06 PE	2006-07 QE	10th Plan Average
1	2	3	4	5	6	7	8
1 Household Saving	22.1	23.2	24.4	23.0	24.2	23.8	23.7
of which :							
a) Financial assets	10.9	10.3	11.4	10.1	11.8	11.3	11.0
b) Physical assets	11.3	12.9	13.0	12.9	12.5	12.5	12.7
2 Private Corporate Saving	3.4	3.9	4.4	6.6	7.5	7.8	6.0
3 Public Sector Saving	–2.0	–0.6	1.1	2.2	2.6	3.2	1.7
4 Gross Domestic Saving	23.5	26.4	29.8	31.8	34.3	34.8	31.4
5 Net capital inflow	–0.6	–1.2	–1.6	0.4	1.2	1.1	0.0
6 Gross Domestic Capital Formation #	22.8	25.2	28.2	32.2	35.5	35.9	31.4
7 Gross Capital Formation	24.2	25.2	26.8	31.6	34.5	36.0	30.8
of which :							
a) Public sector	6.9	6.1	6.3	6.9	7.6	7.8	6.9
b) Private corporate sector	5.4	5.7	6.6	10.5	13.3	14.5	10.1
c) Household sector	11.3	12.9	13.0	12.9	12.5	12.5	12.8
d) Valuables	0.6	0.6	0.9	1.3	1.2	1.2	1.0
8 Total Consumption Expenditure (a+b)	76.9	75.1	73.1	69.4	68.0	66.4	70.4
a) Private Final Consumption Expenditure	64.5	63.3	61.8	58.7	57.6	56.1	59.5
b) Government Final Consumption Expenditure	12.4	11.9	11.3	10.7	10.4	10.3	10.9
Memo							
Saving-Investment Balance (4-6)	0.7	1.2	1.6	–0.4	–1.2	–1.1	0.0
Public Sector Balance	–8.9	–6.7	–5.3	–4.7	–5.0	–4.5	–5.3
Private Sector Balance	8.8	8.5	9.2	6.1	5.9	4.5	6.8
a) Private Corporate Sector	–2.1	–1.9	–2.2	–4.0	–5.8	–6.8	–4.1
b) Household Sector	10.9	10.3	11.4	10.1	11.8	11.3	10.9

PE : Provisional Estimates. QE : Quick Estimates.
: Adjusted for errors and omissions.
Note : Figures may not add up to the totals due to rounding off.
Source : Central Statistical Organisation.

Table 12: Corporate Financial Performance

(Growth rates in per cent)

Item	2005-06	2006-07	2006-07	2007-08	2006-07				2007-08		
			April-December		Q1	Q2	Q3	Q4	Q1	Q2	Q3
1	2	3	4	5	6	7	8	9	10	11	12
Sales	16.3	26.2	29.1	17.4	25.6	29.2	30.3	22.5	19.2	16.0	18.0
Other Income	17.3	7.1	20.9	75.5	21.6	15.5	9.2	0.4	106.7	45.2	70.2
Total expenditure	16.7	23.4	26.3	17.2	24.0	27.7	25.7	20.0	18.0	15.3	18.9
Depreciation	8.1	15.4	17.2	17.1	14.9	16.4	16.8	18.1	18.1	15.8	17.9
Gross profits	24.6	41.9	44.7	25.0	32.7	46.0	52.9	35.5	31.9	22.5	20.4
Interest payments	-2.0	17.4	18.5	23.9	19.9	18.0	11.9	32.3	4.4	18.4	45.7
Profits after tax	32.8	45.2	46.6	29.8	34.7	49.4	59.5	39.6	33.9	22.7	29.4
Select Ratios											(Per cent)
Gross Profits to Sales	12.2	15.5	15.9	16.8	15.2	15.6	15.8	15.4	16.7	16.3	16.2
Profits After Tax to Sales	8.2	10.7	11.1	12.2	10.6	11.0	11.0	10.6	11.6	11.5	12.2
Interest to Sales	2.2	2.1	2.1	2.2	2.2	2.0	2.0	2.0	2.0	2.1	2.5
Interest to Gross Profits	18.1	13.4	13.0	13.1	14.2	13.1	12.6	12.9	11.8	12.8	15.3
Interest Coverage (Times)	5.5	7.5	7.7	7.6	7.0	7.6	7.9	7.7	8.5	7.8	6.5
Memo:											(Amount in Rs. crore)
No of Companies	2,730	2,388	1,871	1,989	2,228	2,263	2,258	2,356	2,342	2,228	2,329
Sales	7,35,216	10,41,894	6,73,056	8,14,569	2,34,610	2,51,125	2,60,064	2,94,223	2,80,814	2,97,110	3,06,238
Other Income*	17,088	23,895	13,021	25,074	4,304	5,282	4,927	8,466	9,151	8,057	9,221
Total Expenditure #	6,43,826	8,78,645	5,64,464	6,83,468	2,00,120	2,11,043	2,17,472	2,49,133	2,37,698	2,49,194	2,57,472
Depreciation provision	28,961	37,095	24,392	29,604	8,449	8,892	9,172	10,338	10,173	10,576	10,961
Gross profits	90,179	1,61,006	1,06,898	1,36,643	35,761	39,055	40,995	45,424	46,780	48,296	49,717
Interest Payments	16,302	21,500	13,870	17,951	5,083	5,121	5,162	5,862	5,504	6,194	7,609
Profits after tax	60,236	1,11,107	75,036	99,272	24,845	27,710	28,698	31,251	32,699	34,266	37,470

*: Other Income excludes extraordinary income/expenditure if reported explicitly.

#: The increase or decrease in stock in trade is accounted under total income instead of total expenditure as was hitherto done.

Notes: 1. Data for 2005-06 are based on audited balance sheet, while those for 2006-07 and 2007-08 are based on abridged financial results of the select non-Government non-financial public limited companies.

2. Growth rates are per cent changes in the level for the period under reference over the corresponding period of the previous year for common set of companies.

3. The quarterly data may not add up to annual data due to differences in the number and composition of companies covered in each period.

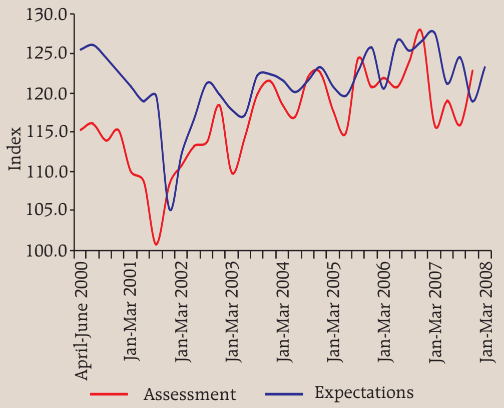
two quarters of the year, accelerated somewhat in the third quarter of 2007-08. On the whole, however, sales growth during the first nine months of 2007-08 at 17.4 per cent was lower than 29.1 per cent in the corresponding period of the previous year. While growth in gross profits and net profits also decelerated during April-December 2007 as compared with the corresponding period of the previous year, gross profits to sales ratio improved marginally over the same period.

Business Expectation Surveys

According to the survey by the National Council of Applied Economic Research (NCAER) conducted in December 2007, the overall business confidence index (BCI) for the next six months improved over the previous round of the survey but declined on a year-on-year basis (Table 13). A component-wise analysis shows that all four components, *viz.*, overall economic conditions, financial position of the firms, investment climate and present capacity utilisation (being close to or above optimal level) recorded an increase over the previous round; the sharpest improvement was in the investment climate. The BCI in respect of all the main industry groups defined in terms of use-based classification also improved. Amongst the various industry sectors, the largest gain in business confidence was in the services sector, while the smallest gain was in the consumer non-durable sector.

According to the Reserve Bank's latest Industrial Outlook Survey of manufacturing companies in the private sector conducted in February 2008, the business expectations indices based on assessment for January-March 2008 and on expectations for April-June 2008 increased by 6.0 per cent and 3.9 per cent, respectively, over the previous quarters. The indices, however, declined by 3.8 per cent and 3.4 per cent, respectively, over the corresponding quarter of the previous year (Chart 4).

Chart 4: Reserve Bank's Industrial Outlook Survey -Business Expectation Index



The improvement in expectations index for April-June 2008 over the previous quarter emanated from higher net responses for major parameters of the survey such as working capital requirement, availability of finance, production, order books, capacity utilisation, employment, exports, imports, selling prices and profit margins than in the previous quarter (Table 14). However, even with this

Table 13: Business Expectations Surveys

(Per cent)

Agency	Business Expectations		Growth over a year ago	Growth over previous round
	Period	Index		
1	2	3	4	5
NCAER	January-June 2008	Business Confidence Index	-2.1	5.6
RBI	April-June 2008	Business Expectation Index	-3.4	3.9
Dun & Bradstreet	April-June 2008	Business Optimism Index	-23.6	-9.0

Table 14: Reserve Bank's Survey - Net Response on 'A Quarter Ahead' Expectations About the Industrial Performance

(Per cent)

Parameter	Response	Jan-March 2007	Apr-June 2007	July-Sept 2007	Oct-Dec. 2007	Jan-Mar 2008	Apr-June 2008
1	2	3	4	5	6	7	8
1. Overall business situation	Better	53.7 (40.7)	51.7 (43.3)	49.5 (41.2)	50.2 (42.1)	47.7 (42.9)	46.0 (42.7)
2. Financial situation	Better	44.5 (49.9)	43.8 (49.8)	41.3 (49.8)	40.1 (51.3)	40.3 (50.3)	36.6 (51.6)
3. Working capital finance requirement	Increase	36.2 (59.2)	35.3 (59.2)	34.5 (59.2)	32.2 (62.6)	34.7 (60.3)	36.6 (56.5)
4. Availability of finance	Improve	36.2 (56.6)	35.2 (57.2)	32.1 (58.6)	33.8 (58.8)	31.1 (59.5)	32.3 (58.3)
5. Production	Increase	50.7 (40.1)	47.8 (41.6)	46.6 (41.1)	49.0 (40.9)	43.9 (42.3)	45.2 (41.0)
6. Order books	Increase	47.3 (43.1)	45.7 (45.4)	43.6 (46.1)	44.1 (46.0)	37.1 (48.6)	41.5 (44.3)
7. Pending orders, if applicable	Below normal	-2.7 (82.9)	-2.2 (82.8)	-2.2 (82.6)	-3.5 (82.4)	0.4 (80.2)	-4.3 (81.3)
8. Cost of raw material	Decrease	-41.7 (51.0)	-42.1 (52.0)	-46.0 (49.7)	-42.4 (51.0)	-44.1 (49.2)	-48.2 (46.0)
9. Inventory of raw material	Below average	-7.1 (83.8)	-7.3 (85.0)	-5.4 (85.0)	-6.3 (85.0)	-7.3 (84.8)	-7.0 (83.2)
10. Inventory of finished goods	Below average	-5.2 (84.5)	-4.4 (85.2)	-2.7 (87.1)	-3.5 (86.4)	-4.5 (86.1)	-5.8 (84.5)
11. Capacity utilisation (Main product)	Increase	33.3 (57.7)	29.4 (60.4)	27.0 (61.4)	28.4 (61.5)	24.2 (62.3)	25.6 (59.9)
12. Level of capacity utilisation (Compared to the average in the preceding four quarters)	Above normal	12.8 (76.4)	11.5 (77.1)	9.4 (76.5)	10.7 (77.2)	6.4 (78.3)	9.4 (77.0)
13. Assessment of the production capacity (With regard to expected demand in the next six months)	More than adequate	4.8 (81.8)	4.0 (82.2)	3.0 (82.2)	4.2 (83.0)	4.7 (83.8)	8.0 (81.2)
14. Employment in the company	Increase	18.1 (73.7)	18.3 (73.3)	17.4 (73.5)	16.7 (74.1)	14.6 (75.6)	20.8 (68.2)
15. Exports, if applicable	Increase	32.6 (57.3)	33.4 (56.8)	32.6 (55.6)	31.4 (55.9)	24.3 (58.3)	27.7 (53.3)
16. Imports, if any	Increase	20.8 (68.0)	21.6 (68.4)	23.7 (68.2)	20.8 (68.6)	20.1 (70.5)	25.3 (65.6)
17. Selling prices are expected to	Increase	14.2 (69.2)	15.5 (68.9)	19.0 (67.1)	13.0 (68.5)	14.9 (67.1)	19.1 (66.0)
18. If increase expected in selling prices	Increase at lower rate	10.5 (68.1)	12.1 (66.7)	10.4 (65.0)	3.7 (58.9)	13.3 (66.7)	9.0 (64.0)
19. Profit margin	Increase	11.6 (61.7)	9.9 (62.5)	7.5 (62.6)	9.6 (59.6)	5.4 (60.0)	7.2 (61.0)

Notes: 1. 'Net response' is measured as the percentage share differential between the companies reporting 'optimistic' (positive) and 'pessimistic' (negative) responses; responses indicating *status quo* (no change) are not reckoned. Higher 'net response' indicates higher level of confidence and *vice versa*.

2. Figures in parentheses are the percentages of respondents with 'no change over the preceding quarter' as responses.

improvement, the performance of the manufacturing sector in the first quarter of 2008-09 was expected to be considerably lower than that of the corresponding quarter of the previous year. A significantly higher proportion of respondents expected a decline in the overall business and financial situation and exports, and an increase in the prices of raw material than in the first quarter of 2007-08.

Purchasing Managers' Index

The ABN-AMRO Purchasing Manager's Index (PMI)[1] declined to 57.5 in March 2008 from 59.5 in the previous month. While the index posted the lowest reading in the past eight months, it nevertheless indicated a considerable improvement in operating conditions. At a disaggregated level, the seasonally adjusted output index remained markedly high as Indian manufacturers were reported to continue expanding production at their plants in line with strong sales growth and efficiency gains during the month. Despite a weakening in input price index in March 2008, input costs remained strong due to higher prices for a range of raw materials, including aluminum and oil.

[1] The PMI is a composite indicator designed to provide an overall view of activity in the manufacturing sector. A PMI of 50.0 indicates no change while values above or below this level indicate an expansion or a contraction of manufacturing activity.

CMIE Projections

The recent projections for growth rate of industrial production in 2008-09 by the Centre for Monitoring Indian Economy (CMIE) present an optimistic view in the light of the large investments being made in the economy. The CMIE expects the industrial growth to accelerate from the estimated 8.5 per cent in 2007-08 to 10 per cent in 2008-09. Growth rates in manufacturing, mining and electricity sectors are projected at 10.8 per cent, 8.0 per cent and 6.3 per cent, respectively. On the whole, the industrial rebound is expected to be well-spread across all the sectors and would be fuelled by robust growth in capital goods in the wake of large capital goods imports, investments and healthy order-book position as also a pick-up in growth of consumer goods.

Survey of Professional Forecasters

Several central banks conduct 'Survey of Professional Forecasters' on major macroeconomic indicators of short to medium term economic developments so as to gain from the professional expertise and experience of these forecasters. The Reserve Bank has also introduced such a survey from the quarter ended September 2007. The results of the fourth quarter (ended

Table 15: Median Forecasts of Select Macroeconomic Indicators by Professional Forecasters : 2008-09

Indicators	Annual	2008-09		
		Q1	Q2	Q3
1	2	3	4	5
1. Real GDP growth rate at factor cost (in per cent)	8.1	8.1	8.3	8.1
a. Agriculture & Allied Activities	3.0	3.0	3.0	2.9
b. Industry	8.1	8.4	8.5	8.6
c. Services	9.7	10.0	9.6	9.8
2. Gross Domestic Saving (per cent of GDP at current market prices)	35.0	-	-	-
3. Gross Domestic Capital Formation (per cent of GDP at current market prices)	36.0	36.2	36.0	36.0
4. Corporate profit after tax (growth rate in per cent)	24.7	21.3	22.6	23.1
5. 91-day Treasury Bills Yield (per cent-end period)	6.8	-	-	-
6. 10-year Government Securities Yield (per cent-end period)	7.8	-	-	-
7. Export (growth rate in per cent)	15.8	-	-	-
8. Import (growth rate in per cent)	20.0	-	-	-
9. Trade Balance (US $ billion)	-115.5	-28.4	-27.5	-28.1

- : Not Available.
Source : Survey of Professional Forecasters, Fourth Quarter 2007-08.

March 2008) survey are presented for select macroeconomic indicators in Table 15.

Forecasts by various agencies for the real GDP growth in 2008-09 are set out in Table 16.

Table : 16 : Projections of Real GDP for India by various Agencies - 2007-08

(per cent)

Agency	Overall Growth	Agriculture	Industry	Services	Month of Projection
1	2	3	4	5	6
ASSOCHAM	7.9	2.6	7.6	9.7	April 2008
Confederation of Indian Industry (CII)	8.0-8.5	-	-	-	March 2008
Citigroup	8.3	-	-	-	February 2008
	7.7	3.0	7.5	9.2	March 2008
Merrill Lynch	8.4	-	-	-	December 2007
	8.2	3.0	7.6	9.9	March 2008
JP Morgan	7.5	-	-	-	December 2007
	7.0	-	-	-	March 2008
Goldman Sachs	7.8	-	-	-	January 2008
CRISIL	8.5	3.0	8.3	10.3	February 2008
	8.1	-	-	-	April 2008
Centre for Monitoring the Indian Economy (CMIE)	9.1	3.3	10.4	10.3	February 2008
	9.5	2.6	11.4	10.6	April 2008
Asian Development Bank	8.5	-	-	-	September 2007
	8.0	-	-	-	April 2008
International Monetary Fund	8.4 *	-	-	-	October 2007
	7.9 *	-	-	-	April 2008
United Nations Organisation	8.2	-	-	-	January 2008
Economic Advisory Council to Prime Minister	8.5	-	-	-	January 2008

- : Not Available. * : Calendar year.

II. Fiscal Situation

Combined Government Finances: 2007-08

Combined Government finances were budgeted to improve in 2007-08, with key deficit ratios placed 0.7-0.9 percentage points of GDP lower than in 2006-07, reflecting the improvement in the finances of both the Central and State Governments. The improvement was envisaged to be achieved through a reduction in expenditure (as percentage of GDP), particularly in the revenue account. The combined debt-GDP ratio was budgeted to decline from 77.1 per cent at end-March 2007 to 73.8 per cent at end-March 2008 (Table 17).

Table 17: Key Fiscal Indicators

(Per cent to GDP)

Year	Primary Deficit	Revenue Deficit	Gross Fiscal Deficit	Outstanding Liabilities*
1	2	3	4	5
Centre				
2002-03	1.1	4.4	5.9	63.5
2003-04	-0.03	3.6	4.5	63.0
2004-05	-0.04	2.5	4.0	63.3
2005-06	0.4	2.6	4.1	63.1
2006-07	-0.2	1.9	3.5	61.2
2007-08 BE	-0.2	1.5	3.3	58.5
2007-08 RE	-0.6	1.4	3.1	61.7
2008-09 BE	-1.1	1.0	2.5	57.7
States				
2002-03	1.3	2.3	4.1	32.0
2003-04	1.5	2.3	4.4	33.2
2004-05	0.7	1.2	3.4	32.7
2005-06	0.2	0.2	2.5	32.6
2006-07 RE	0.4	0.1	2.7	30.6
2007-08 BE	0.1	-0.3	2.3	29.4
Combined				
2002-03	3.1	6.7	9.5	80.3
2003-04	2.0	5.9	8.4	81.4
2004-05	1.4	3.7	7.4	81.3
2005-06	1.0	2.8	6.7	80.4
2006-07 RE	0.8	2.1	6.4	77.1
2007-08 BE	0.1	1.3	5.5	73.8

RE: Revised Estimates. BE: Budget Estimates.
* : Includes external liabilities at historical exchange rates.
Note: The fiscal ratios are based on CSO's estimates of GDP, except for the Centre for the years 2007-08 and 2008-09 which are as per the Union Budget, 2008-09.

The combined fiscal deficit during 2007-08 was budgeted to be financed primarily from domestic resources. Market borrowings were budgeted to finance 53.5 per cent of the gross fiscal deficit (GFD) during 2007-08 (49.1 per cent a year ago), while other liabilities (small savings, provident funds, reserve funds and deposits and advances) were budgeted to finance 42.9 per cent (47.9 per cent in 2006-07). External assistance was budgeted to finance 3.6 per cent of the combined fiscal deficit during 2007-08 as compared with 3.0 per cent in 2006-07 (Chart 5).

Centre's Fiscal Situation: 2007-08

The process of fiscal correction and consolidation under the Fiscal Responsibility and Budget Management (FRBM) framework continued during 2007-08; the revised estimates for the year placed the revenue deficit and fiscal deficit lower than budget estimates, both in absolute terms and relative to GDP. Revenue deficit at Rs.63,488 crore in 2007-08 was lower by Rs. 7,990 crore than the budget estimates. This reflected the significant increase in the tax and non-tax revenue which more than offset the increase in the revenue expenditure on account of higher provision for interest payments and subsidies. The GFD at Rs.1,43,653 crore in 2007-08 was lower by Rs.7,295 crore than the budget estimates on account of the lower revenue deficit coupled with a decline in capital expenditure. As a result, gross primary surplus in the revised estimates at Rs.28,318 crore was significantly higher than the budget estimates by Rs.20,271 crore.

The reduction in GFD and revenue deficit by 0.4 per cent and 0.5 per cent of GDP, respectively, during 2007-08 (RE) over 2006-07 met the stipulated minimum threshold levels of 0.3 per cent and 0.5 per cent of GDP for GFD and revenue deficit, respectively, under the FRBM Rules, 2004.

Revenue receipts in the revised estimates increased by 8.0 per cent over

Chart 5: Financing Pattern of the Combined GFD

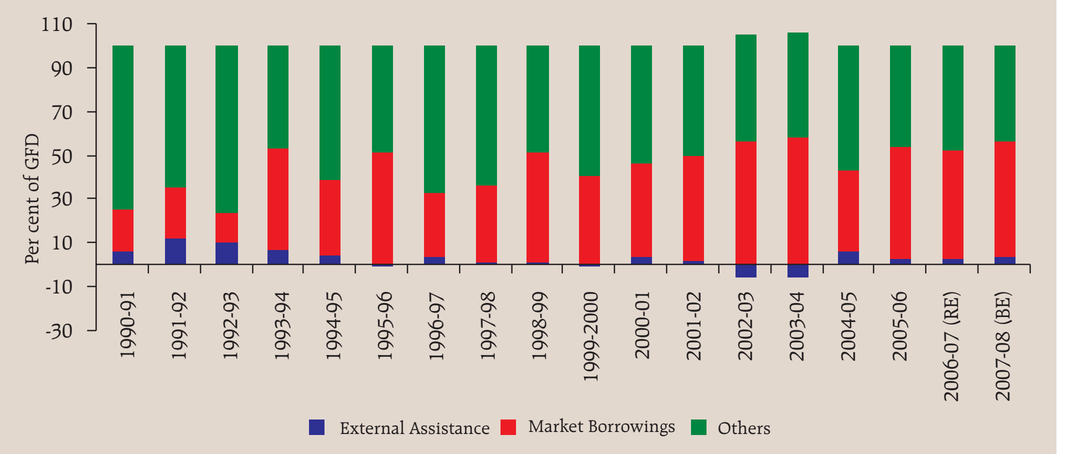


Table 18: Receipts of the Centre

(Amount in Rupees crore)

Item	2006-07 (Accounts)	2007-08 (BE)	2007-08 (RE)	Variation (4 over 3)	
				Amount	Per cent
1	2	3	4	5	6
1. Total Receipts (2+3)	**5,83,387**	**6,80,521**	**7,09,373**	**28,852**	**4.2**
	(14.1)	**(14.5)**	**(15.1)**		
2. Revenue Receipts (i+ii)	4,34,387	4,86,422	5,25,098	38,676	8.0
	(10.5)	(10.4)	(11.2)		
i) Tax Revenue (Net)	3,51,182	4,03,872	4,31,773	27,901	6.9
	(8.5)	(8.6)	(9.2)		
ii) Non-Tax Revenue	83,205	82,550	93,325	10,775	13.1
	(2.0)	(1.8)	(2.0)		
3. Capital Receipts	1,49,000	1,94,099	1,84,275	-9,824	-5.1
	(3.6)	(4.1)	(3.9)		
of which:					
Market Borrowings	1,14,801	1,10,827	1,10,727	-100	-0.1
Recoveries of Loans	5,893	1,500	4,497	2,997	199.8
Disinvestment proceeds	534	41,651	36,125	-5,526	-13.3
Memo Items: Net of transactions relating to transfer of Reserve Bank's stake in SBI					
Total receipts	5,83,387	6,40,521*	6,75,065#	34,544	5.4
	(14.1)	(13.6)	(14.4)		
Disinvestment proceeds	5,893	1,651*	1,817#	166	10.1

RE: Revised Estimates. BE: Budget Estimates.

* : Adjusted for an amount of Rs.40,000 crore on account of transactions relating to transfer of Reserve Bank's stake in State Bank of India (SBI) to the Central Government.

#: Net of transfer of profit from the Reserve Bank to the Central Government on account of sale of Reserve Bank's stake in SBI amounting to Rs.34,308 crore.

Note : Figures in parentheses are percentages to GDP.

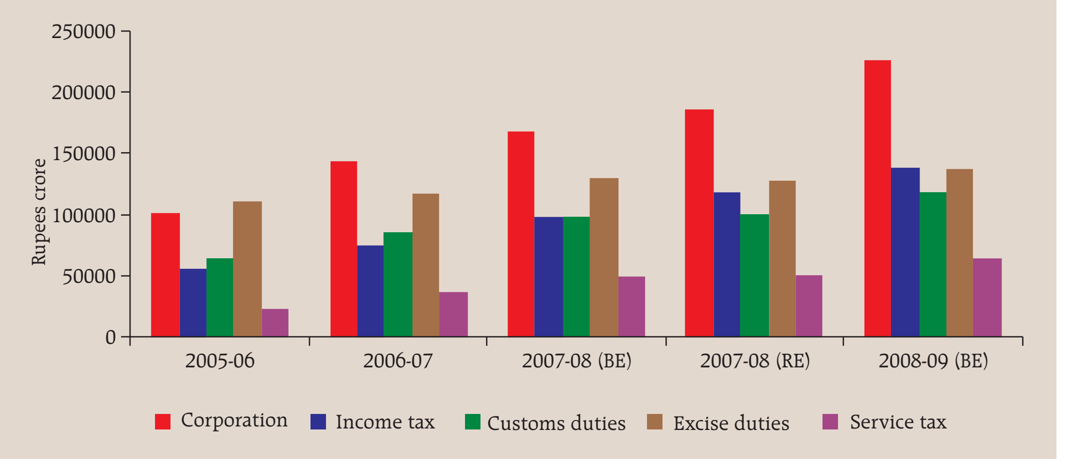
the budgeted level and were placed at 11.2 per cent of GDP (Table 18). This was mainly on account of higher than budgeted net tax revenue, particularly under personal income tax, corporation tax, customs duties, service tax and securities transaction tax. However, collections under excise duties in the revised estimates were lower than the budget estimates (Chart 6).

The collections under non-tax revenues were also higher than the budget estimates on account of dividends and profits which were higher by 6.4 per cent than the budget estimates. Among the capital receipts, recoveries of loans and advances were higher than budgeted.

The aggregate expenditure (adjusted for acquisition cost of Reserve Bank's stake in SBI) in the revised estimates for 2007-08 was 5.2 per cent higher than the budget estimates on account of higher revenue expenditure, particularly in interest payments and subsidies (Table 19). Increase in interest payments was mainly due to higher interest outgo in market loans, securities issued under market stabilisation scheme (MSS) and compensation and other bonds.

The expenditure on subsidies at Rs.69,742 crore (1.5 per cent of GDP) in the revised estimates for 2007-08 was 28.4 per cent higher than the budgeted amount mainly on account of food and fertiliser

Chart 6: Revenue Collection - Major Taxes



subsidies exceeding the budget estimates by Rs.5,850 crore (22.8 per cent) and Rs.8,050 crore (35.9 per cent), respectively (Chart 7). Food subsidies increased to

Table 19: Aggregate Expenditure of the Centre

(Amount in Rupees crore)

Item	2006-07 (Accounts)	2007-08 (BE)	2007-08 (RE)	Variation (4 over 3) Amount	Variation (4 over 3) Per cent
1	2	3	4	5	6
1. Total Expenditure (2+3= 4+5)	5,83,387 (14.1)	6,80,521 (14.5)	7,09,373 (15.1)	28,852	4.2
2. Non-Plan Expenditure	4,13,527 (10.0)	4,75,421 (10.1)	5,01,849 (10.7)	26,428	5.6
of which:					
Interest Payments	1,50,272 (3.6)	1,58,995 (3.4)	1,71,971 (3.7)	12,976	8.2
Defence Expenditure	85,510 (2.1)	96,000 (2.0)	92,500 (2.0)	-3,500	-3.6
Subsidies	57,125 (1.4)	54,330 (1.2)	69,742 (1.5)	15,412	28.4
3. Plan Expenditure	1,69,860 (4.1)	2,05,100 (4.4)	2,07,524 (4.4)	2,424	1.2
4. Revenue Expenditure	5,14,609 (12.4)	5,57,900 (11.9)	5,88,586 (12.5)	30,686	5.5
5. Capital Expenditure	68,778 (1.7)	1,22,621 (2.6)	1,20,787 (2.6)	-1,834	-1.5
Memo Items: Net of transactions relating to Reserve Bank's stake in SBI					
Total Expenditure	5,83,387 (14.1)	6,40,521 * (13.6)	6,73,842 # (14.4)	33,321	5.2
Non-Plan Expenditure	4,13,527 (10.0)	4,35,421 * (9.3)	4,66,318 # (9.9)	30,897	7.1
Capital Expenditure	68,778 (1.7)	82,621 * (1.8)	85,256 # (1.8)	2,635	3.2

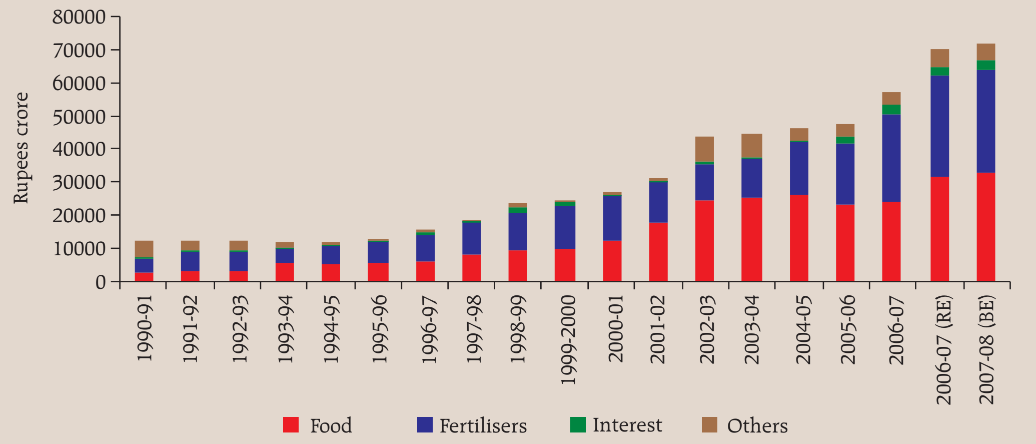
RE: Revised Estimates. BE: Budget Estimates.

* : Excludes an amount of Rs.40,000 crore on account of transactions relating to transfer of Reserve Bank's stake in SBI to the Government.

\# : Excludes acquisition cost of Reserve Bank's stake in SBI at Rs.35,531 crore.

Note : Figures in parentheses are percentages to GDP.

Chart 7: Composition of Subsidies



Rs.31,546 crore in the revised estimates mainly due to higher minimum support price and carrying cost. Fertiliser subsidies increased to Rs.30,501 crore mainly on account of increases in input cost of indigenous fertilisers and the cost of imported fertilisers.

Under capital expenditure, while defence capital expenditure declined, non-defence capital outlay adjusted for transactions relating to transfer of Reserve Bank's stake in State Bank of India increased by Rs.3,358 crore or 10.1 per cent. Plan expenditure did not show much variation from the budget estimates, although Central assistance for State and Union Territories (UT) plans increased markedly in the revised estimates.

Financing of the Union Budget

Gross and net market borrowings (dated securities and 364-day Treasury Bills excluding allocations under the Market Stabilisation Scheme) of the Centre for 2007-08 were budgeted at Rs.1,87,769 crore and Rs.1,10,827 crore, respectively. In the revised estimates, net market borrowings were placed marginally lower at Rs.1,10,727 crore, financing 77.1 per cent of GFD. Apart from market borrowings, short-term borrowings (14-day, 91-day and 182-day Treasury Bills) financed 17.7 per cent of GFD in the revised estimates as compared with 0.3 per cent of GFD in the budget estimates. In the public account, deposits and advances, state provident funds and reserve funds financed 5.4 per cent, 3.3 per cent and 2.4 per cent, respectively, of GFD.

According to the Reserve Bank records, gross and net market borrowings (including 364-day Treasury Bills) during 2007-08 amounted to Rs.1,88,205 crore and Rs.1,09,504 crore, respectively, accounting for 99.7 per cent and 99.9 per cent of the estimated borrowings for the year. Gross market borrowings through dated securities by the Central Government during 2007-08 amounted to

Table 20: Central Government Securities Issued during 2007-08

(Amount in Rupees crore/Maturity in years/Yield in per cent)

Sr. No.	Borrowings as per Issuance Auction Calendar: Period of Auction	Amount	Residual Maturity	Actual Borrowings: Date of Auction	Amount	Residual Maturity	Yield
1	2	3	4	5	6	7	8
1.	April 5-12, 2007	6,000	5-9	April 12, 2007	6,000	8.39	8.16
		4,000	20 and above	April 12, 2007	4,000	29.15	8.58
2.	April 20-27, 2007	6,000	10-14	April 27, 2007	6,000	9.71	8.16
3.	May 4-11, 2007	6,000	10-14	May 11, 2007	6,000	9.92	8.31
		4,000	20 and above	May 11, 2007	4,000	29.06	8.64
4.	May 18-25, 2007	5,000	5-9	May 25, 2007	5,000	8.26	8.24
		3,000	15-19	May 25, 2007	3,000	14.96	8.40
5.	June 1-8, 2007	6,000	10-14	June 5, 2007	6,000	9.86	8.18
		3,000	20 and above	June 5, 2007	3,000	29.00	8.52
				June 12, 2007 *	5,000	9.84	8.44
6.	June 15-22, 2007	6,000	10-14	June 15, 2007	6,000	9.83	8.35
7.	July 6-13, 2007	6,000	10-14	July 6, 2007	6,000	10.00	7.99
		4,000	20 and above	July 7,2007	4,000	28.91	8.45
8.	July 20-27,2007	6,000	5-9	July 20,2007	6,000	6.10	7.59
		3,000	20 and above	July 20,2007	3,000	25.10	8.34
9.	August 3-10, 2007	6,000	10-14	August 3, 2007	6,000	9.93	7.93
		4,000	20 and above	August 3, 2007	4,000	24.87	8.45
10.	August 17-24,2007	5,000	5-9	August 24, 2007	5,000	6.02	7.87
		2,000	10-14	August 24, 2007	2,000	9.89	7.91
11.	September 7-14, 2007	4,000	10-14	September 7, 2007	4,000	14.43	8.16
		3,000	20 and above	September 7, 2007	3,000	28.74	8.41
12.	October 5-12, 2007	6,000	10-14	October 12, 2007	6,000	9.73	7.91
		4,000	20 and above	October 12, 2007	4,000	25.20	8.45
13.	October 19-26, 2007	4,000	5-9	October 26, 2007	4,000	5.84	7.74
		4,000	15-19	October 26, 2007	4,000	14.54	8.13
14.	November 2-8, 2007	5,000	10-14	November 8, 2007	5,000	14.26	8.26
		3,000	20 and above	November 8, 2007	3,000	28.57	8.39
15.	November 16-23, 2007	3,000	10-14	November 23, 2007	3,000	9.62	7.90
		4,000	15-19	November 23, 2007	4,000	14.47	8.20
16.	December 7-14, 2007	5,000	10-14	December 14, 2007	5,000	9.56	7.92
		2,000	20 and above	December 14, 2007	2,000	28.47	8.26
17.	January 4-11, 2008	6,000	10-14	January 11, 2008	6,000	9.49	7.55
		4,000	20 and above	January 11, 2008	4,000	28.40	7.89
18.	February 1-8, 2008	4,000	20 and above	February 8, 2008	4,000	28.32	7.77
		5,000	15-19	February 8, 2008	5,000	14.01	7.62
Total		**1,51,000**			**1,56,000**		

Memo:

Year	Weighted Average Maturity	Weighted Average Yield
2003-04	14.94	5.71
2004-05	14.13	6.11
2005-06	16.90	7.34
2006-07	14.72	7.89
2007-08	14.90	8.12

* : Not scheduled.
Source : Reserve Bank of India.

Rs.1,56,000 crore as against Rs.1,51,000 crore scheduled in the issuance calendar for the year (Table 20). All auctions were re-issuances of existing securities, barring one new issue (10-year security) for Rs.6,000 crore on July 9, 2007. During 2007-08, an amount of Rs.957 crore devolved on primary dealers (PDs). The weighted average maturity of dated securities issued during 2007-08 at 14.90 years was higher than that of 14.72 years during the previous year. The weighted average yield of dated securities issued during 2007-08 was 8.12 per cent as compared with 7.89 per cent during 2006-07.

Cash Management: Central Government

Higher than anticipated spending and a decline in investments in Treasury Bills by the States on account of lower collections under the National Small Saving Fund (NSSF) resulted in the recourse to Ways and Means Advance (WMA) during the greater part of the first quarter of 2007-08 by the Central Government, even as the year commenced with a surplus cash balance of Rs.50,092 crore. The Central Government also resorted to overdraft during this period. A surplus was, however, built up in June 2007, ahead of acquisition of Reserve Bank's stake in SBI, which was used up by the month-end to meet this expenditure and the Central Government reverted to WMA. With the transfer of surplus from the Reserve Bank on August 9, 2007, the Centre's cash balance returned to a surplus mode and remained so thereafter. The cash surplus surpassed Rs.1,00,000 crore on March 19, 2008 on the strength of buoyant advance tax collections. As on March 31, 2008, the surplus cash balance was placed at Rs.76,686 crore. During 2007-08, the Centre took recourse to WMA for 91 days as compared with 39 days during 2006-07. The average utilisation of WMA/OD during 2007-08 was Rs.4,255 crore as compared with Rs.402 crore in the previous year.

Extra-Budgetary Items

The Union Government has recognised that revenue deficit and GFD are understated to the extent the Government incurs liabilities on account of oil, food and fertiliser bonds which are recorded below the line. Therefore, as a step towards bringing about greater transparency in fiscal accounting, the Budget has reported in its revised estimates for 2007-08 the issuance of special securities aggregating Rs.18,757 crore to oil marketing companies (Rs.11,257 crore) and fertiliser companies (Rs.7,500 crore) in lieu of subsidies. During 2007-08, the actual issuance of special bonds to oil companies as compensation for under-recoveries and for settlement of contingent liabilities amounted to Rs.20,333 crore and Rs.221 crore, respectively. Special bonds issued to fertiliser companies as compensation for fertiliser subsidy amounted to Rs.7,500 crore. The Central Government also issued special bonds worth Rs.9,996 crore to State Bank of India as subscription towards State Bank of India's rights issue of equity shares.

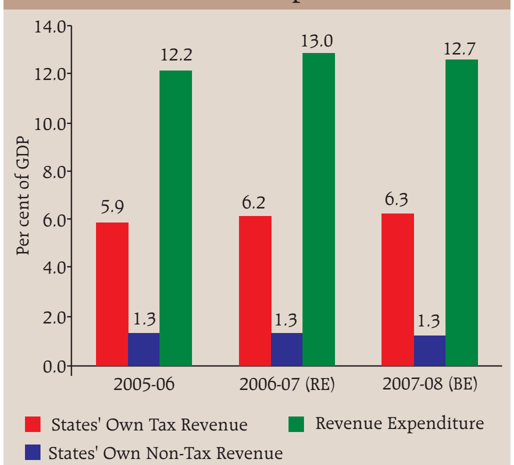
State Finances : 2007-08

The State Governments budgeted a revenue surplus of 0.3 per cent of GDP in 2007-08 as against a revenue deficit (RD) of 0.1 per cent in 2006-07 (RE). The gross fiscal deficit (GFD) was budgeted at 2.3 per cent of GDP in 2007-08, lower by 0.4 percentage points over the previous year (see Table 17). The progressive enactment of Fiscal Responsibility Legislation (FRL) by 26 States has enabled them to usher in a rule-based fiscal regime. The efforts of the State Governments towards reducing fiscal imbalances were aided by larger devolution and transfers from the Centre based on the recommendations of the Twelfth Finance Commission (TFC) along with the improvement in tax buoyancy on the strength of macroeconomic fundamentals. Furthermore, all States have implemented Value Added Tax (VAT) in lieu of sales tax, which has been an unqualified success in raising the tax revenue for the States. The State Governments while presenting their budgets for 2007-08 took into account the priorities as laid down in the Eleventh Five-Year Plan (2007-12). In order to ensure the quality of human resource development, social sector expenditure was proposed to be raised by higher allocations in 2007-08. In view of the priority given to infrastructure development in the Eleventh Five-Year Plan, the State Governments have envisaged implementation of various projects, especially power and roads. Several State Governments have proposed to implement the infrastructure projects through the framework of public-private partnership (PPP). The State Governments have also undertaken development of urban infrastructure under the Jawaharlal Nehru National Urban Renewal Mission (JNNURM).

The correction in the revenue account during 2007-08 has been envisaged to be achieved primarily through enhancement in revenue receipts by 14.2 per cent on top of 23.3 per cent growth recorded in the previous year. Revenue receipts as a per cent of GDP have been estimated to increase by 0.1 percentage point to 12.9 per cent in 2007-08, mainly on account of own tax revenue and devolution and transfers from the Centre. The improvement in revenue account would also be facilitated by deceleration in revenue expenditure to 10.8 per cent during 2007-08 from 22.6 per cent growth in the previous year. As a per cent of GDP, the revenue expenditure was placed at 12.7 per cent in 2007-08 (BE) as compared with 13.0 per cent in 2006-07 (RE) (Chart 8).

The decomposition of consolidated GFD of all State Governments based on their budget documents reveals that the surplus in the revenue account would partly finance capital expenditure in 2007-08, in contrast to the previous year when RD constituted 4.9 per cent of GFD. Accordingly, the share of capital outlay in GFD was budgeted to increase from 92.1 per cent to 109.7 per cent in 2007-08. Securities issued to NSSF would continue to be the major financing item of GFD,

Chart 8: States' Own Revenue Receipts and Revenue Expenditure



though its share was budgeted to decline due to expected shortfall in net collections in keeping with the recent trends and the policy decision to reduce the minimum obligation of the States to borrow from the NSSF to 80 per cent of net collections from 100 per cent. Market borrowings would correspondingly finance a higher proportion of GFD during 2007-08 at 24.3 per cent as compared with 16.8 per cent during the previous year (Table 21).

Cash Management and State Governments' Market Borrowings

The net allocation (provisional) for the market borrowings of the State Governments during 2007-08 was placed at Rs.28,781 crore. Taking into account repayment of Rs.11,555 crore during the year, and additional allocation of Rs.40,234 crore (of which Rs. 35,780 crore was on account of allocation made by the Central Government in view of expected

Table 21: Decomposition and Financing Pattern of GFD of States

(Per cent)

Item	1990-95 (Average)	1995-2000 (Average)	2000-05 (Average)	2005-06 (Accounts)	2006-07 (RE)	2007-08 (BE)
1	2	3	4	5	6	7
Decomposition (1+2+3-4)	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
1. Revenue Deficit	25.2	47.1	54.6	7.8	4.9	-11.1
2. Capital Outlay	55.4	43.1	40.5	86.1	92.1	109.7
3. Net Lending	19.4	10.0	4.9	6.1	5.7	10.7
4. Non-debt Capital Receipts	–	0.2	–	–	2.7	9.3
Financing (1 to 11)						
1. Market Borrowings	16.1	16.4	26.4	17.0	16.8	24.3
2. Loans from Centre	48.8	39.7	4.3	0.0	1.8	6.0
3. Special Securities issued to NSSF/Small Savings	–	28.9 *	40.2	81.9	51.5	49.6
4. Loans from LIC, NABARD, NCDC, SBI & Other Banks	1.8	2.9	4.0	4.5	5.6	6.8
5. Small Savings, P.F., *etc.*	17.6	16.2	10.1	11.6	9.6	11.4
6. Reserve Funds	6.8	5.6	5.0	5.8	4.2	3.9
7. Deposits & Advances	9.9	9.9	4.2	8.1	1.6	1.4
8. Suspense & Miscellaneous	4.3	2.8	-0.8	8.8	0.0	-1.3
9. Remittances	-1.4	-3.7	0.7	0.1	0.3	0.0
10. Others	0.7	1.4	4.7	0.0	-2.8	-0.9
11. Overall Surplus (-)/Deficit (+)	-4.5	3.0	1.2	-37.7	11.6	-1.1

RE : Revised Estimates. BE: Budget Estimates. -: Nil/Negligible/Not applicable.

NSSF : National Small Savings Fund.

* : Pertains to 1999-2000 as it was introduced from that year only. The sum of items for 1995-2000 (Average) will, therefore, not add up to 100.

Note : 1. Owing to the change in the accounting procedure from 1999-2000, loans from the Centre excludes States' share in small saving collections which is shown under securities issued to the NSSF under internal debt. Accordingly, repayments of small saving collections included under repayments of loans to Centre is shown under discharge of Internal Debt in order to have consistent accounting for receipts and expenditure.

2. 'Others' include Compensation and Other Bonds, Loans from Other Institutions, Appropriation to Contingency Fund, Inter-state Settlement and Contingency Fund.

3. Figures in respect of Jammu and Kashmir and Jharkhand relate to revised estimates.

4. All financing items are on a net basis.

Source : Budget Documents of the State Governments.

shortfall in NSSF collection), the gross allocation of market borrowings was placed at Rs.80,570 crore for the year 2007-08. During 2007-08, the States (including the Union Territory of Puducherry) raised market loans amounting to Rs. 67,779 crore (84.1 per cent of gross allocation) through auctions, as compared with Rs.20,825 crore (78.3 per cent of gross allocation) during the previous year. The cut-off yield ranged between 7.84-8.90 per cent. The weighted average yield on market loans firmed up to 8.25 per cent during 2007-08 from 8.10 per cent in the previous year (Table 22).

The average daily utilisation of WMA and overdraft by the States during 2007-08 was Rs. 648 crore, as against Rs.248 crore during 2006-07. The average daily utilisation of WMA since December 2007 has been lower than the corresponding months of the preceding year (Chart 9). During 2007-08, eight States availed of WMA for a period of 1-184 days, of which three States resorted to overdraft for a period ranging between 3-65 days.

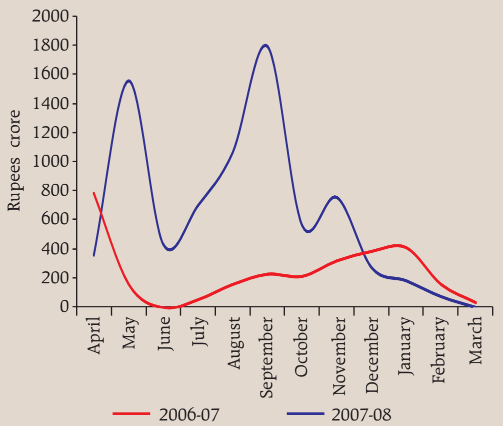
The cash surplus position of the States, as reflected in their investments in Treasury Bills (14-day and auction Treasury Bills), remained sizeable, increasing from Rs.73,403 crore at end-March 2007 to Rs.97,615 crore at end-March 2008. The average investment by the States in Treasury Bills during 2007-08 amounted

Table 22: Market Borrowings of State Governments - 2007-08

Item	Date	Cut-off Rate (Per cent)	Tenor (Years)	Amount Raised (Rupees Crore)
1	2	3	4	5
Auctions				
First	April 19, 2007	8.30	10	1,837
Second	May 10, 2007	8.34	10	350
Third	May 17, 2007	8.40	10	1,400
Fourth	June 19, 2007	8.45-8.57	10	3,566
Fifth	July 26, 2007	8.00-8.25	10	1,389
Sixth	August 16, 2007	8.30-8.90	10	3,485
Seventh	September 20, 2007	8.14-8.50	10	3,074
Eighth	October 4, 2007	8.20	10	590
Ninth	October 8, 2007	8.31-8.40	10	4,672
Tenth	November 13, 2007	8.39-8.69	10	5,300
Eleventh	November 30, 2007	8.45-8.50	10	5,212
Twelfth	December 18 ,2007	8.39-8.58	10	2,963
Thirteenth	January 7, 2008	8.03-8.12	10	5,833
Fourteenth	January 24, 2008	7.84-7.98	10	7,778
Fifteenth	February 15, 2008	7.93-8.02	10	7,776
Sixteenth	February 22, 2008	8.12-8.48	10	4,975
Seventeenth	March 7, 2008	8.28-8.45	10	4,349
Eighteenth	March 26,2008	8.35-8.70	10	3,229
Grand Total				**67,779**
Memo:				
Year				Weighted Average Yield (per cent)
2003-04				6.13
2004-05				6.45
2005-06				7.63
2006-07				8.10
2007-08				8.25

Source : Reserve Bank of India.

Chart 9: Utilisation of WMA and Overdraft by States*



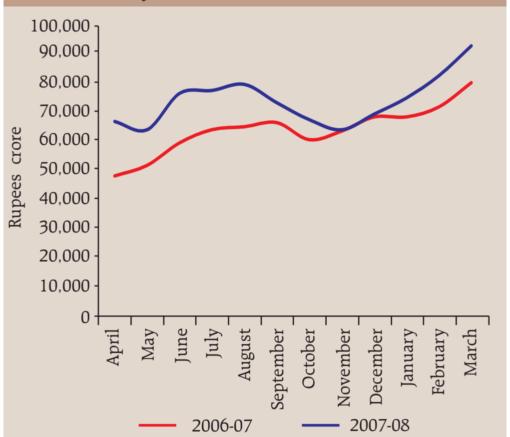
* Average of daily outstandings

to Rs.73,680 crore as against Rs.63,718 crore during the previous year (Chart 10).

Fiscal Outlook: 2008-09

The Union Budget for 2008-09 proposed to continue the fiscal consolidation process, with the key deficit indicators, *viz.*, revenue deficit and GFD, budgeted to be lower by 0.4-0.6 percentage points and primary surplus higher by 0.5 percentage points of GDP in 2008-09 than in the previous year (Table 23). While the FRBM targets relating to GFD are set to be achieved in accordance with the mandate, the Budget proposed to reschedule the stipulated target of zero revenue deficit by 2008-09 under FRBM Rules, 2004, primarily on account of a shift in plan priorities in favour of revenue expenditure-intensive programmes and schemes. The Budget envisaged a revenue-led fiscal consolidation along with reprioritisation of expenditure to augment allocations for improvement in social and physical infrastructure, particularly in rural areas so as to achieve a 'faster and more inclusive' growth.

Chart 10: Investments in Treasury Bills by State Governments*



*Average of Friday outstandings

The procedural reforms aimed at expanding the tax base, improving efficiency in tax collections and providing certain concessions for investment, which have led to the remarkable improvement in tax collections in recent years, are expected to continue in 2008-09. As a result, the gross tax-GDP ratio, which has been rising since 2002-03, is budgeted to improve from 12.5 per cent in 2007-08 (RE) to 13.0 per cent in 2008-09 (BE) (Table 24).

Aggregate expenditure (adjusted for acquisition cost of Reserve Bank's stake in SBI in 2007-08) is budgeted to increase by 11.4 per cent in 2008-09 as compared with 15.5 per cent in the preceding year. Revenue expenditure in 2008-09 is budgeted to increase by 11.8 per cent as compared with 14.4 per cent in 2007-08 on account of containment of subsidies and deceleration in the growth of interest

Table 23 : Union Budget 2008-09 at a Glance

(Amount in Rupees crore)

Item	2007-08 (RE)	2008-09 (BE)	Growth rate (per cent) 2007-08	Growth rate (per cent) 2008-09
1	2	3	4	5
1. Revenue Receipts (i+ii)	5,25,098	6,02,935	20.9	14.8
	(11.2)	(11.4)		
i) Tax Revenue (Net)	4,31,773	5,07,150	22.9	17.5
	(9.2)	(9.6)		
ii) Non-Tax Revenue	93,325	95,785	12.2	2.6
	(2.0)	(1.8)		
2. Non-Plan Expenditure	4,66,318 *	5,07,498	12.8	8.8
of which:	(9.9)	(9.6)		
i) Interest Payments	1,71,971	1,90,807	14.4	11.0
	(3.7)	(3.6)		
ii) Defence Expenditure	92,500	105,600	8.2	14.2
	(2.0)	(2.0)		
iii) Subsidies	69,742	71,431	22.1	2.4
	(1.5)	(1.3)		
3. Plan Expenditure	2,07,524	2,43,386	22.2	17.3
	(4.4)	(4.6)		
4. Revenue Expenditure	5,88,586	6,58,119	14.4	11.8
	(12.5)	(12.4)		
5. Capital Expenditure	85,256 *	92,765	24.0	8.8
	(1.8)	(1.7)		
6. Total Expenditure	6,73,842 *	7,50,884	15.5	11.4
	(14.4)	(14.2)		
7. Revenue Deficit	63,488	55,184	-20.9	-13.1
	(1.4)	(1.0)		
8. Gross Fiscal Deficit	1,43,653	1,33,287	0.8	-7.2
	(3.1)	(2.5)		
9. Gross Primary Deficit	-28,318	-57,520	267.8	103.1
	(-0.6)	(-1.1)		

*: Net of acquisition cost of Reserve Bank's stake in SBI at Rs.35,531 crore.
Note : Figures in parentheses are percentages to GDP.

payments. The growth in grants to States and Union Territories is, however, budgeted to be higher at 16.3 per cent than 15.7 per cent a year ago. The capital expenditure comprising capital outlay and loans and advances is budgeted to decline by 23.2 per cent. Adjusting for the impact of expenditure incurred on acquisition of the Reserve Bank's stake in the SBI in 2007-08, the capital expenditure is budgeted to increase by 8.8 per cent in 2008-09. This order of increase would still be significantly lower than the increase of 24.0 per cent in 2007-08. While the defence capital outlay is budgeted to increase by Rs. 10,302 crore (by 27.3 per cent) to Rs.48,007 crore, non-defence capital outlay adjusted for SBI transactions is budgeted to be broadly around the level of 2007-08 (RE).

During 2008-09, net market borrowings (net of MSS) are budgeted to decline from Rs.1,10,727 crore in 2007-08 (RE) to Rs.99,000 crore. Inclusive of repayments of Rs.79,575 crore, gross market borrowings (net of MSS), are placed at

Table 24 : Gross Tax Revenues of the Centre

(Per cent to GDP)

Year	Direct	Indirect	Total
1	2	3	4
1990-91	1.9	8.2	10.1
1991-92	2.3	8.0	10.3
1992-93	2.4	7.5	10.0
1993-94	2.4	6.4	8.8
1994-95	2.7	6.5	9.1
1995-96	2.8	6.5	9.3
1996-97	2.8	6.6	9.4
1997-98	3.2	6.0	9.1
1998-99	2.7	5.5	8.2
1999-00	3.0	5.8	8.8
2000-01	3.2	5.7	9.0
2001-02	3.0	5.2	8.2
2002-03	3.4	5.4	8.8
2003-04	3.8	5.4	9.2
2004-05	4.2	5.5	9.7
2005-06	4.6	5.8	10.4
2006-07	5.3	6.1	11.4
2007-08RE	6.5	6.0	12.5
2008-09BE	6.9	6.1	13.0

Rs.1,78,575 crore in 2008-09. The financing pattern of GFD reveals that the share of net market borrowings (excluding allocations under MSS) declined to 74.3 per cent of the GFD in 2008-09 from 77.1 per cent in 2007-08. On the other hand, the share of external assistance is budgeted to increase to 8.2 per cent from 6.9 per cent in 2007-08. Investments by the National Small Savings Fund (NSSF) in the special Central Government securities are budgeted to finance 7.4 per cent of GFD, as against a negative contribution of 1.3 per cent last year. During 2008-09, the budget expects draw drown of cash balances to finance 5.4 per cent of GFD, as against build up of cash balances amounting to 12.7 per cent of GFD in 2007-08.

III. Monetary and Liquidity Conditions

Monetary and liquidity aggregates continued to expand at a strong pace during 2007-08, albeit with some moderation, reflecting large and persistent capital flows. Broad money growth at 20.7 per cent at end-March 2008 was above the indicative trajectory of 17.0-17.5 per cent for 2007-08 set out in the Annual Policy Statement in April 2007. Expansion in bank credit to the commercial sector moderated and remained within the Reserve Bank's policy projection of 24.0-25.0 per cent (April 2007). Accretion to bank deposits, led by time deposits, remained buoyant. Banks' investments in SLR securities increased in tandem with growth in deposits. As a result, their SLR investments as a proportion of their NDTL remained almost at the same level as at end-March 2007. The Reserve Bank continued to actively manage liquidity during 2007-08 by using all the policy instruments at its disposal including cash reserve ratio (CRR), issuances of securities under the market stabilisation scheme (MSS), operations under the liquidity adjustment facility (LAF) and conduct of open market operations (OMO).

Monetary Survey

Broad money (M_3) growth, on a year-on-year (y-o-y) basis, was at 20.7 per cent as at end-March 2008 lower than 21.5 per cent a year ago, reflecting some deceleration in time deposits. Broad money growth, nevertheless, was strong with expansion in aggregate deposits, y-o-y, remaining higher than the projected aggregates of Rs. 4,90,000 crore for 2007-

08 set out in the Annual Policy Statement (April 2007). The primary source of monetary expansion continued to be the accretion to net foreign exchange assets, while bank credit to the commercial sector moderated. Expansion in the residency-based new monetary aggregate (NM_3) – which does not directly reckon non-resident foreign currency deposits such as FCNR(B) deposits – was marginally higher at 21.2 per cent at end-March 2008 than 21.0 per cent a year ago. Growth in liquidity aggregate, L1, at 20.4 per cent at end-March 2008 was marginally lower than that of 20.6 per cent a year ago (Table 25 and Chart 11).

Table 25: Monetary Indicators

(Amount in Rupees crore)

Item	Outstanding as on March 31, 2008	Variation			
		March 31, 2007		March 31, 2008	
		Absolute	Per cent	Absolute	Per cent
1	2	3	4	5	6
I. Reserve Money	9,28,317	1,35,935	23.7	2,19,326	30.9
II. Narrow Money (M_1)	11,43,640	139,714	16.9	1,77,550	18.4
III. Broad Money (M_3)	40,02,189	5,86,548	21.5	6,86,096	20.7
a) Currency with the Public	5,67,746	69,786	16.9	84,840	17.6
b) Aggregate Deposits	34,25,379	5,16,134	22.3	5,99,687	21.2
i) Demand Deposits	5,66,829	69,300	17.1	91,142	19.2
ii) Time Deposits	28,58,550	4,46,834	23.5	5,08,546	21.6
of which: Non-Resident Foreign Currency Deposits	56,564	8,185	13.8	-10,897	-16.2
IV. NM_3	40,27,891	5,77,013	21.0	7,03,293	21.2
of which: Call Term Funding from FIs	1,05,857	2,692	3.2	20,021	23.3
V. a) L_1	41,42,470	5,88,644	20.6	7,02,323	20.4
of which: Postal Deposits	1,14,579	11,631	11.2	-970	-0.8
b) L_2	41,45,402	5,88,644	20.6	7,02,323	20.4
c) L_3	41,71,370	5,90,718	20.5	7,03,594	20.3
VI. Major Sources of Broad Money					
a) Net Bank Credit to the Government (i+ii)	9,04,927	70,969	9.3	67,363	8.0
i) Net Reserve Bank Credit to Government	-1,10,223	-2,384	-	-1,15,975	-
of which: to the Centre	-1,10,353	-3,024	-	-1,12,489	-
ii) Other Banks' Credit to Government	10,15,150	73,353	9.7	1,83,338	22.0
b) Bank Credit to Commercial Sector	25,62,652	4,37,074	25.8	4,32,574	20.3
c) Net Foreign Exchange Assets	12,66,297	1,86,985	25.7	3,53,118	38.7
d) Government Currency Liability to Public	9,228	-493	-5.6	968	11.7
e) Net Non-Monetary Liabilities of the Banking Sector	7,40,915	1,07,987	23.2	1,67,926	29.3
Memo :					
Aggregate Deposits of SCBs	31,92,141	5,02,885	23.8	5,80,208	22.2
Non-food Credit of SCBs	23,04,094	4,18,282	28.5	4,19,425	22.3

SCBs: Scheduled Commercial Banks. FIs: Financial Institutions. NBFCs: Non-Banking Financial Companies.

NM_3 is the residency-based broad money aggregate and L_1, L_2 and L_3 are liquidity aggregates compiled on the recommendations of the Working Group on Money Supply (Chairman: Dr. Y.V. Reddy, 1998).

$L_1 = NM_3$ + Select deposits with the post office saving banks.

$L_2 = L_1$ +Term deposits with term lending institutions and refinancing institutions + Term borrowing by FIs + Certificates of deposit issued by FIs.

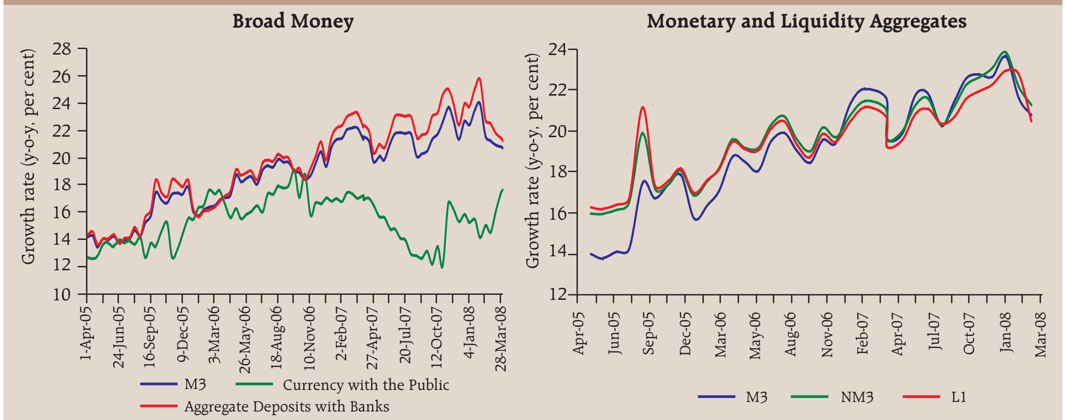
$L_3 = L_2$ + Public deposits of NBFCs.

Note : 1. Data are provisional. Wherever data are not available the estimates for the last available month have been repeated.

2. Data for postal deposits pertain to February 2008.

3. Government Balances as on March 31, 2008 are before closure of accounts.

Chart 11: Money Supply



Taking into consideration the evolving monetary and liquidity conditions, while the focus of the Reserve Bank's operations was generally on managing excess capital flows through various instruments at its disposal, it remained vigilant to the evolving situation. The CRR was raised by 150 basis points in three phases (April, August and November 2007) during 2007-08. The estimated amount of liquidity impounded in the first round on account of increase in CRR during 2007-08 was Rs.47,000 crore[1]. The ceiling on the outstanding amount under the MSS for the year 2007-08 was also successively raised on four occasions (April, August, October and November 2007) to Rs. 2,50,000 crore from the initial limit of Rs.80,000 crore. In view of the prevailing liquidity conditions, the Reserve Bank during 2008-09 so far increased CRR by 50 basis points to 8.0 per cent in two stages, 25 basis points in each stage, effective from the fortnight beginning April 26, 2008 and May 10, 2008, respectively. As a result of the above hike in CRR, an amount of about Rs. 18,500 crore of resources of banks is likely to be absorbed.

Expansion in currency with the public was of a lower order throughout 2007-08, except in November 2007, when it increased sharply on account of festive season currency demand. Currency with the public increased by 17.6 per cent, y-o-y, as at end-March 2008, marginally higher than the growth of 16.9 per cent a year ago. Growth in demand deposits, y-o-y, as at end-March, 2008 was higher at 19.2 per cent than 17.1 per cent a year ago. Demand deposits, after remaining subdued for most part of the year, expanded during the brief period of January and beginning of February 2008, mainly reflecting developments in the equity market. Accordingly, growth in narrow money (M_1), y-o-y, was higher at 18.4 per cent at end-March 2008 higher

[1] Between December 2006 and March 2008 the Reserve Bank increased CRR by 250 basis points and the estimated amount of liquidity impounded in the first round due to the hike in CRR was Rs. 74,500 crore.

than 16.9 per cent recorded a year ago. The buoyancy in time deposits continued in 2007-08, although some moderation was observed during the last quarter of 2007-08. Growth in time deposits was 21.6 per cent, y-o-y, as at end-March 2008 as compared with 23.5 per cent a year ago (Table 26). The strong growth in time deposits could be attributed, *inter alia*, to robust economic activity, higher interest rates on bank deposits relative to postal deposits and extension of tax benefits under Section 80C for bank deposits. During 2007-08 accretion to postal deposits decelerated significantly up to November 2007 and started depleting thereafter (Chart 12). In order to revive interest in postal deposits, the

Table 26: Monetary Aggregates - Variations

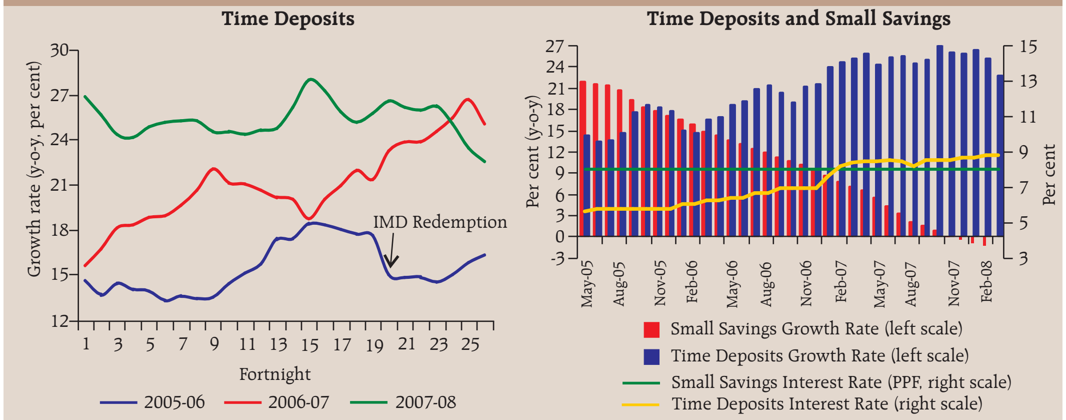
(Rupees Crore)

Item			2007-08			
	2006-07	2007-08	Q1	Q2	Q3	Q4
1	2	3	4	5	6	7
M_3 (1+2+3 = 4+5+6+7-8)	5,86,548	6,86,096	73,824	1,93,671	1,15,159	3,03,443
	(21.5)	(20.7)				
Components						
1 Currency with the Public	69,786	84,840	18,237	-14,478	47,731	33,350
	(16.9)	(17.6)				
2 Aggregates Deposits with Banks	5,16,134	5,99,687	56,023	2,09,628	68,233	2,65,804
	(22.3)	(21.2)				
2.1 Demand Deposits with Banks	69,300	91,142	-44,030	58,308	-6,809	83,673
	(17.1)	(19.2)				
2.2 Time Deposits with Banks	4,46,834	5,08,546	1,00,053	1,51,320	75,042	1,82,131
	(23.5)	(21.6)				
3 'Other' Deposits with Banks	628	1,568	-436	-1,479	-805	4,289
Sources						
4 Net Bank Credit to Government	70,969	67,363	24,787	17,137	-37,057	62,495
	(9.3)	(8.0)				
4.1 RBI's Net Credit to Government	-2,384	-1,15,975	-25,483	-54,695	-65,787	29,990
4.1.1 RBI's Net Credit to Centre	-3,024	-1,12,489	-21,825	-55,588	-65,078	30,002
4.2 Other Banks' Credit to Government	73,353	1,83,338	50,270	71,832	28,730	32,505
5 Bank Credit to Commercial Sector	4,37,074	4,32,574	-30,547	1,38,692	89,513	2,34,916
	(25.8)	(20.3)				
6 NFEA of Banking Sector	1,86,985	3,53,118	-17,945	1,18,249	94,204	1,58,610
6.1 NFEA of RBI	1,93,170	3,69,977	-2,745	1,19,430	94,681	1,58,610
7 Government's Currency Liabilities to the Public	-493	968	166	354	312	136
8 Net Non-Monetary Liabilities of the Banking Sector	1,07,987	1,67,926	-97,362	80,760	31,814	1,52,714
Memo:						
1 Non-resident Foreign Currency Deposits with SCBs	8,185	-10,897	-4,202	-1,181	-3,490	-2,025
2 SCB' Call Term Borrowing from Financial Institutions	2,692	20,021	-2,984	5,756	7,441	9,808
3 Overseas Borrowing by SCBs	2,071	13,644	-6,928	7,830	1,734	11,008

SCBs: Scheduled Commercial Banks. NFEA: Net Foreign Exchange Assets.

Note: 1. Figures in parentheses are percentage variations.
2. Government Balances as on March 31, 2008 are before closure of accounts.

Chart 12: Time Deposits Growth

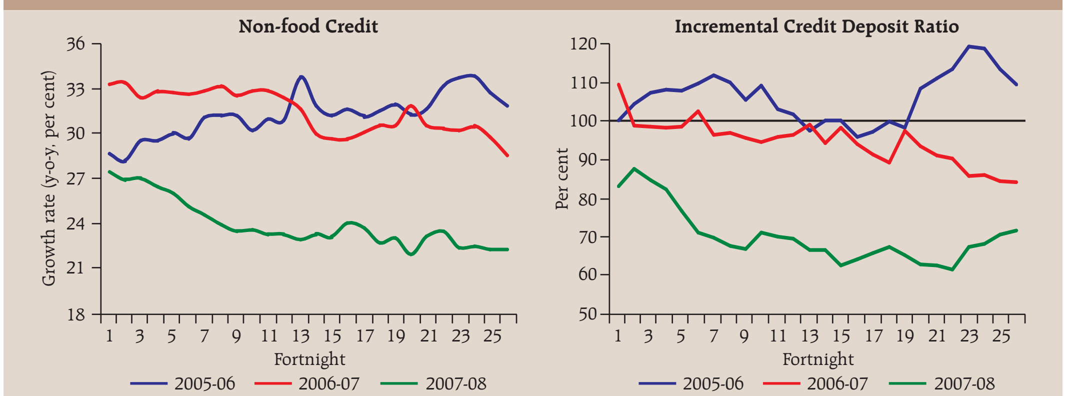


Government of India had announced in December 2007 some incentives, including tax benefits for certain postal deposits.

Expansion in the bank credit to the commercial sector moderated during 2007-08 and remained within the Reserve Bank's policy projection in April 2007, after a strong pace of credit expansion for three consecutive years. Non-food credit by scheduled commercial banks (SCBs) expanded by 22.3 per cent, y-o-y, as at end-March 2008 as compared with 28.5 per cent a year ago. The deceleration in credit growth relative to the acceleration in deposit growth led to a decline in the incremental credit-deposit ratio, y-o-y, of SCBs to 71.9 per cent as at end-March 2008 from 84.3 per cent a year ago (Chart 13).

Disaggregated sectoral data available up to February 15, 2008 showed that about 45 per cent of incremental non-food credit, y-o-y, was absorbed by industry, compared with 36 per cent in the corresponding period of the previous year. The expansion of incremental non-food

Chart 13: Scheduled Commercial Banks' Credit Growth*



* : Year-on-year basis, excluding conversion of a non-banking entity into a banking entity on October 11, 2004.

credit to industry during this period was led by infrastructure (power, port and telecommunication), textile, food processing, iron and steel, engineering, chemicals, vehicles, construction and petroleum industries. The infrastructure sector alone accounted for around 33 per cent of the incremental credit to industry as compared with 21 per cent in the corresponding period of the previous year. The agricultural sector absorbed around 9 per cent of the incremental non-food bank credit expansion as compared with 12 per cent in the corresponding period of the previous year. Personal loans accounted for 16 per cent of incremental non-food credit; within personal loans, the share of incremental housing loans was at 46 per cent. Growth in loans to commercial real estate remained high, notwithstanding some moderation (Table 27).

Table 27: Non-food Bank Credit - Sectoral Deployment

(Amount in Rupees Crore)

Sector/Industry	Outstanding as on February 15, 2008	Year-on-Year Variations			
		February 16, 2007		February 15, 2008	
		Absolute	Per cent	Absolute	Per cent
1	2	3	4	5	6
Non-food Gross Bank Credit (1 to 4)	**20,60,131**	**3,90,095**	**30.1**	**3,71,053**	**22.0**
1. Agriculture and Allied Activities	**2,41,802**	**46,212**	**28.6**	**34,013**	**16.4**
2. Industry (Small, Medium and Large)	**8,14,976**	**1,41,459**	**28.0**	**1,67,819**	**25.9**
Small Scale Industries	1,41,283	21,052	24.9	35,553	33.6
3. Personal Loans	**5,03,728**	**1,04,225**	**30.6**	**58,669**	**13.2**
Housing	2,51,688	46,019	25.8	26,930	12.0
Advances against Fixed Deposits	42,671	3,018	8.9	5,773	15.6
Credit Cards	19,344	4,003	45.3	6,502	50.6
Education	20,471	5,170	55.3	5,938	40.9
Consumer Durables	9,368	1,720	24.2	525	5.9
4. Services	**4,99,625**	**98,198**	**33.9**	**1,10,553**	**28.4**
Transport Operators	31,984	7,521	50.9	9,669	43.3
Professional & Other Services	26,689	7,154	50.1	5,188	24.1
Trade	1,18,892	23,719	30.9	17,731	17.5
Real Estate Loans	53,897	18,770	79.0	11,361	26.7
Non-Banking Financial Companies	64,106	12,021	39.2	20,979	48.6
Memo :					
Priority Sector	**6,85,567**	**1,09,094**	**22.9**	**99,277**	**16.9**
Industry (Small, Medium and Large)	**8,14,976**	**1,41,459**	**28.0**	**1,67,819**	**25.9**
Food Processing	48,290	7,904	27.6	11,720	32.0
Textiles	90,261	19,191	35.5	16,862	23.0
Paper & Paper Products	13,190	1,650	18.2	2,470	23.0
Petroleum, Coal Products & Nuclear Fuels	39,291	12,489	64.4	7,412	23.3
Chemicals and Chemical Products	60,892	8,610	19.2	7,437	13.9
Rubber, Plastic & their Products	9,788	1,988	31.0	1,355	16.1
Iron and Steel	72,290	14,609	31.8	11,661	19.2
Other Metal & Metal Products	23,302	5,459	38.5	3,634	18.5
Engineering	51,203	6,198	18.1	10,623	26.2
Vehicles, Vehicle Parts and Transport Equipments	26,437	2,028	11.9	7,337	38.4
Gems & Jewellery	24,353	2,619	13.3	2,073	9.3
Construction	23,418	6,132	52.6	5,856	33.3
Infrastructure	1,88,171	29,033	28.2	55,716	42.1

Note : Data are provisional and relate to select scheduled commercial banks.

In addition to bank credit for financing their requirements, the corporate sector continued to rely on a variety of non-bank sources of funds such as capital markets, external commercial borrowings and internal generation of funds. Resources raised through domestic equity issuances during 2007-08 (Rs.48,153 crore) were 68 per cent higher than a year ago. Net mobilisation through external commercial borrowings (ECBs) during April-December of 2007-08 increased by 54 per cent over the corresponding period of the previous year. Mobilisation through issuances of commercial paper (CPs) during 2007-08 was nearly three times the issuances during the previous year. Internal generation of funds continued to provide a strong support to the funding requirements of the corporate sector, despite the profits after tax of select non-financial non-government companies during April-December of 2007-08 witnessing some deceleration as compared with the corresponding period of the previous year (see Table 12). Resources raised in the form of equity issuances through American depository receipts (ADRs) and global depository receipts (GDRs) during 2007-08 (Rs.13,023 crore) were lower by nearly 20 per cent than a year ago (Table 28).

Table 28: Select Sources of Funds to Industry

(Rupees Crore)

Item	2006-07	2007-08	2007-08			
			Q1	Q2	Q3	Q4
1	2	3	4	5	6	7
A. Bank Credit to Industry #	1,41,543 (46,566) *	85,166 *	-15,603	59,776	40,993	32,476 ^
B. Flow from Non-banks to Corporates						
1 Capital Issues (i+ii)	29,178	51,479	13,788	6,226	14,400	17,065
i) Non-Government Public Ltd. Companies (a+b)	29,178	48,962	13,261	4,236	14,400	17,065
a) Bonds/Debentures	585	809	0	0	0	809
b) Shares	28,593	48,153	13,261	4,236	14,400	16,256
ii) PSUs and Government Companies	0	2,517	527	1,990	0	0
2 ADR/GDR Issues	16,184	13,023	1,251	9,899	289	1,584
3 External Commercial Borrowings (ECBs)	1,04,046 (70,966) *	1,09,592 *	35,808	36,168	37,616	–
4 Issue of CPs	4,970	14,904	8,568	7,358	6,629	-7,651
C. Depreciation Provision +	37,095 (24,392) *	29,604 *	10,173	10,576	10,961	–
D. Profits after Tax +	1,11,107 (75,036) *	99,272 *	32,699	34,266	37,470	–

– : Not Available.
* : April-December. ^ : up to February 15, 2008.
\# : Data pertain to select scheduled commercial banks.
\+ : Data are based on abridged results of select non-financial non-Government companies. The quarterly data may not add up to annual data due to differences in the number and composition of companies covered in each period (see Chapter 1).

Note :
1. Data are provisional.
2. Data on capital issues pertain to gross issuances excluding issues by banks and financial institutions and are not adjusted for banks' investments in capital issues, which are not expected to be significant.
3. Data on ADR/GDR issues exclude issuances by banks and financial institutions.
4. Data on external commercial borrowings include short-term credit.

Scheduled commercial banks' investment in Government and other approved securities expanded during 2007-08, mainly reflecting the need to maintain SLR requirements in consonance with the increase in their net demand and time liabilities. Investment in SLR securities by SCBs increased by 22.9 per cent, y-o-y, as at end-March 2008 as compared with 10.3 per cent a year ago (Table 29). Commercial banks' holdings of such securities at end-March 2008 remained at 27.9 per cent of their NDTL almost the same as at end-March 2007 (Chart 14). Excess SLR investments of SCBs, thus, increased to Rs.1,02,422 crore as at end-March 2008 from Rs.81,484 crore at end-March 2007. Investment by SCBs in non-SLR securities increased substantially during the year. Banks' overseas foreign currency borrowings accelerated. they also drew down their holdings of foreign currency assets.

Reserve Money Survey

Expansion in reserve money as on March 28, 2008, y-o-y, was 23.8 per cent higher than 22.5 per cent a year ago (Chart 15). Reserve money growth was higher at 30.9 per cent, y-o-y, as on March 31, 2008 than 23.7 per cent a year ago mainly due to Reserve Bank's injection of liquidity through LAF, reflecting the year-end liquidity requirements of the banks. Adjusted for the first round effect of the hike in CRR, reserve money growth at 25.3

Table 29: Scheduled Commercial Bank's Survey

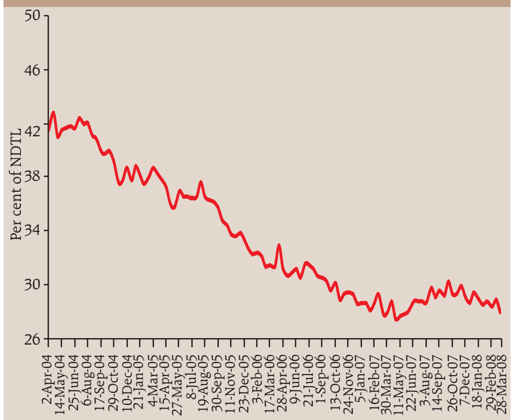
(Amount in Rupees Crore)

Item	Outstanding as on March 28, 2008	Variation (Year-on-Year)			
		As on Mar 30, 2007		As on Mar 28, 2008	
		Amount	Per Cent	Amount	Per Cent
1	2	3	4	5	6
Sources of Funds					
1. Aggregate Deposits	31,92,141	5,02,885	23.8	5,80,208	22.2
2. Call/Term Funding from Financial Institutions	1,05,857	2,692	3.2	20,021	23.3
3. Overseas Foreign Currency Borrowings	45,549	2,071	6.9	13,644	42.8
4. Capital	43,598	1,461	4.5	9,523	27.9
5. Reserves	2,26,068	23,613	16.3	57,343	34.0
Uses of Funds					
1. Bank Credit	23,48,493	4,24,112	28.1	4,17,304	21.6
of which: Non-food Credit	23,04,094	4,18,282	28.5	4,19,425	22.3
2. Investments in Government and Other Approved Securities*	9,72,738	74,062	10.3	1,81,222	22.9
a) Investments in Government Securities	9,53,525	75,316	10.7	1,77,467	22.9
b) Investments in Other Approved Securities	19,213	-1,255	-7.5	3,755	24.3
3. Investments in non-SLR Securities	1,68,526	5,114	3.8	28,071	20.0
4. Foreign Currency Assets	30,884	15,260	35.1	-27,869	-47.4
5. Balances with the RBI	2,57,122	53,161	41.8	76,900	42.7

* : Refers to investment in SLR securities as notified in the Reserve Bank notification DBOD No. Ref. BC. 61/12.02.001/2007-08 dated February 13, 2008.

Note: Data are provisional.

Chart 14: SLR Investments by Scheduled Commercial Banks



per cent was higher than 18.9 per cent a year ago. Intra-year movements in reserve money largely reflected the Reserve Bank's market operations and movements in bankers' deposits with the Reserve Bank in the wake of hikes in the CRR and large expansion in demand and time liabilities. Bankers' deposits with the Reserve Bank expanded by 66.5 per cent during 2007-08 as compared with 45.6 per cent during 2006-07. Growth in currency in circulation at 17.2 per cent during 2007-08 was marginally higher than 17.1 per cent a year ago (Table 30).

On the sources side, reserve money continued to be driven by Reserve Bank's foreign currency assets (adjusted for revaluation), increasing by Rs.3,70,550 crore during 2007-08 as compared with Rs.1,64,601 crore during the previous year (Chart 16).

Movements in the Reserve Bank's net credit to the Central Government during 2007-08 largely reflected the liquidity management operations by the Reserve Bank and movements in Government deposits with the Reserve Bank. The sterilisation operations of the Reserve Bank under the MSS led to an increase in Central Government deposits with the Reserve Bank. Surplus cash balances of the Central Government with the Reserve Bank also increased. Reserve Bank's holdings of Central Government dated securities increased on account of injection of liquidity under LAF. Reflecting the net impact of these developments, the Reserve Bank's net credit to the Centre

Chart 15: Reserve Money Growth

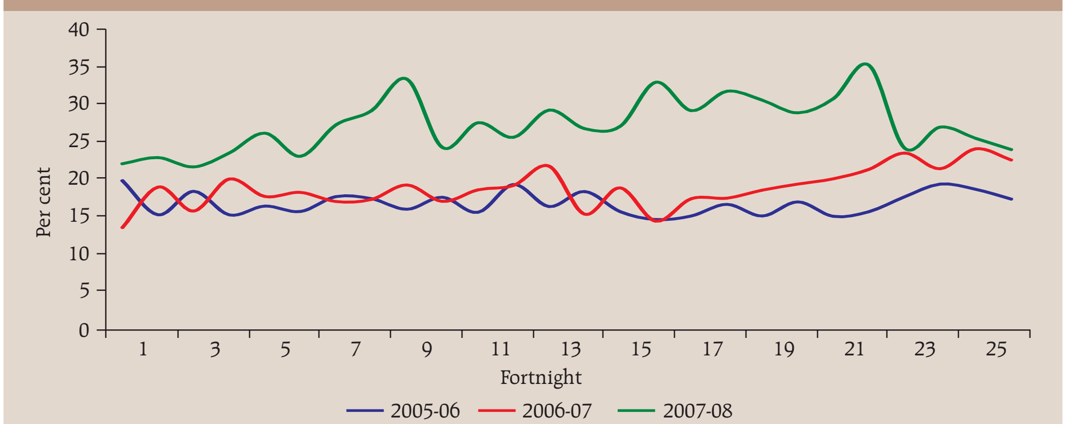


Table 30 : Reserve Money - Variations

(Amount in Rupees Crore)

Item	Outstanding as on March 31, 2008	2006-07	2007-08	2007-08			
				Q1	Q2	Q3	Q4
1	2	3	4	5	6	7	8
Reserve Money	9,28,317	1,35,935	2,19,326	11,630	60,688	26,607	1,20,402
Components (1+2+3)		(23.7)	(30.9)				
1. Currency in Circulation	5,90,805	73,523	86,606	16,866	-13,297	46,781	36,256
		(17.1)	(17.2)				
2. Bankers' Deposits with RBI	3,28,447	61,784	1,31,152	-4,800	75,464	-19,369	79,857
		(45.6)	(66.5)				
3. 'Other' Deposits with the RBI	9,065	628	1,568	-436	-1,479	-805	4,289
		(9.1)	(20.9)				
Sources (1+2+3+4-5)							
1. RBI's net Credit to Government	-1,10,223	-2,384	-1,15,975	-25,483	-54,695	-65,787	29,990
of which: to Centre (i+ii+iii+iv-v)	-1,10,353	-3,024	-1,12,489	-21,825	-55,588	-65,078	30,002
i. Loans and Advances	0	0	0	0	0	0	0
ii. Treasury Bills held by the RBI	0	0	0	0	0	0	0
iii. RBI's Holdings of Dated Securities	1,14,593	26,763	17,421	-34,284	4,019	20,874	26,812
iv. RBI's Holdings of Rupee coins	132	-143	121	128	20	3	-31
v. Central Government Deposits	2,25,079	29,644	1,30,031	-12,330	59,627	85,956	-3,221
2. RBI's Credit to Banks and Commercial Sector	6,378	1,990	-2,794	-6,450	-1,256	848	4,064
3. NFEA of RBI	12,36,130	1,93,170	3,69,977	-2,745	1,19,430	94,681	1,58,610
		(28.7)	(42.7)				
of which : FCA, adjusted for revaluation		1,64,601	3,70,550	47,728	1,18,074	1,00,888	1,03,860
4. Governments' Currency Liabilities to the Public	9,228	-493	968	166	354	312	136
5. Net Non-Monetary Liabilities of RBI	2,13,197	56,347	32,849	-46,142	3,145	3,447	72,398
Memo:							
LAF- Repos (+) / Reverse Repos (-)	50,350	36,435	21,165	-32,182	9,067	16,300	27,980
Net Open Market Sales # *		5,125	-5,923	1,246	1,560	-3,919	-4,810
Centre's Surplus	76,686	1,164	26,594	-34,597	15,376	54,765	-8,950
Mobilisation under MSS	1,68,392	33,912	1,05,419	19,643	48,855	31,192	5,728
Net Purchases(+)/Sales(-) from Authorised Dealers		1,18,994	3,00,875 ^	38,873	1,01,814	87,596	72,592 ^
NFEA/Reserve Money @	133.2	122.2	133.2	119.8	125.8	133.4	133.2
NFEA/Currency @	209.2	171.8	209.2	165.7	193.6	194.3	209.2

NFEA : Net Foreign Exchange Assets. FCA : Foreign Currency Assets. LAF : Liquidity Adjustment Facility.
* : At face value. # : Excludes Treasury Bills @ : Per cent, end of period. ^ : up to end-February 2008

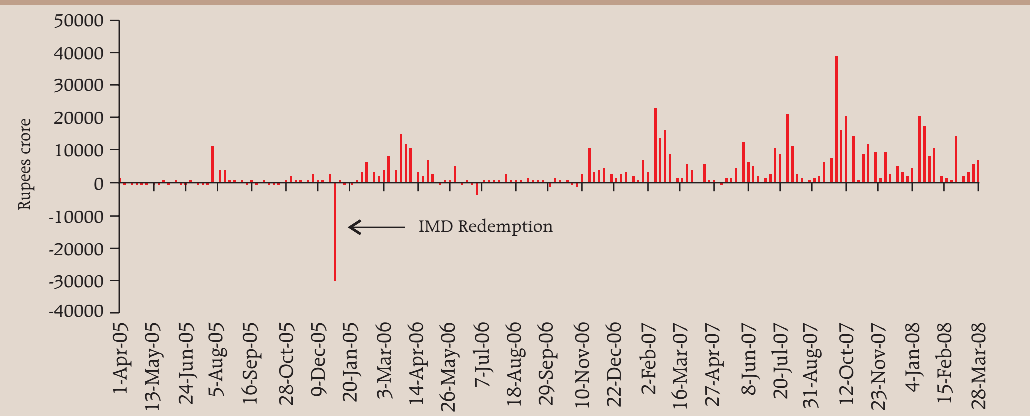
Note: 1. Data are based on March 31 for Q4 and last reporting Friday for all other quarters.
2. Figures in parentheses are percentage variations during the fiscal year.
3. Government Balances as on March 31, 2008 are before closure of accounts.

declined by Rs.1,12,489 crore during 2007-08 as compared with the decline of Rs. 3,024 crore during 2006-07.

Liquidity Management

The Reserve Bank continued with its policy of active management of liquidity during 2007-08 through appropriate use of the CRR and open market operations (OMO), including MSS and LAF and other policy instruments at its disposal flexibly. The objective was to maintain appropriate liquidity in the system such that all legitimate requirements of credit were met, consistent with the objective of price and financial stability. The liquidity

Chart 16: Accretion to RBI's Net Foreign Assets



management operations during 2007-08 had to contend with greater variations in market liquidity, on account of variations in cash balances of the Central Government and capital flows.

In the first quarter of 2007-08, liquidity conditions remained largely easy with transient periods of tightness (Table 31). Liquidity was modulated mainly through increase in CRR by 50 basis points in April

Table 31: Reserve Bank's Liquidity Management Operations

(Amount in Rupees Crore)

Item	Variation							
	2006-07 (April - March)	2007-08 (April - February)	2007-08					
			Q1	Q2	Q3	Jan	Feb	March
1	2	3	4	5	6	7	8	9
A. Drivers of Liquidity (1+2+3+4+5)	**62,278**	**2,11,440**	**51,146**	**1,10,891**	**-1,702**	**38,154**	**12,950**	**-**
1. RBI's net Purchases from Authorised Dealers	1,18,994	3,00,875	39,791	1,00,896	88,545	47,554	24,089	-
2. Currency with the Public	-69,786	-71,353	-12,946	9,187	-47,139	-7,220	-13,233	-13,488
3. Surplus Cash Balances of the Centre with the Reserve Bank	-1,164	-18,546	49,992	-30,771	-49,820	9,934	2,119	-8,048
4. WMA and OD	0	0	15,159	-15,159	0	0	0	0
5. Others (residual)	14,234	463	-40,850	46,739	6,712	-12,114	-24	-
B. Management of Liquidity (6+7+8+9)	**-24,257**	**-1,85,361**	**-53,943**	**-68,621**	**-11,189**	**-39,112**	**-12,790**	**67,912**
6. Liquidity impact of LAF Repos	36,435	-37,270	-20,290	-2,825	27,795	-34,850	-7,100	58,435
7. Liquidity impact of OMO (Net) *	720	10,730	10	40	5,260	2,760	2,660	2,780
8. Liquidity impact of MSS	-33,912	-1,12,115	-18,163	-50,336	-28,244	-7,022	-8,350	6,697
9. First round liquidity impact due to CRR change	-27,500	-47,000	-15,500	-15,500	-16,000	0	0	0
C. Bank Reserves (A+B) #	**38,021**	**25,785**	**-2,797**	**42,270**	**-12,891**	**-958**	**160**	**60,133**

- : Not Avaliable WMA : Ways and means advances OD: Overdraft

(+) : Indicates injection of liquidity into the banking system. (-): Indicates absorption of liquidity from the banking system.

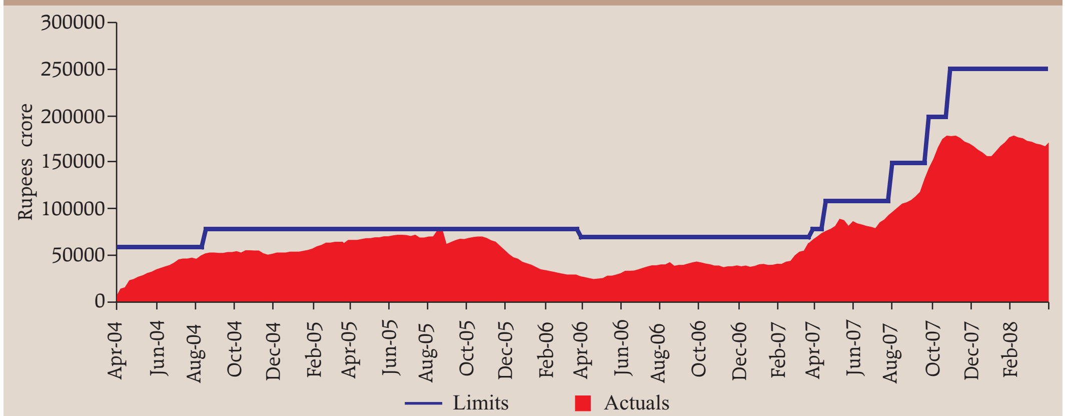
: Includes vault cash with banks and adjusted for first round liquidity impact due to CRR change.

* : Adjusted for Consolidated Sinking Funds (CSF) and including private placement.

@ : Excludes minimum cash balances with the Reserve Bank in case of surplus.

Note : For end-March, data pertain to March 31; for all other months data pertain to last Friday.

Chart 17: Market Stabilisation Scheme

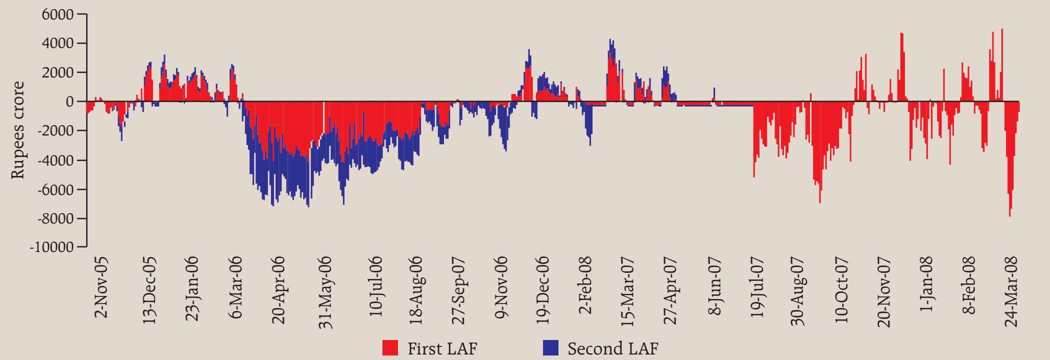


2007 and issuances of government securities under the MSS as and when required, as the liquidity absorption through reverse repos was capped at Rs.3,000 crore under the modified arrangement of LAF. The annual ceiling of MSS outstandings for 2007-08 was raised to Rs.1,10,000 crore on April 27, 2007 from Rs.80,000 crore (Chart 17). The Reserve Bank injected liquidity through LAF during the brief period of liquidity tightness from June 28-July 2, 2007.

In the second quarter, with the withdrawal of the ceiling on daily reverse repos under the LAF with effect from August 6, 2007, the sustained capital flows and the decline in Central Government balances were reflected in the Reserve Bank's absorption of large liquidity through reverse repos under LAF in addition to sizeable absorptions under the MSS. In view of the large and continuous capital flows, the ceiling of the MSS was again raised to Rs.1,50,000 crore in August 2007. The cumulative impact of the hike in the CRR by 50 basis points to 7.0 per cent in August 2007 and also market operations under the MSS moderated the daily absorption through reverse repos towards the close of the quarter. On account of quarterly advance tax outflow in mid-September, some tightness was observed during the end of the quarter and accordingly the Reserve Bank injected liquidity on two occasions through LAF.

Liquidity conditions eased at the beginning of the third quarter on account of a decline in surplus balances of the Central Government and Reserve Bank's foreign exchange operations. Notwithstanding brief periods of tightness on account of festive season currency demand, liquidity conditions remained easy up to November 2007, reflecting continued inflows of foreign capital. This necessitated upward revisions in the ceiling for outstandings under the MSS to Rs. 2,00,000 crore on October 4, 2007 and further to Rs. 2,50,000 crore on

Chart 18: Repo (+)/ Reverse Repo (-) under LAF



Note: Additional LAF on March 31, 2006 and March 31, 2007 are shown under second LAF. Since August 2007 second LAF was discontinued and, therefore, all special LAF and additional LAF thereafter are included in first LAF.

November 7, 2007. The CRR was also raised by 50 basis points to 7.5 per cent in November 2007. However, as the surplus cash balances of the Central Government increased, liquidity conditions tightened by the end of the month. The tightness in liquidity condition persisted in December 2007 largely on account of quarterly advance tax outflows. This necessitated injection of liquidity by the Reserve Bank through LAF (Chart 18).

Liquidity conditions in the last quarter of 2007-08 were driven mainly by variation in the Central Government's surplus cash balances and capital flows. Some easing of the liquidity condition was observed in the beginning of the quarter on account of reduction in the surplus cash balances of the Central Government and foreign exchange operations by the Reserve Bank in the wake of large capital flows over the period. Keeping in view the evolving liquidity conditions, auction of dated securities under the MSS was resumed in January 2008, after a gap of two-and-half months (Table 32). However, in the second-half of January 2008, surplus liquidity declined with the increase in Centre's cash balances with the Reserve Bank. The daily average net outstanding liquidity absorption through LAF was Rs.15,692 crore during January 2008. During February 2008, the LAF window shifted from absorption to injection mode on account of further increase in surplus cash balances of the Central Government with the Reserve Bank. The average daily net outstanding liquidity injection was Rs. 1,294 crore in February 2008. In view of the prevailing liquidity conditions, no auction under the MSS was conducted from the middle of the month. The liquidity conditions eased in the beginning of March 2008 due to reduction in the surplus cash balances of the Centre and purchase of securities

Table 32: Liquidity Management

(Rupees crore)

Outstanding as on Last Friday	LAF	MSS	Centre's Surplus with the RBI @	Total (2 to 4)
1	2	3	4	5
2006				
January	-20,555	37,280	39,080	55,805
February	-12,715	31,958	37,013	56,256
March*	7,250	29,062	48,828	85,140
April	47,805	24,276	5,611	77,692
May	57,245	27,817	-1,203	83,859
June	42,565	33,295	8,621	84,481
July	44,155	38,995	8,770	91,920
August	23,985	42,364	26,791	93,140
September	1,915	42,064	34,821	78,800
October	12,270	40,091	25,868	78,229
November	15,995	37,917	31,305	85,217
December	-31,685	37,314	65,582	71,211
2007				
January	-11,445	39,375	42,494	70,424
February	6,940	42,807	53,115	1,02,862
March *	-29,185	62,974	49,992	83,781
April	-9,996	75,924	-980	64,948
May	-4,690	87,319	-7,753	74,876
June	-8,895	81,137	-15,159	57,083
July	2,992	88,010	-20,199	70,803
August	16,855	1,06,434	20,807	1,44,096
September	-6,070	1,31,473	30,771	1,56,174
October	18,135	1,74,277	23,735	2,16,147
November	-1,320	1,71,468	36,668	2,06,816
December	-33,865	1,59,717	80,591	2,06,443
2008				
January	985	1,66,739	70,657	2,38,381
February	8,085	1,75,089	68,538	2,51,712
March *	-50,350	1,68,392	76,586	1,94,628
April (up to April 18)	7,045	1,72,533	40,283	2,19,861

@ : Excludes minimum cash balances with the Reserve Bank in case of surplus.
* : Data pertain to March 31.
Note: 1. Negative sign in column 2 indicates injection of liquidity through LAF repo.
2. Between March 5 and August 5, 2007, daily reverse repo absorptions were restricted to a maximum of Rs.3,000 crore comprising Rs.2,000 crore in the First LAF and Rs.1,000 crore in the Second LAF.
3. Negative sign in column 4 indicates injection of liquidity through WMA/overdraft.

under the OMO[2] by the Reserve Bank. The absorption under the LAF was Rs. 30,335 crore as on March 13, 2008.

Liquidity conditions tightened from March 17, 2008 in view of advance tax outflows and concomitantly the Centre's surplus increased from Rs. 66,241 crore on March 14, 2008 to Rs. 1,03,645 crore on March 28, 2008. The Reserve Bank, in anticipation of the usual schedule of advance tax outflows and demand for funds at the end-of-the financial year, made additional arrangements for smoothening the liquidity and conducted (i) three-day repo/reverse repo auctions under additional LAF on March 14, 2008; (ii) seven-day repo auction under additional LAF on March 17, 2008; and (iii) two-day repo/reverse repo auctions under additional LAF on March 31, 2008.

[2] During 2007-08, the total amount of Government of India securities purchased under OMO was Rs. 13,510 crore. The OMO operations are liquidity neutral up to the amount of redemption of Government securities in the portfolio of the Reserve Bank.

Reserve Bank injected Rs. 50,350 crore on March 31, 2008 through its LAF operation. The average daily net outstanding liquidity injection was Rs. 8,271 crore during March 2008.

The liquidity conditions eased from the beginning of April 2008, mainly due to substantial reduction in cash balances of the Central Government. The auctions under the MSS have been resumed and the balances under MSS stand at Rs. 1,72,533 crore as on April 18, 2008. The absorption under LAF stands at Rs. 17,130 crore as on April 23, 2008.

IV. Price Situation

Headline inflation firmed up in major economies, mostly during the second half of 2007-08, reflecting the combined impact of higher food and fuel prices as well as strong demand conditions, especially in emerging markets. The monetary policy responses during the year, however, were mixed in view of heightened concerns about the implications of credit crunch arising out of the US sub-prime crisis on financial stability and economic growth in the latter part of the year. during the first half of 2007-08, many central banks in developed countries raised/maintained policy rates at elevated levels. in the second half of the year, monetary policy was eased particularly in the US, the UK and Canada following deterioration in financial market conditions. However, many central banks in emerging economies continued with pre-emptive monetary tightening to contain inflation and inflationary expectations on account of excess supply of global liquidity.

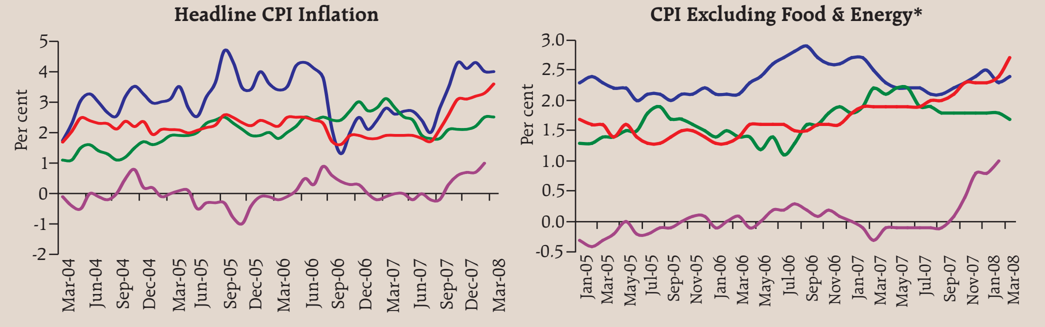
Many central banks in major advanced economies (the US Federal Reserve System, Bank of England and Bank of Canada) cut their policy rates during 2007-08, while some others [the Reserve Bank of Australia, the European Central Bank (ECB), Reserve Bank of New Zealand, Norges Bank (Norway), Sveriges Riksbank (Sweden), the People's Bank of China (PBC), Bank of Korea and South African Reserve Bank] raised their policy rates. The US Federal Reserve System also reduced the discount rate to improve market liquidity. Apart from independent actions, there was also a co-ordinated move by major advanced country central banks in terms of injection of short-term liquidity aimed at easing strains on the money markets. The PBC also raised cash reserve requirements to address concerns regarding excess liquidity.

In India, inflation based on the wholesale price index (WPI) declined from 6.4 per cent at the beginning of the fiscal year to a low of 3.1 per cent on October 13, 2007, partly reflecting moderation in the prices of some primary food articles and some manufactured products items as well as base effects. After hovering around 3 per cent during November 2007, inflation began to edge up from early December 2007 to touch 7.4 per cent by March 29, 2008 mainly reflecting hardening of prices of primary articles such as fruits, oilseeds, raw cotton and iron ore, fuel and manufactured products items such as edible oils/oil cakes and basic metals, partly due to international commodity price pressures. Consumer price inflation, which had eased up to January 2008, also edged up somewhat in February/March 2008. Various measures of consumer price inflation were placed in the range of 5.5-7.9 per cent during February/March 2008 as compared with 6.7-9.5 per cent in March 2007.

Global Inflation

Headline inflation in major advanced economies firmed up during the second half of 2007-08, mainly reflecting the hardening of food and fuel prices. Inflation hardened to 3.4 per cent in February 2008 in the OECD countries from 2.2 per cent a year ago mainly due to higher energy and food prices (which increased, year-on-year, by 13.9 per cent and 4.9 per cent, respectively, in February 2008). Amongst major advanced economies, headline inflation in the US and the UK, which had moderated up to August 2007, increased thereafter up to March 2008 (Chart 19). Producer price inflation also rose sharply in the US and the UK in March 2008 from a year ago, driven by energy and food prices. Core inflation also remained firm in major economies. In the OECD countries, CPI inflation (excluding food and energy) was 2.0 per cent in February 2008 as compared with 2.2 per cent a year ago. Financial markets, however, came under considerable stress in the aftermath of the US sub-prime crisis, which led to a credit squeeze in many advanced economies,

Chart 19: Consumer Price Inflation



* : Data for Japan is excluding fresh food only.
Source : International Financial Statistics, IMF and official website of respective countries.

including the UK and the euro area. Notwithstanding hardening of inflation, therefore, many central banks in advanced economies resorted to monetary easing in order to forestall the adverse impact of the tightening of credit conditions on the broader economy.

According to the International Monetary Fund (IMF), headline inflation is likely to firm up further in 2008 across all major economies. However, consumer price inflation in India is expected to moderate in 2008 (Table 33).

In the US, headline inflation softened from 2.8 per cent in March 2007 to 2.0 per cent in August 2007, before increasing to 4.0 per cent in March 2008, driven by food, energy and transportation prices. Producer price inflation increased to 6.9 per cent, year-on-year, in March 2008 from 3.1 per cent a year ago driven by energy and food prices. CPI inflation (excluding food and energy) also remained firm at 2.4 per cent in March 2008 (2.5 per cent a year ago). The US Federal Open Market Committee (FOMC) in its meeting held on March 18, 2008 expected inflation to moderate in the coming quarters, reflecting a projected levelling-out of energy and other commodity prices and an easing of pressures on resource utilisation. The FOMC, however, recognised that uncertainty about the inflation outlook had increased with inflation remaining at elevated levels and some indicators of inflation expectations rising. Recent information, however, indicates further weakening of the outlook for economic activity. Viewing that the tightening of credit conditions and the deepening of housing contraction are likely to weigh on economic growth over the next few quarters, the FOMC cut its target for the federal funds rate further by 75 basis points to 2.25 per cent on March 18, 2008,

Table 33: Global Consumer Price Inflation

(Per cent)

Region/Country	2004	2005	2006	2007	2008 P	2009 P
1	2	3	4	5	6	7
Advanced Economies						
Euro area	2.1	2.2	2.2	2.1	2.8	1.9
Japan	0.0	-0.3	0.3	0.0	0.6	1.3
Korea	3.6	2.8	2.2	2.5	3.4	2.9
UK	1.3	2.0	2.3	2.3	2.5	2.1
US	2.7	3.4	3.2	2.9	3.0	2.0
Emerging Economies						
Argentina	4.4	9.6	10.9	8.8	9.2	9.1
Brazil	6.6	6.9	4.2	3.6	4.8	4.3
China	3.9	1.8	1.5	4.8	5.9	3.6
India	**3.8**	**4.2**	**6.2**	**6.4**	**5.2**	**4.0**
Indonesia	6.1	10.5	13.1	6.4	7.1	5.9
Malaysia	1.4	3.0	3.6	2.1	2.4	2.5
Thailand	2.8	4.5	4.6	2.2	3.5	2.5

P : IMF Projections.
Source : World Economic Outlook, International Monetary Fund, April 2008.

taking cumulative reduction to 300 basis points from September 2007 when it began cutting rates. The discount rate was also cut by a total of 375 basis points beginning August 2007 to a level of 2.50 per cent to improve market liquidity. Apart from lowering the discount rate, the US Fed also injected liquidity by auctioning term funds to depository institutions against a wide variety of collaterals at the discount window and through a broader range of counterparties and established foreign exchange swap lines with the ECB and the Swiss National Bank. Although these measures are likely to promote moderate growth over time and help mitigate the risks to economic activity, according to the FOMC, downside risks to growth remain.

In the UK, headline inflation moderated from 3.1 per cent in March 2007 to 1.8 per cent in August 2007 but increased to 2.5 per cent in March 2008, reflecting higher prices of transport, housing and household services. The output price inflation rose to 6.2 per cent in March 2008 reflecting increases in petroleum product prices. The input price index for materials and fuels purchased by manufacturing industry rose sharply by 20.6 per cent, year-on-year, in March 2008. Credit conditions have tightened and the availability of credit appears to be worsening. Inflation is expected to rise further this year, reflecting the continuing impact of higher energy and food prices, as well as the recent depreciation of sterling on import costs. The Monetary Policy Committee (MPC) noted that even if commodity prices remained at their current high levels, inflation should fall back. According to the Committee, to ensure that inflation meets the target of 2 per cent in the medium term, it needed to balance the upside risks of above-target inflation this year raising inflation expectations with the downside risks of the disruption in financial markets leading to a slowdown in the economy that was sufficiently sharp to pull inflation below the target. Business surveys, according to the Committee, suggest that growth has begun to moderate and that a margin of spare capacity will emerge during the year. This should help keep domestic inflationary pressures in check in the medium term. Against this backdrop, the Bank of England cut its policy rate further by 25 basis points on April 10, 2008 - a total of 75 basis points from December 2007 - to 5.00 per cent (Table 34). It had earlier raised the policy rate by 125 basis points during August 2006 - July 2007.

In the euro area, inflation, based on the Harmonised Index of Consumer Prices (HICP), rose consistently from 1.7 per cent in August 2007 to 3.6 per cent in March 2008 (1.9 per cent a year ago), reflecting strong upward pressures from energy and food prices. According to the Governing Council of the ECB, there are upside risks to price stability over the medium term, in a context of very vigorous money and credit growth. The upside risks also included further rises in energy and food prices, the possibility of stronger than currently expected wage growth on account of high capacity utilisation and tight labour market conditions, and stronger than expected pricing power of firms in market segments with low competition. The Council also noted that, at that juncture, it was imperative that all parties concerned met their responsibilities and that second-round

Table 34: Global Inflation Indicators

(Per cent)

Country/ Region	Key Policy Rate	Policy Rate (As on April 24, 2008)	Changes in Policy Rate (basis points)			CPI Inflation (y-o-y)		Real GDP Growth (y-o-y)	
			2005-06 (April-March)	2006-07 (April-March)	Since end-March 2007	Mar. 2007	Mar. 2008	2006 (Q4)	2007 (Q4)
1	2	3	4	5	6	7	8	9	10
Developed Economies									
Australia	Cash Rate	7.25 (Mar. 5, 2008)	0	75	100	2.4	4.2	2.9	3.9
Canada	Overnight Rate	3.00 (Apr. 22, 2008)	125	50	(-)125	2.3	1.4	1.9	2.9
Euro area	Interest Rate on Main Refinancing Operations	4.00 (June 6, 2007)	50	125	25	1.9	3.6	3.2	2.2
Japan	Uncollateralised Overnight Call Rate	0.50 (Feb. 21, 2007)	0 **	50	0	-0.2	1.0 ^	2.3	2.0
UK	Official Bank Rate	5.00 (Apr.10, 2008)	(-)25	75	(-)25	3.1	2.5	3.0	2.8
US	Federal Funds Rate	2.25 (Mar. 18, 2008)	200	50	(-)300	2.8	4.0	2.6	2.5
Developing Economies									
Brazil	Selic Rate	11.75 (Apr. 16, 2008)	(-)275	(-)375	(-)100	3.0	4.7	4.4	6.2
India	Reverse Repo Rate Repo Rate	6.00 (July 25, 2006) 7.75 (Mar. 30, 2007)	75 50 (0)	50 125 (100)	0 0 (200) *	6.7	5.5 ^	9.1	8.4
China	Benchmark 1-year Lending Rate	7.47(Dec. 21, 2007)		81 (250)	108 (600)	3.3	8.3	10.7	11.2
Indonesia	BI Rate	8.00 (Dec. 6, 2007)	425 @	(-)375	(-)100	6.5	8.2	6.1	6.3
Israel	Key Rate	3.25 (Mar. 24, 2008)	125	(-)75	(-)75	-0.9	3.7	7.4	6.8
Korea	Base Rate $	5.00 (Aug. 9, 2007)	75	50 (80)	50	2.2	3.9	4.0	5.7
Philippines	Reverse Repo Rate	5.00 (Jan. 31 2008) +	75	0	(-)250	2.2	6.4	5.5	7.3
Russia	Refinancing Rate	10.25 (Feb. 4, 2008)	(-)100	(-)150 (150)	(-)25 (200)	7.4	13.3	7.1	9.5
South Africa	Repo Rate	11.50 (Apr. 11, 2008)	(-)50	200	250	6.1	10.6	6.6	4.6
Thailand	14-day Repurchase Rate 1-day Repurchase Rate	5.00 (June 7, 2006) 3.25 (July 18, 2007)	225	50 (-)44 @@	(-)125	2.0	5.3	4.3	5.7

@ : Bank Indonesia adopted BI rate as the reference rate with the formal adoption of inflation targeting in July 2005.

* : Includes the CRR hike of 50 basis points in two stages of 25 basis points each to be effective from the fortnight beginning April 26, 2008 and May 10, 2008.

** : The Bank of Japan decided on March 9, 2006 to change the operating target of money market operations from the outstanding balance of current accounts at the Bank to the uncollateralised overnight call rate.

@@ : Change over January 16, 2007. Effective January 17, 2007, the 1-day repurchase rate replaced the 14-day repurchase rate as the policy rate.

^ : February 2008.

+ : The tiering system on placement with the BSP was removed and interest rates were adjusted to 6.0 per cent for the reverse repo rate and 8.0 per cent for the repo rate effective July 13, 2007.

$: Since March 2008, the policy rate has been changed from overnight call rate to "the Bank of Korea Rate or (Base Rate)" and fixed at the same level as the current call rate target of 5.0 per cent on March 7, 2008.

Note : 1. For India, data on inflation pertain to CPI for Industrial Workers.
2. Figures in parentheses in column (3) indicate the date when the policy rates were last revised.
3. Figures in parentheses in columns (5) and (6) indicate the variation in cash reserve ratios during the period.

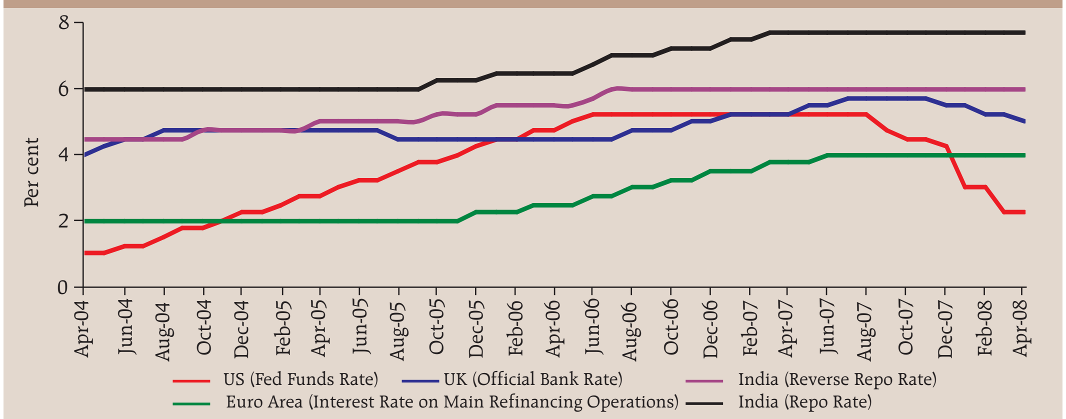
Source : International Monetary Fund, websites of respective central banks and the Economist.

effects on wage and price setting must be avoided, to preserve price stability in the medium term. Although the economic fundamentals of the euro area are sound, the Council noted that the level of uncertainty resulting from the turmoil in financial markets remained high. Accordingly, emphasising that firm anchoring of medium to longer-term inflation expectations was of the highest priority, the ECB left the policy rates unchanged at each of its meeting held beginning June 6, 2007, when rates were last raised by 25 basis points. The interest rate on main refinancing operations remained at 4.0 per cent (Chart 20).

The Japanese economy is expected to grow at a slower pace for the time being and follow a moderate growth path thereafter. According to the Bank of Japan (BoJ), the year-on-year rate of change in consumer prices is projected to follow a positive trend due to the rise in prices of petroleum products and food products in a situation where overall supply and demand in the economy are more or less balanced. Against this backdrop, the BoJ kept its policy rate unchanged at each of its meetings held since February 2007, when it had raised the uncollateralised overnight call rate (the operating target of monetary policy since March 2006) by 25 basis points to 0.50 per cent. It, however, noted that due attention should continue to be paid to factors such as uncertainties regarding future developments in overseas economies and global financial markets, as well as the effects of high energy and materials prices. Amongst the central banks in other major advanced economies, the policy rate was cut by a total of 150 basis points by the Bank of Canada from December 2007 onwards (it had earlier raised the policy rate by 25 basis points in July 2007), while the Reserve Bank of Australia (100 basis points), the Sveriges Riksbank (100 basis points), the Reserve Bank of New Zealand (75 basis points) and Norges Bank (150 basis points) have raised policy rates since March 2007.

Notwithstanding the appreciation of exchange rates in major emerging market economies (EMEs), inflation remained firm on the back of strong growth and ample

Chart 20: Central Bank Policy Rates

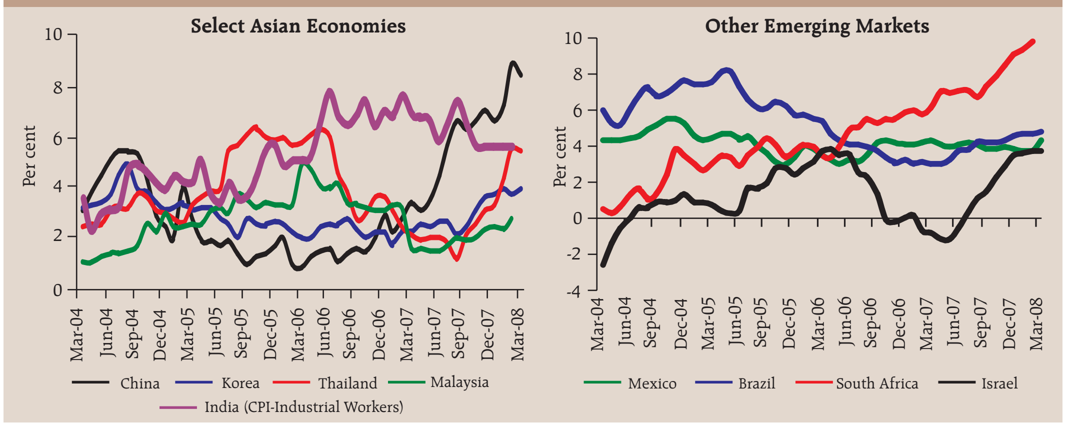


liquidity. Consumer price inflation in China increased to 8.3 per cent in March 2008 from 3.3 per cent a year earlier mainly due to higher food prices (Chart 21). Economic activity in China also continued to be strong with real GDP growth, year-on-year, at 10.6 per cent in the first quarter of 2008. In order to address the excess liquidity in the banking system and ease pressures on money and credit expansion, the PBC increased the benchmark 1-year lending rate by a total of 189 basis points beginning April 2006 to 7.47 per cent on December 21, 2007. Apart from continued issuances of its own bills to mop up liquidity, the PBC also raised the cash reserve ratio (CRR) by a total of 850 basis points to 16.0 per cent between July 2006 and April 2008 to strengthen liquidity management in the banking system and guide the 'rational' growth of money and credit. According to the PBC, these adjustments are conducive to prevent the economy from overheating.

In Russia, consumer price inflation remained high, increasing from 7.4 per cent in March 2007 to 13.3 per cent in March 2008 amidst strong growth. Growth in money supply (M_2) decelerated somewhat to 47 per cent, year-on-year, as on March 1, 2008 from 50 per cent a year ago. The Bank of Russia raised the required reserve ratio on credit institutions' liabilities to non-resident banks in roubles and foreign currency by 100 basis points to 4.5 per cent effective January 15, 2008 (it was earlier reduced by 100 basis points effective October 11, 2007). The refinancing rate, which was initially cut by 50 basis points to 10.0 per cent effective June 19, 2007, was raised by 25 basis points effective February 4, 2008 to 10.25 per cent.

The upward trend in inflation continued in South Africa driven by rising energy and food prices, which posed the main upside risks to the inflation outlook. The South African Reserve Bank, therefore, raised its policy rate by a total of 200 basis points in four tranches during 2007-08 and by another 50 basis points to 11.50 per cent on April 11, 2008 in view of deterioration in inflation expectations. The policy rate has thus been raised by 450 basis points since the tightening began in June 2006.

Chart 21: Consumer Price Inflation - Emerging Market Economies



In Korea, inflation increased to 3.9 per cent in March 2008 from 2.2 per cent a year ago mainly influenced by high oil prices. Real estate prices have shown a rebound in some areas and liquidity was still ample in the financial markets. According to the MPC, although the domestic economy was exhibiting some signs of adjustment in its pace of expansion, future economic developments were still surrounded with a high degree of uncertainty largely due to the international financial market turmoil and the US economic slowdown. After raising the policy rate by 50 basis points during July-August 2007, the Bank of Korea, therefore, left its policy rate unchanged thereafter at 5.0 per cent.

In Thailand, inflation accelerated to 5.3 per cent in March 2008 from 2.0 per cent a year ago as a result of higher world oil and commodity prices. The MPC, however, assessed that these pressures were likely to moderate in the latter part of the year in tandem with the slowdown of the global economy. According to the MPC, although the overall growth momentum of the Thai economy has improved, risks to inflation and growth going forward increased making it necessary for it to monitor both issues closely. The MPC, therefore, has left 1-day repurchase rate unchanged at 3.25 per cent since July 18, 2007 (when it was last cut by 25 basis points).

Inflation in Brazil increased to 4.7 per cent in March 2008 from 3.0 per cent a year ago, partly due to robust expansion in demand. After reducing its policy rate by 850 basis points between September 2005 and September 2007, the central bank of Brazil left it unchanged thereafter up to April 15, 2008. The policy rate was raised by 50 basis points to 11.75 per cent on April 16, 2008. Noting that there are important time lags in the transmission of monetary policy stance to economic activity and inflation, the Monetary Policy Committee, had emphasised that the evaluation of alternative monetary policy stances should necessarily focus on the forward-looking inflation scenario and its risks, instead of recent inflation indicators.

Inflation in Indonesia increased to 8.2 per cent in March 2008 from 6.5 per cent a year ago. According to Bank Indonesia, inflationary pressure is forcasted to remain quite strong, dominated by imported inflation related mainly to high international commodity prices. It, however, believes that with close coordination and hard work by all concerned parties, it will be possible to minimise the impact of global economic uncertainties and sustain the momentum for economic growth. Accordingly, after lowering the policy rate by a total of 475 basis points between May 2006 and December 2007, Bank Indonesia left its policy rate unchanged at 8.0 per cent since December 6, 2007. The Bank of Israel, which had earlier raised its policy rate by 75 basis points during August 2007-January 2008, cut the policy rate by 50 basis points each effective March and April 2008 to 3.25 per cent, following its assessment that inflation will return to within the target range of 1-3 per cent in the second half of the year. The central bank of Turkey also cut its policy rates, *i.e.,* overnight borrowing and lending rates further by 50 basis points and 75 basis points, respectively, beginning end-December 2007 - a total of 225 basis points and 325 basis points from September 2007 onwards - to support economic activity. The MPC noted that rising food and energy prices and ongoing uncertainties in the global economy have worsened inflation expectations and increased the upside risk on inflation. Aggregate demand conditions would, however, continue to support the disinflation process.

An assessment of key macroeconomic indicators in select EMEs shows that consumer price inflation was in the range of 3.7-13.3 per cent during February/March 2008. Real policy rates in most countries ranged between (-) 3.1 and 2.3 per cent in March 2008 (Table 35). Current account in major EMEs, except India and South Africa, was in surplus during 2006/2007. The real effective exchange rate (REER) for the select EMEs, barring the currencies in Indonesia, Korea and South Africa, underwent real appreciation, on a year-on-year basis, in March 2008. Although the Central Government's fiscal deficit in India declined during 2007-08, it remained higher than that in most EMEs.

Table 35: Key Macroeconomic Indicators: Emerging Markets

(Per cent)

Country	Consumer Price Inflation		Current Account Balance (per cent to GDP)		Real Efective Exchange Rate(REER)		Central Govt. Fiscal Balance (per cent of GDP)		Real Policy Rate		Real GDP Growth	
	Mar. 2007	Mar. 2008	2006	2007	Mar. 2007	Mar. 2008	2006	2007	Mar. 2007	Mar. 2008	2006	2007
1	2	3	4	5	6	7	8	9	10	11	12	13
Brazil	3.0	4.7	1.3	0.3	-0.3	13.6	-3.2	-2.3	9.8	6.6	3.8	5.4
China	3.3	8.3	9.4	11.1	2.1	5.3	-0.8	1.1	3.1	-0.8	11.1	11.4
India	**6.7**	**5.5 ***	**- 1.1**	**--**	**-0.0**	**1.0**	**-3.5**	**-3.1**	**1.1**	**2.3**	**9.6**	**8.7**
	(5.9)	**(7.4)**	**(-6.9)**				**(61.2)**	**(61.7)**	**(1.9)**	**(0.4)**		
Indonesia	6.5	8.2	3.0	2.5	0.5	-6.0	-1.0	-1.2	2.5	-0.2	5.5	6.3
Israel	-0.9	3.7	6.0	3.1	2.8	8.8	-1.8	-0.8	4.9	0.0	5.2	5.3
Korea	2.2	3.9	0.6	0.6	0.0	-13.5	-2.7	-2.3	2.3	1.1	5.1	5.0
Philippines	2.2	6.4	4.5	4.4	2.9	9.6	-1.1	-0.2	5.3	-1.4	5.4	7.3
Russia	7.4	13.3	9.5	5.9	5.1	5.3	7.4	6.6	3.1	-3.1	7.4	8.1
South Africa	6.1	10.6	-6.5	-7.3	-16.8	-12.1	--	--	2.9	0.4	5.4	5.1
Thailand	2.0	5.3	1.1	6.1	7.6	2.6	1.1	-1.7	2.5	-2.1	5.1	4.8
							(26.2)					

*: February 2008.

Note:
1. For India, data pertain to fiscal years 2006-07 and 2007-08.
2. Consumer price inflation data are on a year-on-year basis. Data for India are for CPI-Industrial Workers.
3. Real policy rate is the policy rate less year-on-year consumer price inflation. For India, repo rate is used.
4. Figures in parentheses in columns (2) and (3) refer to wholesale price inflation.
5. Figure in parenthesis in column (4) refers to trade balance/GDP ratio.
6. Data on fiscal balance for Israel pertain to general government balance.
7. Figures in parentheses in columns (8) and (9) refer to central government debt/GDP ratio.
8. Figures in parentheses in columns (10) and (11) for India are based on wholesale price inflation.
9. Data on REER refer to year-on-year variation in broad indices (CPI-based) compiled by the Bank for International Settlements. A positive figure indicates appreciation while a negative figure indicates depreciation. For India, data are based on movements in 6-currency indices.

Source : International Monetary Fund; Asian Development Bank; Bank for International Settlements; World Bank, the Economist and official websites of respective central banks.

Global Commodity Prices

Global commodity prices firmed up during 2007-08 led by sharp increases in food and crude oil prices. Metal prices, which had witnessed some moderation during June-December 2007, rose again during January-March 2008. Agricultural raw materials prices, however, remained largely range bound during 2007-08 (Table 36 and Chart 22).

International crude oil prices, represented by the West Texas Intermediate (WTI), has been rising sharply since June 2007, reflecting tight supply-demand balance, geo-political tensions, weakening of the US dollar against major currencies and increased interest from investors and financial market participants (Table 37). After touching a high of US $ 110.2 a barrel level on March 13, 2008 on the back of a sharp fall in US crude inventories, WTI prices eased somewhat thereafter during the month on deepening concerns about slowdown in the US - the biggest consumer of oil. The WTI prices, however, rose again to a historical peak of US $ 119.2 a barrel level on April 22, 2008, reflecting weakening of US dollar and tightening of supply.

Despite prospects for slower consumption growth in advanced economies, international crude prices are expected to remain at elevated levels in view of the relatively tight demand supply-

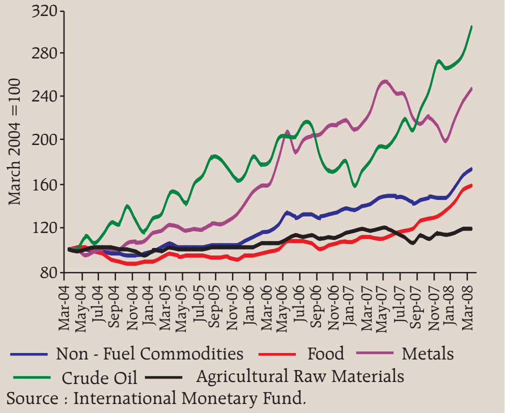
Table 36: International Commodity Prices

Commodity	Unit	2004	Index							Variation (Per cent)	
							2008			Mar. 08/ Dec.07	Mar. 08/ Mar.07
			2004	2005	2006	2007	Jan.	Feb.	Mar.		
1	2	3	4	5	6	7	8	9	10	11	12
Energy											
Coal	$/mt	53.0	100	90	93	124	173	249	233	35.4	122.6
Crude oil (Average)	$/bbl	37.7	100	142	170	188	240	248	270	13.8	68.1
Non-Energy Commodities											
Palm oil	$/mt	471.3	100	90	101	165	225	246	265	31.4	100.6
Soybean oil	$/mt	616.0	100	88	97	143	207	227	238	26.0	104.3
Soybeans	$/mt	306.5	100	90	88	125	177	187	188	11.8	78.9
Rice	$/mt	237.7	100	120	128	137	158	196	236	55.8	76.3
Wheat	$/mt	156.9	100	97	122	163	236	271	280	19.3	120.8
Maize	$/mt	111.8	100	88	109	146	185	197	209	29.4	36.8
Sugar	c/kg	15.8	100	138	206	141	167	188	184	23.7	26.4
Cotton A Index	c/kg	136.6	100	89	93	102	118	121	132	17.5	39.9
Aluminium	$/mt	1716.0	100	111	150	154	143	162	175	26.2	8.8
Copper	$/mt	2866.0	100	128	235	248	246	275	294	28.1	30.8
Gold	$/toz	409.2	100	109	148	170	217	225	237	20.6	47.9
Silver	c/toz	669.0	100	110	173	200	240	264	287	34.3	46.0
Steel Products Index	1990=100	121.5	100	113	111	111	123	140	148	28.0	35.3
Steel cold-rolled coilsheet	$/mt	607.1	100	121	114	107	113	132	132	23.1	23.1
Steel hot-rolled coilsheet	$/mt	502.5	100	126	119	109	119	149	149	36.4	36.4
Tin	c/kg	851.3	100	87	103	171	192	202	233	21.8	42.5
Zinc	c/kg	104.8	100	132	313	309	223	233	240	6.7	-23.2

$: US dollar. c: US cent. bbl: barrel. mt: metric tonne. kg: Kilogram. toz: troy oz.

Source: Based on World Bank's actual commodity price data. The year 2004 has been taken as the base to better exhibit price trends over the relevant period.

Chart 22: International Commodity Prices



Source : International Monetary Fund.

balance (Table 38). According to the US Energy Information Administration (EIA), although higher oil prices and slower economic growth have dampened consumption in the US, available partial data indicate global consumption is still increasing because of continued growth in China, India, Russia and the Middle East oil-exporting countries. This along with low surplus production capacity is putting upward pressure on oil prices. Accordingly, the EIA expects WTI (average) prices to firm up by about 39 per cent from US $ 72.3 a barrel during 2007 to US $ 100.6 per barrel during 2008. The EIA, however, expects that the increase in non-OPEC production in the second half of the year, by contributing to increases in OPEC surplus production capacity, may ease upward price pressures toward the end of 2008. The futures markets also suggest that WTI prices are expected to remain firm at over US $ 113 a barrel level up to November 2008. High and volatile

Table 37 : International Crude Oil Prices

(US dollars per barrel)

Year/Month	Dubai Crude	UK Brent	US WTI	Average Crude Price	Indian Basket Price
1	2	3	4	5	6
2001-02	21.8	23.2	24.1	23.0	22.4
2002-03	25.9	27.6	29.2	27.6	26.6
2003-04	26.9	29.0	31.4	29.1	27.8
2004-05	36.4	42.2	45.0	41.3	38.9
2005-06	53.4	58.0	59.9	57.1	55.4
2006-07	60.9	64.4	64.7	63.3	62.4
2007-08	77.3	82.4	82.3	80.7	79.2
March 2004	30.5	33.8	36.7	33.7	31.9
March 2005	45.6	53.1	54.2	50.9	48.8
March 2006	57.7	62.3	62.9	60.9	59.6
March 2007	59.1	62.1	60.6	60.6	60.3
April 2007	63.8	67.4	63.9	65.1	65.2
May 2007	64.5	67.5	63.5	65.2	65.7
June 2007	65.8	71.3	67.5	68.2	67.9
July 2007	69.5	77.2	74.1	73.6	72.4
August 2007	67.2	70.8	72.4	70.1	68.6
September 2007	73.3	77.1	79.9	76.8	74.7
October 2007	77.1	83.0	85.9	82.2	79.4
November 2007	86.7	92.5	94.8	91.3	88.9
December 2007	85.8	91.5	91.4	89.5	88.0
January 2008	87.2	91.9	93.0	90.7	89.0
February 2008	90.0	94.8	95.4	93.4	91.8
March 2008	96.8	103.3	105.5	101.8	99.3

Source : International Monetary Fund and the World Bank.

Table 38 : World Supply-Demand Balance of Oil

(Million barrels per day)

Item	2003	2004	2005	2006	2007	2008 (P)	2008 (P)			
							Q1	Q2	Q3	Q4
1	2	3	4	5	6	7	8	9	10	11
Demand										
1. OECD	48.7	49.5	49.6	49.3	49.0	49.1	49.6	48.1	48.8	49.8
2. Non-OECD	31.2	33.0	34.4	35.4	36.4	37.5	36.8	37.6	37.7	38.0
of which: China	5.6	6.5	6.9	7.3	7.6	8.0	7.7	7.9	8.0	8.3
3. Total (1+2)	79.9	82.5	84.0	84.7	85.4	86.6	86.4	85.7	86.4	87.8
Supply										
4. Non-OPEC	48.9	50.1	50.3	49.3	49.2	49.8	49.2	49.5	50.1	50.6
5. OPEC	30.7	32.9	34.2	35.3	35.4	36.9	36.9	37.3	37.1	36.1
6. Total (4+5)	79.6	83.1	84.5	84.6	84.7	86.7	86.1	86.8	87.1	86.7
Stock Changes	0.3	-0.6	-0.5	0.1	0.7	-0.1	0.4	-1.1	-0.7	1.1

P : Projections.
Source : US Energy Information Administration, April 2008.

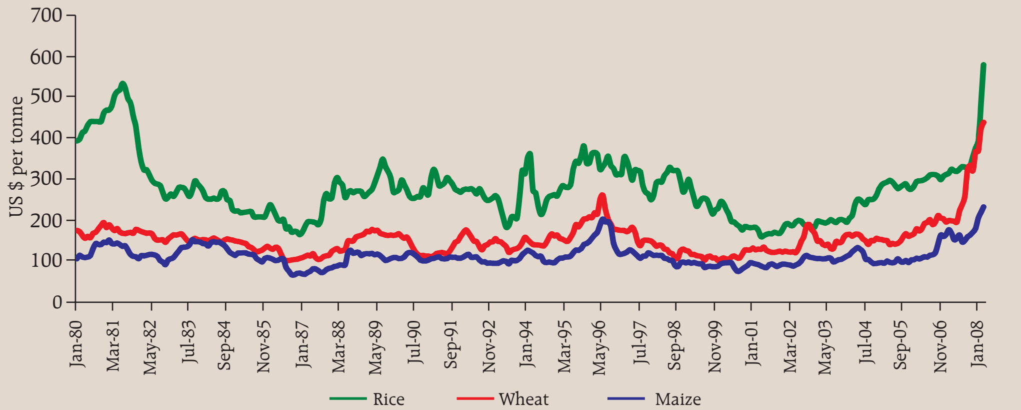
international crude oil prices, thus, pose a major risk to the global inflation outlook.

After increasing up to May 2007, metal prices eased subsequently up to December 2007, reflecting lower import demand and some improvement in supply. Between May 2007 and December 2007, the IMF metals price index declined by almost 21 per cent led by copper (14 per cent), aluminium (15 per cent), zinc (38 per cent) and nickel (50 per cent). Since the beginning of 2008, however, prices of these items have increased, which along with higher prices of tin and lead resulted in the IMF metals price index going up by 23.7 per cent during January-March 2008, more than offsetting the previous decline. International steel prices, which were flat during the first half of 2007-08, rose by 33 per cent during the second half of the year despite increase in global crude steel production (by 5.8 per cent, year-on-year, in March 2008), mainly reflecting rising input costs on account of iron ore, energy and freight charges. After remaining flat up to December 2007, international iron ore prices increased by 66 per cent in January 2008 and have remained flat thereafter up to March 2008.

Food prices firmed up during 2007-08, especially in the second half, led by wheat, rice, and oilseeds/edible oils, reflecting surging demand (both consumption demand and demand for non-food uses such as bio-fuels production) and low stocks of major crops (Chart 23). Reflecting these factors, international prices of wheat, rice, soybeans, soybean oils and palm oils increased by 120.8 per cent, 76.3 per cent, 78.9 per cent, 104.3 per cent and 100.6 per cent, respectively, year-on-year, in March 2008. Consequently, the IMF food price index increased by 43.5 per cent, on a year-on-year basis, in March 2008 surpassing the level which was last seen in the late 1980.

The supply side pressures on global food prices do not appear to be abating, especially with the year ending global stock of major crops at historical lows. According to the US Department of Agriculture (USDA) in April 2008, global wheat stocks are expected to decline further by almost 10 per cent during 2007-08 (on top of about

Chart 23: Prices of Rice, Wheat and Maize



15 per cent decline during 2006-07) to about 112.5 million tonnes - their lowest levels since 1981-82. Global oilseeds stocks are also expected to decline by about 22 per cent during 2007-08 to 57.2 million tonnes, reflecting mainly expected fall in global oilseeds production, mostly caused by a shift of plantings from soybean to maize in northern hemisphere countries and increase in global utilisation of oilseed products. Notwithstanding higher coarse grains production, mainly on account of record production of maize in the US following record high prices (due to significant supply shortage in the face of very strong demand for the production of ethanol in the US) and higher corn production in Brazil, the world's year-ending stocks are projected to decline by about 7 per cent due to forecast about increase in feed use of coarse grains. According to the USDA, rice stocks are projected to marginally improve to 77.1 million tonnes during 2007-08 mainly on account of increase in production in Indonesia and Burma coupled with lower global imports primarily due to the impact of higher global prices and export bans and restrictive policies among many of the leading exporters, including Egypt, India and Vietnam. Thus, global food prices are likely to remain firm given the outlook for various crops and their lower levels of year ending stocks.

International sugar prices had remained largely range bound during the first three quarters of 2007-08, reflecting higher production in traditional importing countries. Subsequently, prices have increased by almost 24 per cent during the past three months, although prices are still lower by 27 per cent from the recent peak of February 2006. According to the International Sugar Organisation (ISO), global sugar production is estimated to exceed global consumption by about 9 million tonnes during 2007-08 (October-September) season. According to the ISO, therefore, the large and growing presence of funds in the market may have a pivotal influence on market sentiment and dynamics, thereby leading to a disconnect between fundamentals and prices in recent months. Global cotton prices, represented by the 'Cotlook A Index', increased by 39.9 per cent, year-on-year, in March 2008, reflecting shortfalls in production. According to the International Cotton Advisory Committee (ICAC), world cotton prices surged to their highest level from August 1997, which equalled the 30-year average recorded between 1973-74 and 2002-03, reflecting increases in prices of competing crops and the increasing role of commodity investment funds rather than fundamental measures of cotton supply and use. According to the ICAC, world cotton stocks are expected to fall further by almost 5 per cent to 11.0 million tonnes and accordingly prices are expected to go up by 8.1 per cent in 2008-09.

In response to high food prices, especially of wheat, rice, corns and oilseeds/edible oils and their implications for headline inflation and inflationary expectations, the Governments in both developed and developing countries have resorted to numerous market interventions in the form of price controls, reduction of import barriers and/or imposition of export restrictions to contain price increases and prevent consumption from falling.

Inflation Conditions in India

Against the backdrop of edging up of inflation rates in India at the commencement of 2007-08, the Annual Policy Statement for 2007-08 (April 2007) of the Reserve Bank reaffirmed its resolve to respond swiftly with all possible measures to developments impinging on inflation expectations and the growth momentum. As the overarching policy challenge was to manage the transition to a higher growth path while containing inflationary pressures, the policy preference for the period ahead was indicated as strongly in favour of price stability and well-anchored inflation expectations with the endeavour being to contain inflation close to 5.0 per cent in 2007-08 and to the range of 4.0-4.5 per cent over the medium-term.

Headline inflation rates turned benign by the first quarter of 2007-08, reflecting the combined impact of lagged and cumulative monetary policy actions and fiscal and administrative measures for supply management. These measures also had a salutary effect on inflation expectations. Nevertheless, the First Quarter Review of the Annual Statement on Monetary Policy for 2007-08 (July 2007) added that monetary management needed to be watchful of movements in commodity prices, particularly oil prices, the elevated levels of asset prices and the re-emergence of pricing power among producers as potential threats to inflation expectations. The outlook for inflation in 2007-08 was, however, left unchanged in the Review. On a review of the then prevailing liquidity situation, the cash reserve ratio (CRR) was raised by 50 basis points with effect from the fortnight beginning August 4, 2007 (Table 39).

The Mid-term Review of the Annual Policy Statement for 2007-08 (October 2007), while indicating that inflation expectations were reasonably well-anchored, recognised that threats to inflation in the future emanated not only from domestic liquidity conditions but also from the underlying global pressures. It also added that the possible impact of injection of liquidity by central banks to meet the recent turbulence in the global financial markets on global inflation was not clear.

Accordingly, it persisted with the stance as set out in the Annual Policy Statement for 2007-08 and the First Quarter Review of reinforcing the emphasis on price stability and well-anchored inflation expectations while ensuring a monetary and interest rate environment that supported export and investment demand in the economy so as to enable continuation of the growth momentum. It reiterated the policy endeavour of containing inflation close to 5.0 per cent in 2007-08. In recognition of India's evolving integration with the global economy and societal preferences in this regard, it further resolved to condition expectations in the range of 4.0-4.5 per cent so that an inflation rate of around 3.0 per cent becomes a medium-term objective consistent with India's broader integration into the global economy. On a review of the then prevailing liquidity situation, the CRR was increased by 50 basis points to 7.5 per cent with effect from the fortnight beginning November 10, 2007.

The Third Quarter Review of Annual Policy for 2007-08 (January 2008) noted that the domestic outlook remained positive with continued favourable prospects of sustaining the growth momentum in an environment of price and financial stability. In contrast, that the outlook for the global economy had worsened somewhat from the time of the Mid-Term Review with risks to both

Table 39: Movement in Key Policy Rates and Inflation in India

(Per cent)

Effective since	Reverse Repo Rate	Repo Rate	Cash Reserve Ratio	WPI Inflation
1	2	3	4	5
March 31, 2004	4.50	6.00	4.50	4.6
September 18, 2004	4.50	6.00	4.75 (+0.25)	7.9
October 2, 2004	4.50	6.00	5.00 (+0.25)	7.1
October 27, 2004	4.75 (+0.25)	6.00	5.00	7.4
April 29, 2005	5.00 (+0.25)	6.00	5.00	6.0
October 26, 2005	5.25 (+0.25)	6.25 (+0.25)	5.00	4.5
January 24, 2006	5.50 (+0.25)	6.50 (+0.25)	5.00	4.2
June 9, 2006	5.75 (+0.25)	6.75 (+0.25)	5.00	4.9
July 25, 2006	6.00 (+0.25)	7.00 (+0.25)	5.00	4.7
October 31, 2006	6.00	7.25 (+0.25)	5.00	5.3
December 23, 2006	6.00	7.25	5.25 (+0.25)	5.8
January 6, 2007	6.00	7.25	5.50 (+0.25)	6.4
January 31, 2007	6.00	7.50 (+0.25)	5.50	6.7
February 17, 2007	6.00	7.50	5.75 (+0.25)	6.0
March 3, 2007	6.00	7.50	6.00 (+0.25)	6.5
March 31, 2007	6.00	7.75 (+0.25)	6.00	5.9
April 14, 2007	6.00	7.75	6.25 (+0.25)	6.3
April 28, 2007	6.00	7.75	6.50 (+0.25)	6.0
August 4, 2007	6.00	7.75	7.00 (+0.50)	4.4
November 10, 2007*	6.00	7.75	7.50 (+0.50)	3.2

* : The CRR has been further raised by 50 basis points to 8.0 per cent in two stages of 25 basis points each to be effective from the fortnight beginning April 26, 2008 and May 10, 2008.

Note : 1. With effect from October 29, 2004, the nomenclature of repo and reverse repo was changed in keeping with international usage. Now, reverse repo indicates absorption of liquidity and repo signifies injection of liquidity. Prior to October 29, 2004, repo indicated absorption of liquidity, while reverse repo meant injection of liquidity. The nomenclature in this document is based on the new usage of terms even for the period prior to October 29, 2004.

2. Figures in parentheses indicate change in policy rates.

growth and inflation having accentuated. It also noted that while the dangers of global recession were relatively subdued at that juncture and consensus expectations seemed to support a soft landing, the upside pressures on inflation had become more potent and real than before. Food and energy prices were envisaged to impart a permanent upward shock to inflation globally and, in particular, in EMEs. The future evolution of the sub-prime mortgage crisis was seen to carry the gravest risks for the world economy. Furthermore, the expansion of monetary and liquidity conditions as well as asset prices were felt to contain risks of upward inflationary pressures for the Indian economy, alongside international price pressures. It was indicated that in the period ahead, developments in global financial markets in the context of the sub-prime crisis would warrant more intensified monitoring and swift responses with all available instruments to preserve and maintain macroeconomic and financial stability.

Against the backdrop of increases in inflation since the announcement of the Third Quarter Review for 2007-08 and in light of the current macroeconomic, monetary and anticipated liquidity conditions, the Reserve Bank announced on April 17, 2008 an increase in CRR by 50 basis points to 8.0 per cent, with a view to containing inflation expectations. This increase in CRR would be implemented in two stages of 25 basis points each to be effective from the fortnights beginning April 26, 2008 and May 10, 2008.

Wholesale Price Inflation

In India, headline inflation based on the wholesale price index (WPI) softened from 6.4 per cent at the beginning of the fiscal year to a low of 3.1 per cent on October 13, 2007, partly reflecting moderation in the prices of some primary food articles and some manufactured products items as well as base effects. After hovering around 3 per cent in November 2007, inflation began to edge up from early December 2007 and touched 7.4 per cent by March 29, 2008, mainly reflecting hardening of prices of primary articles, fuel group and some manufactured products items. On a year-on-year basis, twelve items/groups - rice, wheat, milk, raw cotton, oilseeds, iron ore, coal mining, mineral oils, edible oils, oil cakes, basic heavy inorganic chemicals and metals - with a combined weight of about 35 per cent in the WPI basket accounted for over 82 per cent of headline inflation as on March 29, 2008. Increase in domestic prices of some of these commodities reflected the international commodity price pressures (Table 40). The year-on-year (y-o-y) inflation, excluding fuel, at 7.6 per cent, was marginally higher than the headline inflation rate. After rising up to May 2007, the annual average WPI inflation rate (average of 52 weeks), however, eased from the beginning of June 2007 to reach 4.6 per cent during the week ended March 29, 2008 (5.4 per cent a year ago) (Chart 24).

Amongst major groups, primary articles inflation, y-o-y, eased from 12.2 per cent at the beginning of April 2007 to an intra-year low of 3.7 per cent by end-December 2007, reflecting easing of food articles prices, especially of pulses, fruits and vegetables, and eggs, fish and meat as well as base effects. Subsequently, primary articles inflation increased to

Table 40: Key Commodity Price Inflation - Global *vis-à-vis* Domestic (year-on-year)

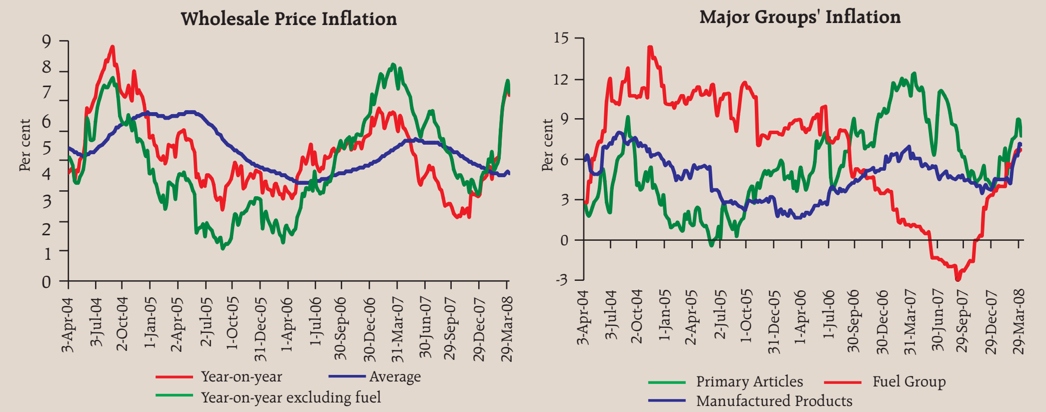
(Per cent)

	Global Inflation March 2008 over March 2007	Domestic (WPI)			
		Variation		Weighted Contribution	
		2006-07	2007-08	2006-07	2007-08
1	2	3	4	5	6
1. Rice	76.3	5.7	8.2	2.1	2.4
2. Wheat	120.8	7.3	5.1	1.8	1.0
3. Milk	--	8.4	7.6	5.8	4.3
4. Raw Cotton	39.9	21.9	14.0	3.5	2.1
5. Oilseeds	78.9	31.6	18.7	11.0	6.5
6. Iron Ore	66.0	16.9	52.9	2.0	5.6
7. Coal Mining	122.6	0.0	8.8	0.0	2.3
8. Mineral Oils	68.1	0.5	9.2	1.1	15.7
9. Edible Oils	100.6 - 104.3	14.1	20.1	4.7	5.8
10. Oil Cakes	--	32.9	27.2	7.0	5.8
11. Basic Heavy Inorganic Chemicals	--	-3.5	33.2	-0.7	5.1
12. Basic Metals, Alloys and Metal Products	--	11.3	20.0	17.4	25.9
- Iron and Steel	35.3	8.1	34.2	6.0	21.0
Sub-total				**55.7**	**82.5**

Note : 1. Global price increases are based on the World Bank commodity prices data.
2. Global edible oils are represented by palm oil and soybean oil.
3. Global iron and steel is represented by the World Bank's steel products price index.
4. Global mineral oil is represented by crude oil (average) spot prices.

8.9 per cent on March 29, 2008 mainly led by fruits and vegetables, oilseeds, raw cotton and iron ore. Within primary food articles, rice and wheat prices increased by 8.2 per cent and 5.1 per cent, respectively, on a year-on-year basis, on March 29, 2008. The lower order of increase in domestic prices of rice and wheat, in the face of sharp increases in international prices, could be attributed to the various supply-side measures undertaken by the Government. Elevated rice prices, however, continued to be a matter of concern in view of the

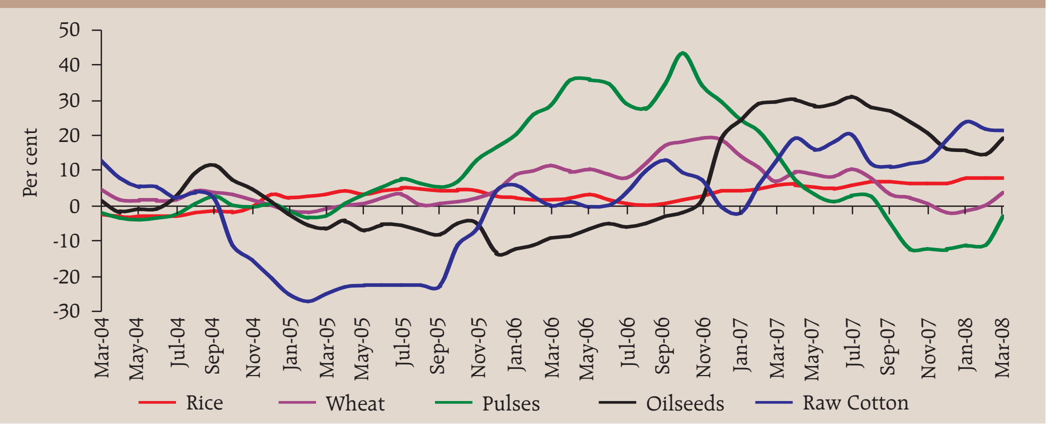
Chart 24: Annual WPI Inflation



decline in rabi output, low productivity and exposure of the crop to frequent weather-related disturbances in the main producing regions as well as other structural factors. Amongst other primary food items, prices of vegetables increased by 15.8 per cent, y-o-y, on March 29, 2008 (1.2 per cent a year ago), while milk prices increased by 7.6 per cent on top of 8.4 per cent a year ago. Amongst non-food primary articles, prices of oilseeds, y-o-y, increased by 18.7 per cent on March 29, 2008 on top of an increase of 31.6 per cent a year ago, which could be attributed to higher demand, lower estimated rabi production (which was down by 10.7 per cent, y-o-y, as per the Third Advance Estimates) as well as rising global prices. Notwithstanding higher domestic production, raw cotton prices were 14.0 per cent higher, y-o-y, as on March 29, 2008 (21.9 per cent a year ago) in line with international price movements; as noted earlier, the Cotlook 'A' Index increased by 39.9 per cent in March 2008 (Chart 25).

Fuel group inflation, which was negative during June-November 2007, reflecting the base effects as well as the cuts in prices of petrol and diesel in November 2006 and February 2007, turned positive from mid-November 2007 to reach 6.7 per cent on March 29, 2008 (Table 41). The increase since November 2007 could be attributed to further increases in the prices of some petroleum products such as naphtha, furnace oil, aviation turbine fuel (ATF) and bitumen as well the upward revision in the domestic prices of petrol and diesel by Rs. 2 a litre and by Rs. 1 per litre, respectively, effective February 15, 2008 (which came after a gap of almost one year when the prices were cut). In this context, it may be noted that international crude oil prices (Indian basket) increased by almost 76 per cent from US $ 56.6 a barrel in February 2007 to US $ 99.3 a barrel level in March 2008. In rupee terms, the increase in international crude (Indian basket) prices worked out to almost 61 per cent over the same period, while the

Chart 25: Primary Articles Inflation (year-on-year)



mineral oil (monthly average) index in the WPI increased by only about 9 per cent. However, the freely priced items (such as naphtha, furnace oil, ATF, *etc.*) within the mineral oil group have increased within a range of 38.7-44.0 per cent since February 2007. It may be noted that while domestic petrol and diesel prices have been adjusted partially, prices of kerosene and liquefied petroleum gas (LPG) have not been raised by the Government since April 2002 and

Table 41 : Wholesale Price Inflation in India (year-on-year)

(Per cent)

Commodity		2006-07 (March 31)		2007-08 (P) (March 29)	
	Weight	Inflation	WC	Inflation	WC
1	2	3	4	5	6
All Commodities	**100.0**	**5.9**	**100.0**	**7.4**	**100.0**
1. Primary Articles	**22.0**	**10.7**	**39.0**	**8.9**	**27.1**
Food Articles	15.4	8.0	20.8	6.1	12.8
i. Rice	2.4	5.7	2.1	8.2	2.4
ii. Wheat	1.4	7.3	1.8	5.1	1.0
iii. Pulses	0.6	12.5	1.4	-1.8	-0.2
iv. Vegetables	1.5	1.2	0.3	15.8	2.7
v. Fruits	1.5	5.7	1.8	3.1	0.8
vi. Milk	4.4	8.4	5.8	7.6	4.3
vii. Eggs, Fish and Meat	2.2	9.4	3.8	1.5	0.5
Non-Food Articles	6.1	17.2	15.6	11.1	8.9
i. Raw Cotton	1.4	21.9	3.5	14.0	2.1
ii. Oilseeds	2.7	31.6	11.0	18.7	6.5
iii. Sugarcane	1.3	1.1	0.3	-0.4	-0.1
Minerals	0.5	17.5	2.6	41.8	5.5
2. Fuel, Power, Light and Lubricants	**14.2**	**1.0**	**4.0**	**6.7**	**19.4**
i. Mineral Oils	7.0	0.5	1.1	9.2	15.7
ii. Electricity	5.5	2.3	2.8	1.5	1.4
iii. Coal Mining	1.8	0.0	0.0	8.8	2.3
3. Manufactured Products	**63.8**	**6.1**	**57.3**	**7.1**	**53.5**
i. Food Products	11.5	6.1	10.5	9.1	12.5
of which: Sugar	3.6	-12.7	-6.6	0.0	0.0
Edible Oils	2.8	14.1	4.7	20.1	5.8
ii. Cotton Textiles	4.2	-1.0	-0.6	-5.1	-2.2
iii. Man Made Fibres	4.4	3.9	1.3	0.4	0.1
iv. Chemicals and Chemical Products	11.9	3.6	7.1	5.4	8.2
of which : Fertilisers	3.7	1.8	1.0	1.9	0.8
v. Basic Metals, Alloys and Metal Products	8.3	11.3	17.4	20.0	25.9
of which: Iron and Steel	3.6	8.1	6.0	34.2	21.0
vi. Non-Metallic Mineral Products	2.5	9.0	3.6	6.0	2.0
of which: Cement	1.7	11.6	3.2	5.1	1.2
vii. Machinery and Machine Tools	8.4	8.1	8.6	3.6	3.2
of which: Electrical Machinery	5.0	12.9	6.7	4.9	2.2
viii. Transport Equipment and Parts	4.3	2.0	1.2	4.7	2.1
Memo:					
Food Items (Composite)	**26.9**	**7.3**	**31.2**	**7.3**	**25.3**
WPI Excluding Food	**73.1**	**5.5**	**68.8**	**7.5**	**74.7**
WPI Excluding Fuel	**85.8**	**7.4**	**96.0**	**7.6**	**80.6**

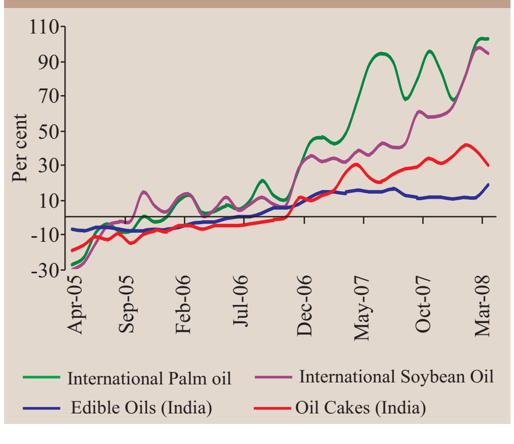
WC : Weighted Contribution. P : Provisional.

November 2004, respectively, on grounds of societal concerns. In order to contain fuller pass-through of higher international crude prices to domestic prices, the Government, however, has extended the subsidy schemes for these products, which were available through the public distribution system (PDS) to March 2010. The schemes were earlier available up to March 2007. Furthermore, in October 2007, the Government had also announced to bear the burden to the extent of 42.7 per cent of the under-recoveries in the retail sale of petroleum products by oil marketing companies through issuance of oil bonds. Thus, inflation risks on account of oil prices remain incipient.

Manufactured products inflation, y-o-y, eased from 6.4 per cent at the beginning of the year to 3.5 per cent by November 24, 2007 (5.3 per cent a year ago) led by decline in the prices of sugar, textiles and non-ferrous metals as well as base effects. Subsequently, manufacturing inflation increased to 7.1 per cent by March 29, 2008, mainly reflecting the continued rise in the prices of edible oils/oil cakes, basic heavy inorganic chemicals, and basic metals and alloys. These commodities together contributed almost 45 per cent to the overall WPI inflation on March 29, 2008. The increase in domestic edible oil/oil cakes prices, year-on-year, by 20.1 per cent and 27.2 per cent, respectively, on March 29, 2008 (on top of 14.1 per cent and 32.9 per cent, respectively, a year ago) reflected surge in demand, lower domestic rabi 2007 oilseeds production as well as sharp increase in international prices (Chart 26). It may be noted that India has imported large quantities of edible oils at progressively higher prices since November 2007. According to the Solvent Extractors' Association of India, import of edible oils increased by 38 per cent to 1.9 million tonnes during November 2007-March 2008. During this period, international edible oil prices also increased in a range of about 26-31 per cent.

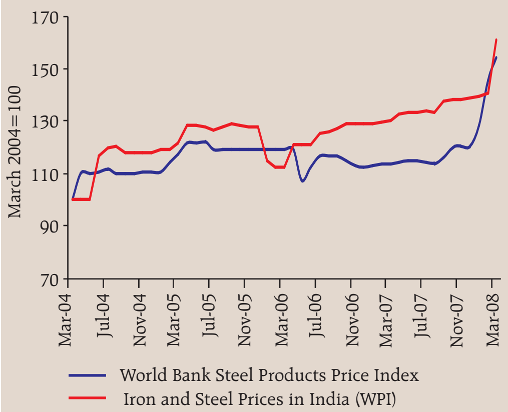
Within manufactured products, basic metals and alloy prices increased sharply (21.4 per cent) during March 29, 2008 over end-February 2008 led by iron and steel (24.8 per cent), which pushed the year-on-year increase in metals group inflation to 20.0 per cent on March 29, 2008 on top of 11.3 per cent increase a year ago (see Table 41). This, along with iron ore, was primarily responsible for the sharp jump in headline inflation from 5.0 per cent at end-February 2008 to 7.4 per cent on March 29, 2008. The sharp increase in domestic

Chart 26: Edible Oils Inflation



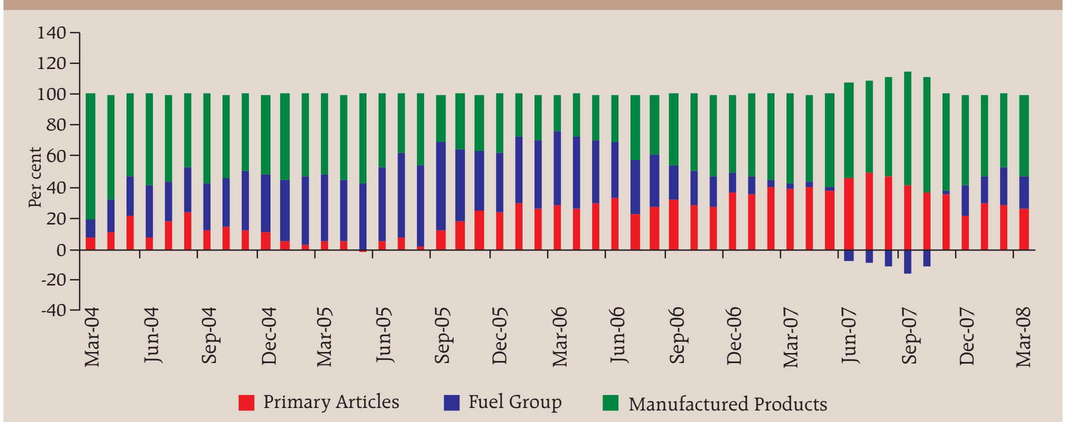
iron and steel prices was in line with the recent hardening of international steel prices (Chart 27). The continued hardening of electrical machinery prices (4.9 per cent on March 29, 2008 on top of 12.9 per cent recorded a year ago) reflected higher input prices as well as investment demand. The continued firming up of cement prices could be attributed largely to the strong demand from the construction sector and high capacity utilisation rates in the cement industry [93 per cent during 2007-08 (April-February) as compared with 90 per cent a year ago]. Basic heavy inorganic chemicals prices also increased sharply by 33.2 per cent, year-on-year, on March 29, 2008 as against a decline of 3.5 per cent recorded a year ago. Amongst other manufactured products, domestic prices of non-ferrous metals declined on a year-on-year basis, although international prices, which had eased up to December 2007, have firmed up from January 2008. Sugar prices remained flat reflecting higher domestic production, although international prices have firmed up in recent months. Despite higher domestic raw cotton prices, cotton textiles prices have declined year-on-year by 5.1 per cent on March 29, 2008 possibly reflecting competitive pressures from the global market and lower export demand.

Chart 27: Iron and Steel Prices



Overall, manufactured products were the major driver of annual year-on-year WPI inflation as on March 29, 2008 with weighted contribution of 53.5 per cent (57.3 per cent a year ago), followed by primary articles at 27.1 per cent (39.0 per cent) and the fuel group at 19.4 per cent (4.0 per cent) (Chart 28).

Chart 28: Major Groups' Weighted Contribution to WPI Inflation (year-on-year)



In order to contain inflationary pressures, the Government initiated a number of fiscal and supply augmenting measures during 2007-08. On April 3, 2007, the Government decided to exempt import of portland cement from countervailing duty and special additional customs duty; it was earlier exempted from basic customs duty in January 2007. The Government also took several measures with the aim of containing food price inflation. The Government reduced customs duty on palm oils by 10 percentage points across the board in April 2007 and import duty on various edible oils in a range of 5-10 percentage points in July 2007. It also withdrew the 4 per cent additional countervailing duty on all edible oils. Import of wheat at zero duty, which was available up to end-December 2006, was extended further to end-December 2007. Customs duty on import of pulses was reduced to zero on June 8, 2006 and the period of validity of import of pulses at zero duty, which was initially available up to March 2007, was first extended to August 2007 and further to March 2009. A ban was imposed on export of pulses with effect from June 22, 2006 and the period of validity of prohibition on exports of pulses, which was initially applied up to end-March 2007, was further extended up to end-March 2008. In order to increase the availability of onion, the National Agricultural Cooperative Marketing Federation of India Ltd. (NAFED) increased the minimum export price (MEP) by US $ 100 per tonne for all destinations from August 20, 2007 and by another US $ 50 per tonne with effect from October 2007 for restricting exports and augmenting availability in the domestic market. The minimum support price (MSP) for paddy was raised by Rs. 125 per tonne for this year and for wheat by Rs. 150 for 2007-08 and further by Rs. 150 for 2008-09.

In March 2008, the customs duty on semi-milled or wholly-milled rice was reduced from 70 per cent to zero per cent up to March 2009; customs duties on crude and refined edible oil were reduced from a range of 40-75 per cent to 20-27.5 per cent. The export of all edible oils were prohibited with immediate effect from March 17, 2008. Furthermore, on April 1, 2008, the Government announced a ban on the export of non-basmati rice and raised the minimum export price (MEP) to US $ 1,200 per tonne in respect of basmati rice. The Government also announced to allow import of crude form of edible oil at zero duty and refined form of edible oil at a duty of 7.5 per cent. The ban on export of pulses was also extended for one more year beginning April 1, 2008. These measures are expected to help in containing inflation and inflationary expectations.

As per the latest available information on WPI, headline inflation eased marginally to 7.3 per cent during the week ended April 12, 2008 from 7.4 per cent at end-March 2008.

Consumer Price Inflation

Inflation based on year-on-year variation in consumer price indices (CPIs) had eased up to January 2008, mainly reflecting the deceleration in food price inflation. Subsequently, there has been some increase in CPI inflation measures mainly due to food and fuel prices. Various measures of consumer price inflation were placed in the range of 5.5-7.9 per cent during February/ March 2008 as compared with 6.7-9.5 per cent in March 2007. Disaggregated data show that food group inflation in various CPI measures eased to a range of 6.2-8.5 per cent in February/March 2008 from 10.9-12.2 per cent in March 2007 (Table 42).

Table 42 : Consumer Price Inflation : Major Groups

(Year-on-year variation in per cent)

CPI Measure	Weight	Mar-03	Mar-04	Mar-05	Mar-06	Mar-07	Jun-07	Sep-07	Dec-07	Feb-08	Mar-08
1	2	3	4	5	6	7	8	9	10	11	12
CPI-IW (Base: 2001=100)#											
General	**100.0**	**4.1**	**3.5**	**4.2**	**4.9**	**6.7**	**5.7**	**6.4**	**5.5**	**5.5**	--
Food Group	46.2	3.7	3.1	1.6	4.9	12.2	8.1	8.7	6.2	7.0 *	--
Pan, Supari *etc.*	2.3	1.9	4.2	2.1	3.1	4.4	9.6	10.3	10.3	11.9 *	--
Fuel and Light	6.4	6.3	6.5	4.9	-2.9	3.2	1.6	2.3	2.3	2.3 *	--
Housing	15.3	5.4	3.9	20.4	6.6	4.1	4.1	4.0	4.0	4.7 *	--
Clothing, Bedding *etc.*	6.6	1.5	2.1	2.3	3.0	3.7	4.4	5.3	3.5	3.5 *	--
Miscellaneous	23.3	5.3	3.2	3.9	4.6	3.3	4.0	4.0	4.7	5.5 *	--
CPI-UNME (Base: 1984-85=100)											
General	**100.0**	**3.8**	**3.4**	**4.0**	**5.0**	**7.6**	**6.1**	**5.7**	**5.1**	**5.2**	**6.0**
Food Group	47.1	2.6	3.0	2.2	5.3	10.9	7.7	7.7	6.2	6.2	--
Fuel and Light	5.5	3.1	3.2	9.6	1.9	6.4	7.2	7.0	5.4	5.2	--
Housing	16.4	6.3	5.2	7.5	5.5	5.6	5.6	4.9	4.7	4.0	--
Clothing, Bedding *etc.*	7.0	2.6	2.6	2.0	2.9	3.6	4.3	4.0	4.1	4.4	--
Miscellaneous	24.0	6.0	2.8	4.4	5.1	4.4	3.7	3.2	3.8	4.2	--
CPI-AL (Base: 1986-87=100)											
General	**100.0**	**4.9**	**2.5**	**2.4**	**5.3**	**9.5**	**7.8**	**7.9**	**5.9**	**6.4**	**7.9**
Food Group	69.2	6.0	1.6	2.2	5.5	11.8	8.8	8.8	6.2	6.7	8.5
Pan, Supari *etc.*	3.8	3.5	4.7	-1.3	6.6	5.7	9.1	11.1	11.3	10.2	10.4
Fuel and Light	8.4	4.8	3.0	3.0	4.3	6.9	7.4	7.2	6.3	8.0	8.0
Clothing, Bedding *etc.*	7.0	3.0	4.1	2.5	2.2	3.5	2.7	1.9	1.3	1.8	1.8
Miscellaneous	11.7	3.1	2.7	5.5	5.5	6.8	6.7	5.5	5.2	5.9	6.1
CPI-RL (Base: 1986-87=100)											
General	**100.0**	**4.8**	**2.5**	**2.4**	**5.3**	**9.2**	**7.5**	**7.6**	**5.6**	**6.1**	**7.6**
Food Group	66.8	5.6	1.9	1.9	5.8	11.5	8.5	8.8	6.2	6.7	8.2
Pan, Supari *etc.*	3.7	3.5	4.7	-1.0	6.3	5.7	9.3	11.6	11.5	10.4	10.6
Fuel and Light	7.9	4.8	3.0	2.9	4.0	6.9	7.4	7.2	6.3	8.0	8.0
Clothing, Bedding *etc.*	9.8	3.3	3.4	2.8	2.7	3.1	2.6	2.1	2.6	2.8	2.8
Miscellaneous	11.9	3.1	3.0	5.5	5.2	6.3	6.2	5.3	5.0	5.9	6.2
Memo:											
WPI Inflation (End of period)		6.5	4.6	5.1	4.1	5.9	4.4	3.4	3.8	5.0	7.4
GDP Deflator based Inflation @		3.9	3.7	4.2	4.9	5.5	5.6	4.1	2.7	--	3.9

: Data prior to January 2006 are based on the old series (Base: 1982=100).

* : January 2008.

@ : Data for March pertain to full year.

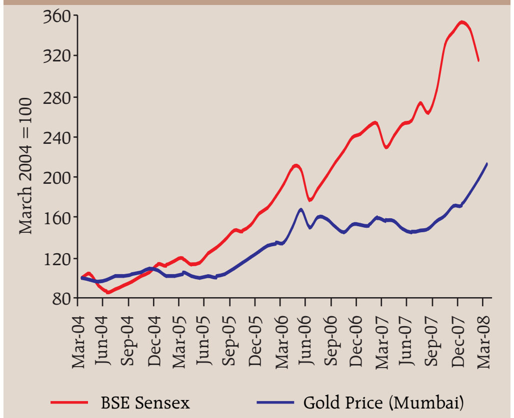
IW : Industrial Workers. UNME : Urban Non-Manual Employees.

AL : Agricultural Labourers. RL : Rural Labourers.

Asset Prices

Domestic equity prices, which had recorded further gains up to early-January 2008, witnessed sharp corrections thereafter on the back of heightened uncertainties in the global financial markets and concerns about some slowdown in the domestic economy (see Chapter V). Domestic gold prices, mirrored movements in international prices during 2007-08. Domestic gold prices increased by about 36 per cent, y-o-y, to around Rs. 12,739 per 10 grams in March 2008 in line with movement in international prices, which increased by almost 48 per cent over the same period (Chart 29). International gold prices touched a peak of US $ 1,011 per ounce on March 17, 2008, reflecting weakening of US dollar, hardening of oil prices and increased investor interest following uncertainties surrounding the global financial markets.

Chart 29: Asset Price Movements



V. Financial Markets

International Financial Markets

Global financial markets witnessed turbulent conditions during 2007-08 as the crisis in the US sub-prime mortgage market deepened and spilled over to markets for other assets. Concerns about slowdown in the real economy propelled a broad-based re-pricing of growth risk by the end of the year. In the wake of the persistent uncertainties about the US sub-prime mortgage market and other credit markets exposures, liquidity demand surged. To ease liquidity conditions, major central banks continued to inject liquidity in a more collaborative manner. Elevated inflationary pressures in many economies reflected historical peaks in crude oil prices. Share prices in advanced economies fell, while those in emerging market economies (EMEs), which had shown some resilience, declined sharply from January 2008. Long-term government bond yields in advanced economies softened, reflecting flight to safety by investors and easing of monetary policy in the US. In the currency markets, the US dollar depreciated against major currencies.

Recent financial market developments unfolded against the backdrop of an extended period of strong broad-based global growth and overall financial stability. The congruence of favourable macroeconomic conditions, abundant liquidity and low nominal rates generated perception of low financial risks. Investor appetite for high returns in a low interest rate environment encouraged market participants to undertake progressively higher risks, stimulated further technological development for unbundling and distributing risks through financial markets and boosted demand for a range of high yielding and complex financial products. Greater appetite for structured instruments was evident in the rapid rise in the issuance of asset-backed securities (ABSs), collateralised debt obligations (CDOs) and credit default swaps.

According to the IMF's assessment in April 2008[1], the recent financial market turbulence that erupted in August 2007 has developed into the largest financial shock since the Great Depression, inflicting heavy damage on markets and institutions at the core of the financial system. The turmoil, which was initiated by rapidly rising defaults on sub-prime mortgages in the context of a major US housing correction, subsequently spread to securities backed by mortgages, including CDOs structured to attract high credit ratings.

Delinquency rates on sub-prime mortgages (residential loans extended to individuals with poor credit history) had started rising markedly after mid-2005. However, the trigger for deterioration in the credit market was provided by the news that two hedge funds, which were active in the structured markets for credit instruments that had sub-prime exposure, had suffered heavy losses and almost lost their capital. The market value of credit products based on sub-prime mortgages also declined[2]. These losses were aggravated by a sharp fall in financial market liquidity as investors became reluctant to invest in such products. These events resulted in a tightening in underwriting standards, with fewer households qualifying for sub-prime loans. Losses on mortgage exposures worsened following adverse developments in the US housing market. There was further downgrading of ABSs with underlying assets as US sub-prime residential mortgages. Many issuers of asset-backed commercial paper (ABCP) programs found it extremely difficult to roll over maturing asset backed paper into new longer-term paper. The uncertainty over financial system exposures spread to banks and hedge funds outside the US as they indicated their exposures to this market. The rating agencies also announced that they would be downgrading asset backed securities with underlying pools of sub-prime mortgages.

In the wake of these events, activity in ABCP dwindled, while concerns about banks being forced to take ABCP exposures on to their balance sheets generated apprehensions about an impending credit crunch. Inability of commercial paper issuing vehicles to finance at longer maturities induced them to seek liquidity needs from their sponsor banks, which in turn, prompted banks to hoard liquidity. The uncertainty about the quality of counter-party assets also aggravated the situation. The disturbances, thus, spilled over into short-term money markets, causing steep increases in overnight interest rates in major economies in August 2007. The steep increases in the inter-bank rates occurred as banks sought to conserve

[1] World Economic Outlook, and Global Financial Stability Report, International Monetary Fund, April 2008.

[2] Cash flows generated by sub-prime mortgages were often repackaged into structured credit products and sold to investors.

their own liquidity in the face of pressures to absorb assets from off-balance-sheet vehicles for which they were no longer able to obtain funding and uncertainty about the size and distribution of banks' losses on holding of sub-prime securities and other structure credits. The UK witnessed some of the sharpest increases in the inter-bank rates as liquidity problems at the mortgage lender Northern Rock became more pronounced eventually triggering a bank run. The government bond yields in industrialised countries declined sharply with the yield on the 10-year paper in the US dropping by around 65 basis points, and those in the Euro area and Japan by around 40 basis points each by late August 2007 over first half of June 2007 as markets sold off and investors retreated from risky assets.

In August 2007, central banks in the US and other affected economies, therefore, injected liquidity to stabilise inter-bank markets. Open market operations of increased size and maturity were undertaken by the Bank of England, European Central Bank (ECB) and the US Federal Reserve System. The types of securities against which banks could borrow were broadened by the US Fed and the ECB to include mortgage backed securities. The US Fed also decided to accept ABCPs as collateral. On August 16, 2007, the US Federal Open Market Committee (FOMC) lowered its discount rate by 50 basis points, bringing in some calmness in markets. The Bank of England provided emergency liquidity assistance to Northern Rock. The US FOMC, at its meeting held on September 18, 2007, decided to cut the fed funds rate target by 50 basis points (bps) from 5.25 per cent to 4.75 per cent and correspondingly the federal discount rate from 5.75 per cent to 5.25 per cent. While the primary concern of the FOMC till August 2007 was the existence of inflationary pressures, the risks to economic growth were indicated as an added concern in its September 18, 2007 statement.

As a consequence of successive central bank liquidity injections into the inter-bank money markets and lower policy rates in the US, the credit markets recovered briefly in early October 2007. Renewed concerns about the uncertainty in the US housing market and direct and indirect exposures to associated economic and financial risks from mid-October 2007 led to widening of credit spreads. Mirroring the developments in the US, the credit spreads widened in the Euro area. Market conditions weakened for structured instruments, reflecting the deteriorating asset quality and uncertainties about valuation of structured credit products. This also reflected worsening of sentiment in the money market beginning mid-October 2007 as liquidity conditions became adverse leading to rise in inter-bank rates. The swap spreads between three-month inter-bank interest rates and overnight index swaps rose sharply reflecting greater preference for liquidity and rising counterparty risk premia. Spreads also increased sharply across other related market segments, including securities backed by credit cards, auto loans, student loans, and commercial mortgages, as a result of concerns about rising default rates, excessive leverage, and questionable securitisation techniques. Market participants evinced keen interest in government paper. Bond yields also fell in anticipation of weakening of economic activity and expectations of further monetary policy easing in the US.

In order to improve liquidity, the US Federal Reserve Board reduced its fed funds rate target by 25 basis points each on October 31, 2007 and December 11, 2007. The Bank of England and the Bank of Canada also reduced their policy rates in December 2007. In the situation of heightened tensions and serious impairment of functioning of the money markets, five central banks, viz., the Bank of Canada, the Bank of England, the European Central Bank, the Federal Reserve and the Swiss National Bank announced measures on December 12, 2007 in a collaborative manner to address elevated pressures. Actions taken by the Federal Reserve included the establishment of a Term Auction Facility (TAF) and the establishment of foreign exchange swap lines with the European Central Bank and the Swiss National Bank. The TAF allowed a potentially much larger pool of banks to bid for funds direct from the Fed. The goal of the TAF was to reduce the incentive for banks to hold cash and increase their willingness to provide credits to households and firms. The ECB announced that the Eurosystem would conduct two US dollar liquidity-providing operations, in connection with the US dollar TAF, against ECB-eligible collateral for a maturity of 28 and 35 days. The Bank of England expanded the amount of reserves offered at three months maturity in its long-term repo open market operations scheduled on December 18, 2007 and January 15, 2008. It also widened the range of collateral accepted for funds advanced at this maturity. The Bank of Canada announced that it would enter into term purchase and resale agreements extending over the calendar year-end.

In the UK, the Government had to extend guarantees to depositors of Northern Rock to avoid contagion in the banking system. The Northern Rock was also provided a large loan by the Bank of England. Under a fresh rescue plan under current consideration of the authority, the money lent to Northern Rock could be converted into government bonds, a move that would allow a private buyer to reduce the burden of heavy loan repayment immediately.

As evidence accumulated on an imminent slowdown in the real economy since January 2008, a broad-based re-pricing of growth risk ensued. In the wake of further worsening of the baseline outlook for real activity in 2008 and increasing downside risks to growth, the US Fed reduced the fed funds rate target sharply by 75 basis points to 3.50 per cent on January 22, 2008 and further by 50 basis points to 3.00 per cent on January 30, 2008, taking the total reduction to 225 basis points beginning September 18, 2007.

Sentiment in the credit market deteriorated along with weak growth in the US manufacturing sector, adverse labour market conditions, and uncertainty about the ability of the financial system to provide and allocate credit. Expectations of downgrading of monoline financial guarantees further affected market sentiment. Thus, global credit markets witnessed further volatility and spreads rose sharply across the board as further writedowns by major financial institutions and adverse news from the US housing sector aggravated the concerns of further weakening of the US economy. Between end-November 2007 and February 22, 2008, the US five-year CDX high-yield index spread rose by 204 basis points to 696, while corresponding investment grade spreads moved by 76 basis points to 152. European and Japanese indices broadly mirrored the performance of their US counterparts. The five-year iTraxx Crossover CDS index climbed 227 basis points to 575, while investment grade spreads rose by 71 basis points to 124. Spreads on the iTraxx Japan index also widened considerably. All the indices had moved to the widest levels since their inception back in 2004 on or around January 22, 2008, before reaching even higher peaks by late February 2008.

Nervousness about the feedback effect between market developments and economic outlook fuelled further volatility among all other segments of the financial market. Equity markets and the government bonds markets also remained volatile in February 2008, reflecting spillover of risks from the credit market to these segments and indications of further slowdown of the US economy. Government bond yields has declined sharply, and investment in commodity markets has escalated as investors sought alternative asset classes. The news of additional monoline downgrades, related recapitalisations and restructuring plans and increased loss estimates for exposures similar to those of the monolines, and renewed concerns about unwinds and structured instruments added further volatility to the financial markets. The equity markets declined in the US, Europe, Japan and other advanced economies. The equity markets in the EMEs, which had shown some resilient, saw more pronounced weaknesses from January 2008. Government bond yields declined further consequent to the decline in the equity markets and increasing safe haven flows towards the government securities market. This was supported by anticipations of further monetary policy easing in the US. The US Federal Reserve on March 14, 2008 announced to provide emergency funding to Bear Stearns, an investment bank. As per the arrangement, the New York Fed will fund the investment bank through its discount window by passing funds to JPMorgan Chase, which has set up a secured loan facility with Bear Stearns. In order to foster market liquidity and to promote moderate growth over time and to mitigate the risks to economic activity, the US Fed reduced the fed funds rate target sharply by 75 basis points to 2.25 per cent on March 18, 2008, taking the total reduction to 300 basis points beginning September 18, 2007.

In strong contrast to earlier periods of global financial disruption, the direct spillovers to emerging and developing economies have been largely contained so far. Issuance activity by these economies has moderated since August 2007, compared with the very high levels of issuance experienced during the previous year. However, the overall foreign exchange flows have been largely sustained, and international reserves have continued to rise. Foreign direct investment and portfolio equity flows have generally remained strong, although there have been sharp portfolio outflows during periods of market nervousness. Most emerging markets have significantly outperformed those in advanced economies since June 2007, even though spreads on emerging economies' sovereign and corporate debt have widened and equity prices retreated in early 2008.

Recent financial market developments raise several issues and concerns. First, according to the IMF's assessment, experience from the past episodes may not provide much guidance for the current unprecedented situation in the financial markets. In particular, the global economy is now facing widespread deleveraging as mechanisms for credit creation have been damaged in both the banking system and in the securities markets: the financial system's twin engines are both faltering at the same time. According to the IMF's staff estimates, potential losses to banks from exposure to the US sub-prime mortgage market and from related structured securities, as well as losses on other US credit classes such as consumer and corporate loans, could be of the order of US$ 440 - US$ 510 billion out of total potential losses of US$ 945 billion, which would put significant pressure on the capital adequacy of the US and European banks. Capital adequacy and leverage ratios were also being adversely affected by the re-intermediation onto bank balance sheets of off-balance-sheet structures such as conduits and leveraged buyout financing underwritten by major banks. According to the IMF, the adverse impact of bank lending reflected tightening of lending standards of the banks rather than deterioration in capital adequacy. In the securities markets, financial tightening measures have affected business conditions due to rise in spreads on corporate securities. For higher-risk borrowers, the rise was somewhat less pronounced than during the 2001 recession. Spreads facing prime corporate borrowers were close to 2002 highs, although overall yields still remain lower given the decline in government benchmarks. According to the IMF's expectations, issuances of complex structured credits are likely to be very limited until underlying weaknesses in the securitisation process are adequately addressed.

Second, while the practices of increased use of innovative credit instruments and complex layering of risk diffusion have reduced information costs, they have also enabled the investor or risk taker to become progressively remote from the ultimate borrowers where the actual risks reside. With a host of intermediaries in the form of mortgage brokers, mortgage companies and societies, packaging their mortgage assets including non-conforming loans and selling down to different categories of investors, including Special Investment Vehicles (SIVs), and hedge funds, the identification and location of risks in the whole chain is becoming increasingly challenging.

Third, the role of rating agencies has also come under scrutiny. The issues such as small number of rating agencies and the possible conflict of interest clearly suggest that the reliance only on rating agencies for risk assessment needs to be avoided.

Fourth, the confidence is also falling in the strength of the insurers that guarantee payments on bonds (monoline industry). Two major bond insurers reportedly have huge exposures in securities backed by assets, including subprime mortgages. Some of the bond insurers in fact, have already been downgraded by the rating agencies because of the losses on the sub-prime mortgage bonds they had insured. The cost of buying protection against defaults by US companies has also risen.

Fifth, as far as role of central banks is concerned, on one hand, there is a view that increased credibility of monetary policy has enhanced expectations for stability in both inflation and interest rates, which has led to the mispricing of risk and hence enhanced risk taking. On the other hand, another view is that the repeated assurances of stability and guidance to markets about the future path of interest rates by the central banks, coupled with the availability of ample liquidity, have led markets to underprice risks.

Sixth, the increased complexity of financial products and markets poses greater challenges to the regulators and supervisors to keep pace with the evolving risks to markets and institutions. As reported in the Report of the Financial Stability Forum[3], supervisors and regulators need to make sure that the risk management and control framework within financial institutions keeps pace with the changes in instruments, markets and business models, and that firms do not engage in activities without having adequate controls.

[3] Report of the Financial Stability Forum on Enhancing Market and Institutional Resilience, April 2008.

Seventh, an important lesson emerging from the recent financial market developments is that the focus should not be on how the turmoil should be managed, but on what policies could be put in place to strengthen the financial system on a longer-term basis regardless of specific sources of disturbances[4]. Two important areas that need attention in this regard are architecture of prudential framework and monetary policy. A strong macro-prudential principle to financial regulation and supervision would need to be put in place. This would address the limitations in risk perceptions and in incentives as well as the self-reinforcing processes that lie behind the generalised build-up of risk and financial imbalances. The basic principle would be to encourage a build up of cushions in booms, so that they can be run down, up to a point, in bad times, as the imbalances unwind. In the US, a view has emerged that an objective-based regulatory structure focussing on three goals such as the market stability regulation, prudential financial regulation and business conduct regulation could be the optimal regulatory structure[5] for the future.

The main challenge for monetary policy is that financial imbalances can also build up in the absence of overt inflationary pressures[4]. This suggests that it is important for monetary policy frameworks to allow for the possibility of a tightening even if near-term inflation

[4] Borio, Claudio (2008), "The Financial Turmoil of 2007-?: A Preliminary Assessment and Some Policy Considerations", BIS Working Papers.

[5] The Department of Treasury Blueprint for a Modernised Financial Regulatory Structure, United States, March 2008.

remains under control – what might be called the "response option". This would limit the risk of a painful macroeconomic adjustment subsequently, as the unwinding of the imbalances can result in macroeconomic weakness, broader financial strains, unwelcome disinflation and possibly even disruptive deflation. On the other hand, when the imbalances unwind, challenges are somewhat different. As in the build-up phase, one relates to adjustments in policy rates, i.e., in the monetary policy stance. Additionally, the other one may relate to the central bank's liquidity operations, which are aimed at implementing the policy stance and/or at responding to dysfunctional inter-bank market conditions. Furthermore, there appears to be simultaneous challenges from several angles to the conduct of monetary policy emanating from recent financial turbulence. These relate to abrupt and large shifts in monetary policy measures of the major economies, major realignments in exchange rates within a short period and unprecedented inflationary pressures due to food and energy prices. These warrant significant and innovative ways of cooperation among the central bankers.

Short-term Interest Rates

Short-term interest rates in 2007-08 witnessed a mixed trend. They declined in the US, and in the UK from December 2007, reflecting monetary easing. During 2007-08, the US Fed reduced its fed funds rate target by 300 basis points to 2.25 per cent. The Bank of England, which had increased its policy rate in May 2007 and July 2007, reduced it in December 2007 and February 2008 in the wake of concerns of slow growth. On the other hand, short-term interest rates increased in other advanced economies such as the Euro area and Sweden as central banks in these countries raised their policy rates. In the EMEs, short-term interest rates also witnessed a mixed trend during 2007-08, firming up in Argentina, China, South Korea and the Philippines, while softening in Hong Kong, Brazil and Thailand (Table 43).

Government Bond Yields

During the first quarter of 2007-08, government bond yields increased in major advanced economies, reflecting higher short-term rates and upward revision in growth expectations. Long-term government bond yields, however, softened in the subsequent part of the year, reflecting lower investor appetite for riskier assets in the wake of deteriorating housing market, turbulence in the credit market and monetary policy easing in the US (Chart 30). The 10-year government bond yield in the US increased from 4.65 per cent on March 30, 2007 to a high of 5.26 per cent on June 12, 2007 but declined to 3.45 per cent on March 31, 2008. On the whole, during 2007-08, the 10-year yield declined by 120 basis points in the US. Yield on 10-year government paper in other advanced economies also declined (49 basis points in the UK, 41 basis points in Japan and 16 basis points in the Euro area).

Equity Markets

Equity markets in the advanced economies declined reflecting concerns over recession in the US economy on

Table 43 : Short-term Interest Rates

(Per cent)

Region/Country	End of					
	March 2006	March 2007	June 2007	September 2007	December 2007	March 2008
1	2	3	4	5	6	7
Advanced Economies						
Euro Area	2.80	3.91	4.16	4.73	4.88	4.72
Japan	0.04	0.57	0.63	0.73	0.73	0.75
Sweden	1.99	3.21	3.42	3.54	4.02	4.11
UK	4.58	5.55	5.92	6.28	6.41	6.01
US	4.77	5.23	5.27	4.72	4.16	2.26
Emerging Market Economies						
Argentina	9.63	9.63	9.25	12.31	14.50	10.44
Brazil	16.54	12.68	11.93	11.18	11.18	11.18
China	2.40	2.86	3.08	3.86	4.35	4.50
Hong Kong	4.47	4.17	4.43	4.97	3.73	1.83
India	**6.11**	**7.98**	**7.39**	**7.19**	**7.35**	**7.23**
Malaysia	3.51	3.64	3.62	3.62	3.62	3.62
Philippines	7.38	5.31	6.19	6.94	6.56	6.44
Singapore	3.44	3.00	2.55	2.56	2.56	1.38
South Korea	4.26	4.94	5.03	5.34	5.71	5.32
Thailand	5.10	4.45	3.75	3.55	3.90	3.25

Note : Data for India refer to 91-day Treasury Bills rate and for other countries 3-month money market rates.
Source : The Economist.

account of contraction in the US service industry, weak earnings growth reported by some of the leading US companies, home foreclosures climbing to record high levels and lacklustre retail sales in the US. Equity markets bottomed out around January 22, 2008 following the unanticipated reduction in US short-term interest rates and news of possible capital injections into the monoline insurers. Equity markets rebounded somewhat in late January 2008, but much of these gains subsequently petered out in February-March 2008, reflecting further weakening of growth prospects. Between end-October 2007 and January 23, 2008, the MSCI developed

Chart 30: 10-year Government Bond Yields

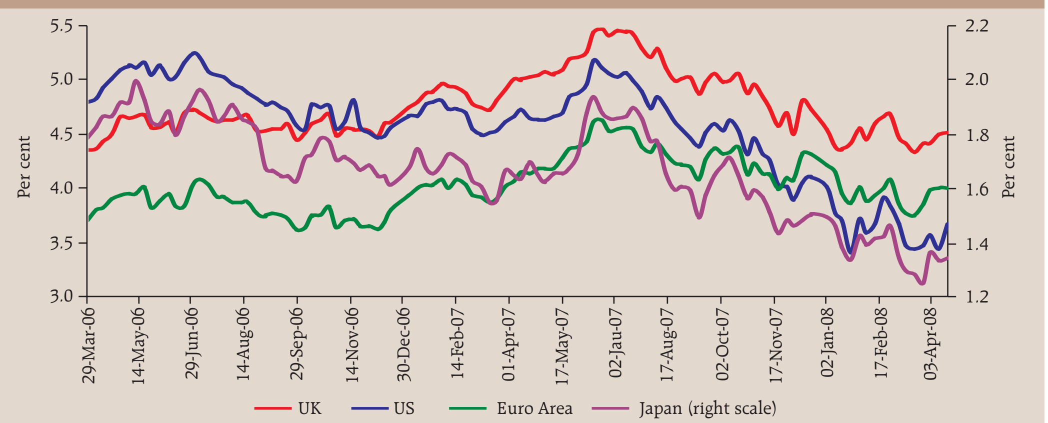
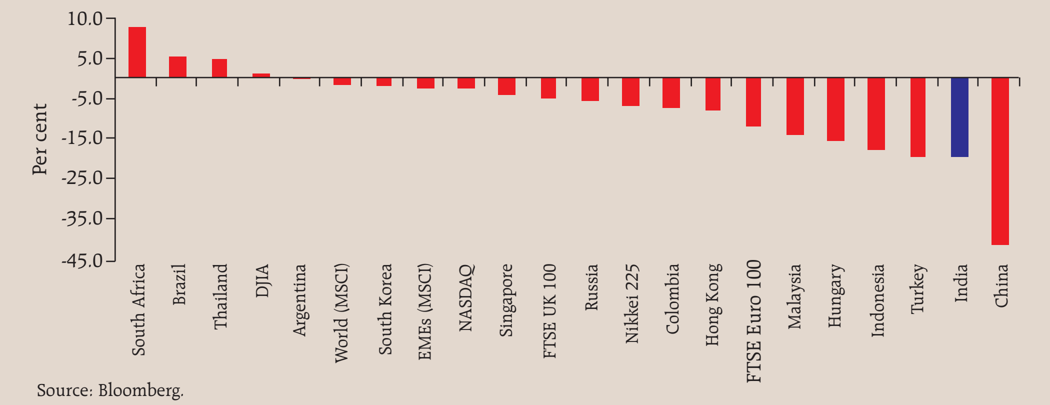


Chart 31 A: Variation between January 8, 2008 and April 22, 2008



Source: Bloomberg.

markets index declined by 17.0 per cent and was still down about 14.0 per cent between end-October 2007 and end-March 2008. On the other hand, equity markets in the EMEs recorded further gains during most part of 2007-08 amidst sharp intermittent corrections, reflecting healthy corporate earnings, strong portfolio flows and buoyant merger and acquisition activity. After remaining resilient, however, equity markets in EMEs witnessed pronounced weaknesses from January 2008 as risk tolerance and earning expectations were under pressure (Chart 31A). Between end-October 2007 and January 23, 2008, the MSCI emerging markets index declined by 21.1 per cent and was still down by about 17.2 per cent between end-October 2007 and end-March 2008.

Between end-March 2007 and end-March 2008, the MSCI emerging market index increased by 18.9 per cent, while the MSCI developed markets index declined by 5.1 per cent. These gains in the emerging markets were led by stock markets in Indonesia (33.7 per cent), Brazil (33.1 per cent), Thailand (21.3 per cent), India (19.7 per cent), South Korea (17.3 per cent), Hong Kong (15.4 per cent), South Africa (11.5 per cent), China (9.1 per cent) and Russia (6.1 per cent) (Chart 31B).

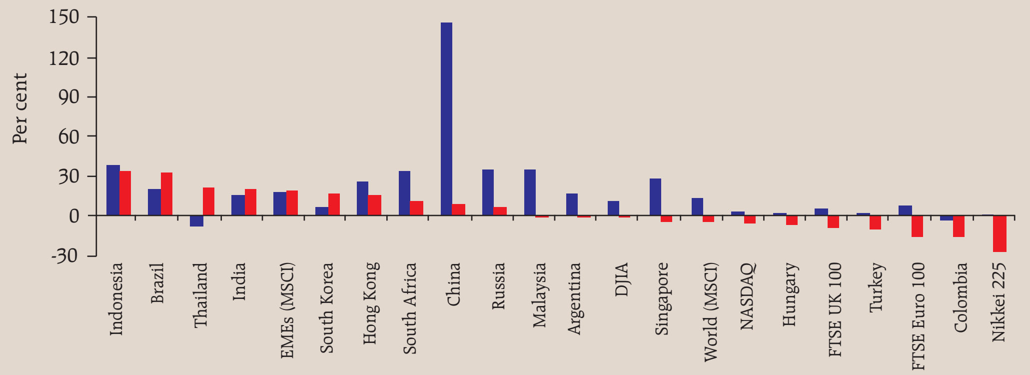
Foreign Exchange Market

In the foreign exchange market, the US dollar depreciated against the major currencies in the international market during 2007-08, reflecting US sub-prime crisis, fed funds rate cuts and lower than expected economic activity. The US dollar touched a historic low against the euro, Pound sterling and the Japanese yen in the last two quarters. During 2007-08, the US dollar depreciated by 15.8 per cent against the euro, 1.5 per cent against the Pound sterling and 14.9 per cent against the yen. Amongst Asian currencies, the US dollar depreciated by 9.3 per cent against the Chinese yuan, 10.2 per cent against the Thai baht; but it appreciated by 5.5 per cent against the South Korean won (Table 44).

Domestic Financial Markets

Indian financial markets remained largely orderly during 2007-08, barring the

Chart 31 B : Variation in International Stock Market Indices



Source: Bloomberg.

equity market which witnessed bouts of volatility, especially beginning second week of January 2008 in tandem with trends in major international equity markets. Over the year, however, the equity market registered further gains. Brief spells of volatility were observed in the money market on account of changes in capital flows and cash balances of the Central Government with the Reserve Bank. Interest rates in the money markets remained generally within the informal corridor set by reverse repo and repo rates during the year. Interest rates in the collateralised segment of the money market remained below the call rate during the year. In the foreign exchange market, the Indian rupee generally exhibited two-way movements. Yields in the Government securities market softened during most part of the year (Table 45).

Table 44: Appreciation (+)/Depreciation (-) of the US dollar *vis-à-vis* other Currencies

(Per cent)

Currency	End-March 2006 @	End-March 2007 @	End-March 2008 @	April 21, 2008 *
1	2	3	4	5
Euro	7.1	-9.1	-15.8	-0.5
Pound Sterling	8.5	-11.4	-1.5	0.3
Japanese Yen	9.4	0.2	-14.9	3.8
Chinese Yuan	-3.1	-3.4	-9.3	-0.2
Russian Rubble	-0.6	-6.1	-9.7	-0.1
Turkish Lira	-2.0	3.2	-5.8	0.1
Indian Rupee	**2.2**	**-2.5**	**-9.0**	**-0.2**
Indonesian Rupiah	-4.3	0.5	1.1	-0.3
Malaysian Ringgit	-3.0	-6.2	-7.8	-1.4
South Korea Won	-4.7	-3.7	5.5	0.9
Thai Baht	-0.7	-9.9	-10.2	-0.1
Argentina	5.4	0.7	2.1	0.3
Brazilian Real	-18.1	-6.4	-17.0	-2.8
Mexican Peso	-2.6	1.3	-3.5	-1.2
South African Rand	-0.5	17.2	11.3	-4.0

@ : Year-on-year variation. * : Variation over end-March 2008.

Table 45: Domestic Financial Markets at a Glance

Year/ Month	Call Money		Government Securities		Foreign Exchange				Liquidity Management		Equity			
	Average Daily Turnover (Rs. crore)	Average Call Rates* (Per cent)	Average Turnover in Govt. Securities (Rs. crore)+	Average 10-year Yield@ (Per cent)	Average Daily Inter-bank Turnover (US $ million)	Average Exchange Rate (Rs. per US $) (+) (US $ million)	RBI's net Foreign Currency Sales (-)/ Purchases cent)	Average 3-month Forward Premia (Per crore)	Average MSS Out-standing# (Rs. (Rs. crore)	Average Daily LAF Out-standing	Average Daily BSE Turnover (Rs. crore)	Average Daily NSE Turnover (Rs. crore)	Average BSE Sensex**	Average S & P CNX Nifty**
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2004-05	**14,170**	**4.65**	**4,826**	**6.22**	**8,860**	**44.93**	**20,847 ##**	**1.66**	**46,445**	**35,592**	**2,050**	**4,506**	**5741**	**1805**
2005-06	**17,979**	**5.60**	**3,643**	**7.12**	**12,655**	**44.27**	**8,143 ##**	**1.60**	**58,792**	**10,986**	**3,248**	**6,253**	**8280**	**2513**
2006-07	**21,725**	**7.22**	**4,863**	**7.78**	**18,717**	**45.28**	**26,824 ##**	**2.14**	**37,698**	**21,973**	**3,832**	**7,812**	**12277**	**3572**
2007-08	**21,393**	**6.07**	**8,104**	**7.91**	**33,792 P**	**40.24**	**-**	**2.16**	**1,28,684**	**4,677**	**6,335**	**14,148**	**16569**	**4897**
Mar 2006	18,290	6.58	2,203	7.40	17,600	44.48	8,149	3.11	29,652	-6,319	5,398	9,518	10857	3236
Apr 2006	16,909	5.62	3,685	7.45	17,712	44.95	4,305	1.31	25,709	46,088	4,860	9,854	11742	3494
May 2006	18,074	5.54	3,550	7.58	18,420	45.41	504	0.87	26,457	59,505	4,355	9,155	11599	3437
Jun 2006	17,425	5.73	2,258	7.86	15,310	46.06	0	0.73	31,845	48,610	3,131	6,567	9935	2915
Jul 2006	18,254	5.86	2,243	8.26	14,325	46.46	0	0.83	36,936	48,027	2,605	5,652	10557	3092
Aug 2006	21,294	6.06	5,786	8.09	15,934	46.54	0	1.22	40,305	36,326	2,867	5,945	11305	3306
Sep 2006	23,665	6.33	8,306	7.76	18,107	46.12	0	1.31	40,018	25,862	3,411	6,873	12036	3492
Oct 2006	26,429	6.75	4,313	7.65	16,924	45.47	0	1.67	41,537	12,983	3,481	6,919	12637	3649
Nov 2006	25,649	6.69	10,654	7.52	20,475	44.85	3,198	2.07	38,099	9,937	4,629	8,630	13434	3869
Dec 2006	24,168	8.63	5,362	7.55	19,932	44.64	1,818	3.20	38,148	-1,713	4,276	8,505	13628	3910
Jan 2007	22,360	8.18	4,822	7.71	21,171	44.33	2,830	4.22	39,553	-10,738	4,380	8,757	13984	4037
Feb 2007	23,254	7.16	4,386	7.90	20,298	44.16	11,862	3.71	40,827	648	4,676	9,483	14143	4084
Mar 2007	23,217	14.07	2,991	8.00	25,992	44.03	2,307	4.51	52,944	-11,858	3,716	7,998	12858	3731
Apr 2007	29,689	8.33	4,636	8.10	29,311	42.15	2,055	6.91	71,468	-8,937	3,935	8,428	13478	3947
May 2007	20,476	6.96	4,442	8.15	25,569	40.78	4,426	4.58	83,779	-6,397	4,706	9,885	14156	4184
Jun 2007	16,826	2.42	6,250	8.20	30,538	40.77	3,192	2.59	83,049	1,689	4,537	9,221	14334	4222
Jul 2007	16,581	0.73	13,273	7.94	32,586	40.41	11,428	1.12	82,996	2,230	5,684	12,147	15253	4474
Aug 2007	23,603	6.31	6,882	7.95	31,994	40.82	1,815	1.59	1,00,454	21,729	4,820	10,511	14779	4301
Sep 2007	21,991	6.41	5,859	7.92	36,768	40.34	11,867	1.45	1,17,674	16,558	6,157	13,302	16046	4660
Oct 2007	18,549	6.03	5,890	7.92	39,452 P	39.51	12,544	1.12	1,58,907	36,665	9,049	20,709	18500	5457
Nov 2007	20,146	6.98	4,560	7.94	30,677 P	39.44	7,827	1.40	1,75,952	-2,742	7,756	18,837	19260	5749
Dec 2007	16,249	7.50	7,704	7.91	31,547 P	39.44	2,731	1.64	1,64,606	-10,804	8,606	19,283	19827	5964
Jan 2008	27,531	6.69	19,182	7.61	38,008 P	39.37	13,625	2.07	1,59,866	15,692	8,071	19,441	19326	5756
Feb 2008	22,716	7.06	12,693	7.57	40,441 P	39.73	3,884	0.24	1,75,166	-1,294	5,808	13,342	17728	5202
Mar 2008	22,364	7.37	5,881	7.69	38,617 P	40.36	-	1.25	1,70,285	-8,271	6,166	14,056	15838	4770

* : Average of daily weighted call money borrowing rates.
+ : Average of daily outright turnover in Central Government dated securities.
@ : Average of daily closing rates.
# : Average of weekly outstanding MSS.
** : Average of daily closing indices.
: Cumulative for the financial year.
LAF : Liquidity Adjustment Facility.
MSS : Market Stabilisation Scheme.
BSE : Bombay Stock Exchange Limited.
NSE : National Stock Exchange of India Limited.
P : Provisional
- : Not available.

Note : In column 11, (-) indicates injection of liquidity, while (+) indicates absorption of liquidity.

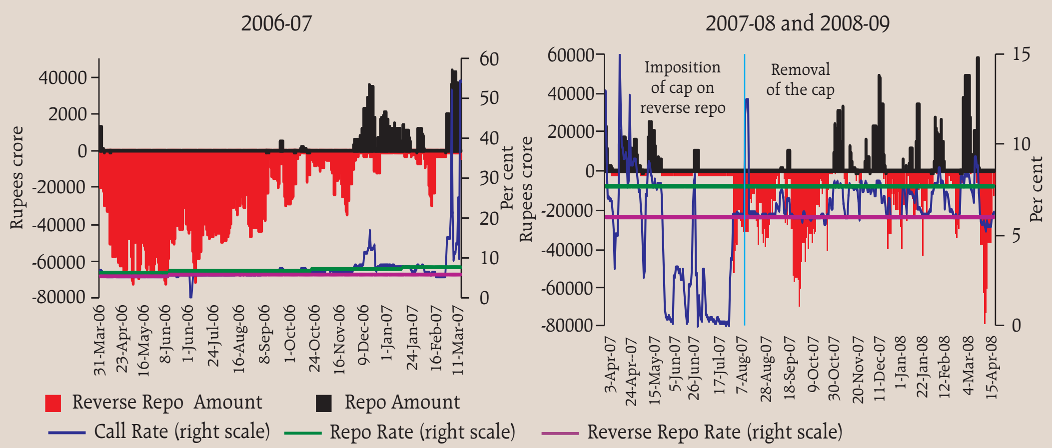
Money Market

In the call/notice money market, liquidity pressures eased gradually from April 4, 2007 till mid-April 2007 partly on account of reduction in the cash balances of the Central Government. Reflecting this, the weighted average call/notice rate, which had moved above the repo rate in the second half of March 2007, gradually eased to 3.27 per cent on April 12, 2007. Notwithstanding the continued reduction in the cash balances of the Central Government, liquidity conditions tightened thereafter partly on account of a two-stage hike in the cash reserve ratio (CRR) by 25 basis points each, announced on March 30, 2007; the CRR was placed at 6.25 per cent effective from the fortnights beginning from April 14, 2007 and at 6.50 per cent from April 28, 2007. Consequently, the call/notice money market rates edged higher and exceeded the repo rate during the second half of April 2007 and some part of May 2007. From May 28, 2007 onwards, the liquidity conditions eased significantly, reflecting the reduction in cash balances of the Central Government and Reserve Bank's foreign exchange market operations. In the background of excess liquidity and the cap of Rs. 3,000 crore under the reverse repo window of LAF imposed with effect from March 5, 2007, the call rate remained below the reverse repo rate in June and July 2007. In fact, the call rate was placed below 1 per cent on a number of occasions in June and July 2007; it reached as low as 0.13 per cent on August 2, 2007(Chart 32).

With the withdrawal of the ceiling of Rs.3,000 crore on the daily reverse repo window of LAF with effect from August 6, 2007, the call rate increased but remained mostly within the informal corridor of the reverse repo and repo rates of 6.00-7.75 per cent during August, September and October 2007. In the wake of relative tightness in the liquidity conditions from the second week of November 2007, however, call/notice money market rates edged up and moved around the upper bound of the informal corridor. This was mainly because of festive season demand for currency, increase in Central Government cash balances with the Reserve Bank and further hike in the CRR by 50 basis points to 7.5 per cent with effect from the fortnight beginning November 10, 2007. In December 2007, the call/notice rate continued to move around the repo rate as the liquidity conditions remained tight on account of advance tax outflows.

Call rates eased from the first week of January 2008 on the back of improvement in liquidity conditions partly on account of reduction in the surplus balances of the Central Government, but remained within the informal corridor for most of the days. Although call/notice money market rates edged up in the second half of March 2008, pre-emptive steps taken by the Reserve Bank, including special arrangements under the LAF, to smoothen the liquidity management, helped in maintaining orderly conditions in the money market. Call/notice money rates softened during the first three weeks of April 2008 and hovered around the reverse repo rate as

Chart 32: Liquidity Adjustment Facility and the Call Rate



liquidity conditions eased. The weighted average call/notice rate was 6.09 per cent on April 23, 2008. In the light of the prevailing macroeconomic, monetary and anticipated liquidity conditions, and with a view to contain inflation expectations, the Reserve Bank increased the CRR by 50 basis points to 8.0 per cent in two stages by 25 basis points each, to be effective from the fortnights beginning from April 26, 2008 and May 10, 2008.

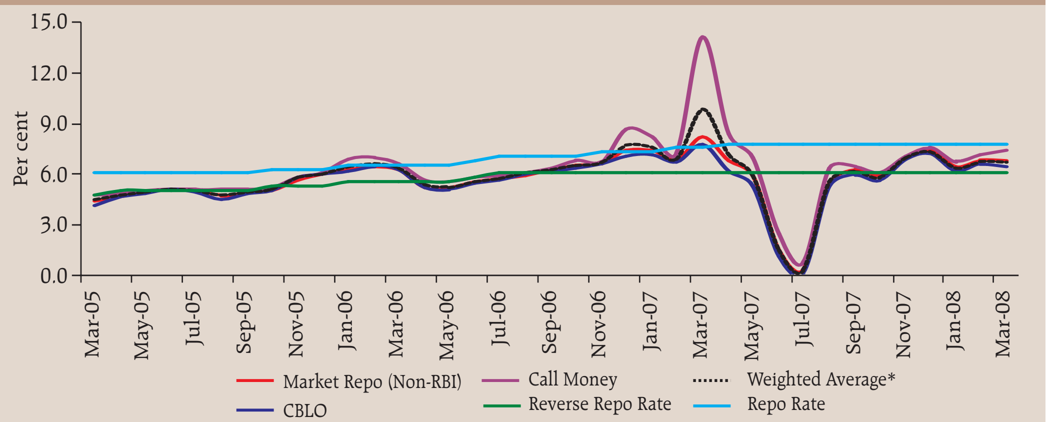
Interest rates in the collateralised segment of the money market – market repo (outside the LAF) and collateralised borrowing and lending obligation (CBLO) – moved in line with call rates, but remained below call money rates during the major part of the year (Chart 33). During 2007-08, interest rates averaged 5.50 per cent and 5.20 per cent and 6.07 per cent, respectively, in market repo, CBLO segment and call/notice money market (6.34 per cent, 6.24 per cent and 7.22 per cent, respectively, a year ago). The weighted average rate in all the three money market segments combined together was 5.48 per cent during 2007-08 as compared with 6.57 per cent a year ago.

The collateralised segment now constitutes the predominant segment of the money market, accounting for around 80 per cent of the total volume (Table 46). In both the CBLO and market repo sub-segments, mutual funds are the major providers of funds, while the commercial banks and primary dealers are the major borrowers of funds.

Certificates of Deposit

The outstanding amount of certificates of deposit (CDs) increased to Rs. 1,43,714 crore (6.0 per cent of deposits of issuing banks) by March 14, 2008 from Rs.93,272 crore at end-March 2007 (4.8 per cent of aggregate deposits) (Table 46). The weighted average discount rate (WADR) of CDs declined from 10.75 per cent as at end-March 2007 to 7.91 per cent in October 2007 and then increased to 9.98 per cent by March 14, 2008.

Chart 33: Money Market Interest Rates



* : Weighted average of interest rates in call money, CBLO and market repo segments.

Table 46: Activity in Money Market Segments

(Rupees crore)

Year/ Month	Average Daily Volume (One Leg)					Commercial Paper		Certificates of Deposit	
	Call Money Market	Repo Market (Outside the LAF)	Collateralised Borrowing and Lending Obligation (CBLO)	Total (2+3+4)	Term Money Market	Outstanding	WADR (per cent)	Outstanding	WADR (per cent)
1	2	3	4	5	6	7	8	9	10
2004-05	**7,085**	**4,284**	**3,349**	**14,718**	**263**	**11,723**	**5.34**	**6,052**	**-**
2005-06	**8,990**	**5,296**	**10,020**	**24,306**	**417**	**17,285**	**6.46**	**27,298**	**-**
2006-07	**10,863**	**8,419**	**16,195**	**35,477**	**506**	**21,329**	**8.08**	**64,821**	**8.24**
2007-08	**10,697**	**13,684**	**27,813**	**52,194**	**352**	**33,813**	**9.20**	**1,15,617**	**8.89**
Mar 2006	9,145	7,991	17,888	35,024	669	12,718	8.59	43,568	8.62
Apr 2006	8,455	5,479	16,329	30,263	447	16,550	7.30	44,059	7.03
May 2006	9,037	9,027	17,147	35,211	473	17,067	6.89	50,228	7.17
Jun 2006	8,713	10,563	13,809	33,085	628	19,650	7.10	56,390	7.19
Jul 2006	9,127	9,671	15,670	34,468	432	21,110	7.34	59,167	7.65
Aug 2006	10,647	7,764	15,589	34,000	510	23,299	7.31	65,621	7.77
Sep 2006	11,833	9,185	14,771	35,789	568	24,444	7.70	65,274	7.80
Oct 2006	13,214	9,721	16,964	39,899	466	23,171	7.77	65,764	7.73
Nov 2006	12,825	9,374	16,069	38,268	348	24,238	7.88	68,911	7.99
Dec 2006	12,084	7,170	15,512	34,766	481	23,536	8.52	68,619	8.28
Jan 2007	11,180	6,591	15,758	33,529	515	24,398	9.09	70,149	9.22
Feb 2007	11,627	7,794	19,063	38,484	467	21,167	10.49	72,795	9.87
Mar 2007	11,608	8,687	17,662	37,957	739	17,863	11.33	93,272	10.75
Apr 2007	14,845	7,173	18,086	40,104	440	18,759	10.52	95,980	10.75
May 2007	10,238	8,965	20,810	40,013	277	22,024	9.87	99,715	9.87
Jun 2007	8,413	10,295	20,742	39,450	308	26,256	8.93	98,337	9.37
Jul 2007	8,290	12,322	20,768	41,380	288	30,631	7.05	1,05,317	7.86
Aug 2007	11,802	16,688	26,890	55,380	319	31,527	8.30	1,09,224	8.67
Sep 2007	10,995	17,876	29,044	57,915	265	33,614	8.95	1,18,481	8.57
Oct 2007	9,275	15,300	29,579	54,154	221	42,183	7.65	1,24,232	7.91
Nov 2007	10,073	12,729	28,614	51,416	184	41,307	9.45	1,27,142	8.48
Dec 2007	8,124	13,354	30,087	51,565	509	40,243	9.27	1,23,466	8.81
Jan 2008	13,765	17,029	35,711	66,505	312	50,062	11.83	1,29,123	8.73
Feb 2008	11,358	17,682	36,007	65,047	525	40,642	9.73	1,39,160	9.94
Mar 2008	11,182	14,800	37,413	63,395	571	32,592	10.38	1,43,714 #	9.98 #

- : Not available. WADR : Weighted Average Discount Rate. #: As on March 14, 2008.

Commercial Paper

Commercial paper (CP) outstanding rose to Rs. 32,592 crore by March 31, 2008 from Rs. 17,863 crore at end-March 2007 (Table 46). The weighted average discount rate (WADR) on CP declined from 11.33 per cent at end-March 2007 to 7.65 per cent at end-October 2007. Thereafter, WADR hardened to 10.38 per cent as on March 31, 2008 in tandem with the liquidity conditions in the short-term money market. "Leasing and finance companies" continued to be the major issuers of CP, followed by "manufacturing and other companies" and financial institutions (Table 47). The CP issuance has been dominated by the prime-rated companies.

Treasury Bills

Primary market yields on Treasury Bills (TBs) hardened in the range of 41-46 basis points during 2007-08. TBs yields dipped on July 18, 2007, reflecting easy liquidity

Table 47: Commercial Paper - Major Issuers

(Rupees crore)

Category of Issuer	End of					
	March 2006	March 2007	June 2007	September 2007	December 2007	March 2008
	1	2	3	4	5	6
Leasing and Finance	9,400	12,594	18,260	24,396	27,529	24,925
	(73.9)	(70.5)	(69.5)	(72.6)	(68.4)	(76.5)
Manufacturing	1,982	2,754	3,956	5,538	9,419	5,687
	(15.6)	(15.4)	(15.1)	(16.4)	(23.4)	(17.4)
Financial Institutions	1,336	2,515	4,040	3,680	3,295	1,980
	(10.5)	(14.1)	(15.4)	(11.0)	(8.2)	(6.1)
Total	**12,718**	**17,863**	**26,256**	**33,614**	**40,243**	**32,592**
	(100.0)	**(100.0)**	**(100.00)**	**(100.0)**	**(100.0)**	**(100.0)**

Note : Figures in parentheses are percentage shares in the total outstanding.

conditions and very low short-term interest rates (Chart 34). The surplus liquidity in the wake of ceiling of Rs. 3,000 crore in LAF reverse repo resulted in extremely low short-term rates and aggressive bidding in auctions of TBs. Hence, the cut-off yield in auction of TBs declined. Treasury Bills yields hardened during August-September 2007 in tandem with higher money market interest rates and removal of the ceiling on absorption through reverse repo. Yields softened in October 2007, reflecting easy liquidity conditions and cut in the fed funds rate target. Yields hardened again in November 2007 with a hike in the CRR by 50 basis points with effect from November 10, 2007. Following the aggressive rate cuts by the US Fed, yields softened during January-March 2008. The yield spread between 364-day and 91-day TBs was 9 basis points in March 2008 (17 basis points in March 2007) (Table 48).

Chart 34: Yields on Treasury Bills

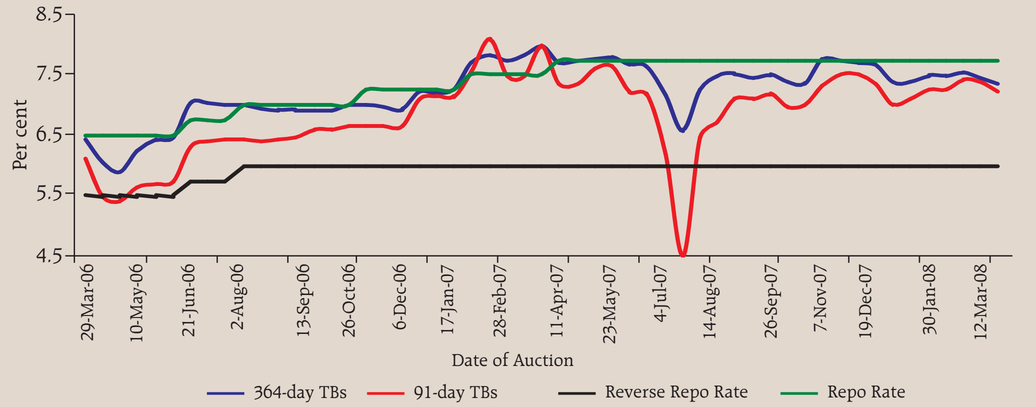


Table 48: Treasury Bills in the Primary Market

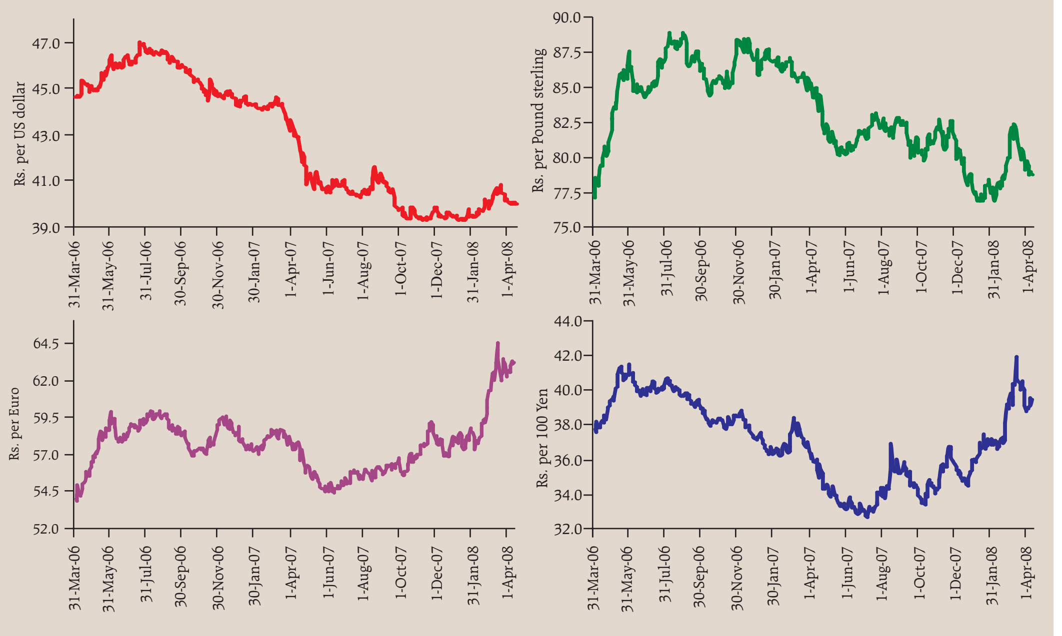
Month	Notified Amount (Rupees crore)	Average Implicit Yield at Minimum Cut-off Price (Per cent)			Average Bid-Cover Ratio		
		91-day	182-day	364-day	91-day	182-day	364-day
1	2	3	4	5	6	7	8
2004-05	**1,38,500 @**	**4.91**	**-**	**5.16**	**2.43**	**-**	**2.52**
2005-06	**1,55,500 @**	**5.68**	**5.82**	**5.96**	**2.64**	**2.65**	**2.45**
2006-07	**1,86,500 @**	**6.64**	**6.91**	**7.01**	**1.97**	**2.00**	**2.66**
2007-08	**2,24,500 @**	**7.10**	**7.40**	**7.42**	**2.84**	**2.79**	**3.21**
Mar 2006	6,500	6.51	6.66	6.66	4.17	3.43	3.36
Apr 2006	5,000	5.52	5.87	5.98	5.57	4.96	2.02
May 2006	18,500	5.70	6.07	6.34	1.88	1.84	1.69
Jun 2006	15,000	6.15	6.64	6.77	1.63	1.35	2.11
Jul 2006	16,500	6.42	6.75	7.03	1.82	1.55	3.12
Aug 2006	19,000	6.41	6.70	6.96	2.03	2.71	3.48
Sep 2006	15,000	6.51	6.76	6.91	1.35	1.80	2.92
Oct 2006	15,000	6.63	6.84	6.95	1.31	1.20	2.02
Nov 2006	18,500	6.65	6.92	6.99	1.33	1.22	2.49
Dec 2006	15,000	7.01	7.27	7.09	1.19	1.29	3.34
Jan 2007	19,000	7.28	7.45	7.39	1.02	1.35	1.74
Feb 2007	15,000	7.72	7.67	7.79	2.48	2.56	3.16
Mar 2007	15,000	7.73	7.98	7.90	2.08	2.15	3.87
Apr 2007	15,000	7.53	7.87	7.72	2.87	3.36	3.16
May 2007	18,500	7.59	7.70	7.79	2.33	2.57	2.33
Jun 2007	35,000	7.41	7.76	6.67	3.23	4.11	3.97
Jul 2007	12,500	5.07	5.94	6.87	4.48	2.70	4.56
Aug 2007	20,500	6.74	7.37	7.42	2.11	1.41	2.46
Sep 2007	25,000	7.08	7.33	7.48	2.07	2.91	2.83
Oct 2007	28,500	7.11	7.45	7.37	2.16	1.73	3.23
Nov 2007	22,500	7.47	7.65	7.75	1.63	1.38	1.88
Dec 2007	7,500	7.41	7.60	7.69	4.41	4.67	3.67
Jan 2008	19,000	7.08	7.24	7.39	2.63	1.61	4.36
Feb 2008	15,500	7.33	7.40	7.51	2.15	2.91	2.78
Mar 2008	5,000	7.33	7.45	7.40	3.97	4.17	3.34

@ : Total for the financial year.
Note: 1. 182-day TBs were reintroduced with effect from April 2005.
2. Notified amounts are inclusive of issuances under the Market Stabilisation Scheme (MSS).

Foreign Exchange Market

During 2007-08, the Indian rupee generally exhibited two-way movements (Chart 35). The rupee moved in the range of Rs.39.26-43.15 per US dollar during 2007-08. The rupee depreciated during the first half of August 2007 due to bearish conditions in the Asian stock markets including India, strong FII outflows and concerns over sub-prime lending crisis in the US, while it appreciated thereafter reflecting large capital inflows, weakening of the US dollar vis-à-vis other currencies and strong performance in the domestic stock markets. However, the rupee started depreciating against the US dollar from the beginning of February 2008 on account of bearish conditions in the stock market, capital outflows, rising crude oil prices and increased demand for US dollars by corporates. The exchange rate of the rupee was Rs.39.99 per US dollar on March 31, 2008. At this level, the Indian rupee appreciated by 9.0 per cent over its level on March 31, 2007. Over the same period, the rupee appreciated by 7.6 per cent against the Pound sterling, while it depreciated by 7.8 per cent against the Euro, 7.6 per cent against the Japanese yen and 1.1 per cent against the Chinese yuan. The exchange rate of the rupee was Rs.39.95 per US dollar on April 24, 2008. At this level, the rupee appreciated by 0.1 per cent against the US dollar over its level on March 31, 2008. Over the same period,

Chart 35: Movement of Rupee *vis-a-vis* Major Currencies



the rupee appreciated by 0.1 per cent against the Pound sterling, 3.3 per cent against the Japanese yen, but depreciated by 1.1 per cent against the Euro.

On an average basis, the 36-currency trade-weighted nominal effective exchange rate (NEER) and real effective exchange rate (REER) of the Indian rupee appreciated by 5.0 per cent and 4.5 per cent, respectively, between March 2007 and February 2008 (Table 49). During 2007-08, the 6-currency trade-weighted NEER and REER appreciated by 0.4 per cent and 2.7 per cent, respectively. However, 6-currency REER appreciated by 1.4 per cent between end-March 2008 and April 22, 2008; NEER appreciated by 0.1 per cent during the same period.

Spot market conditions kept forward premia on US dollar low during 2007-08 (Chart 36). In February 2008, while the rupee traded one-month forward at discount, three-month and six-month forward premia remained at their lowest levels during the financial year as exporters continued to offload forward positions. The one-month, three-month and six-month forward premia declined from 7.30 per cent, 5.14 per cent and 4.40 per cent, respectively, at end-March 2007 to 3.45 per cent, 2.75 per cent and 2.50 per cent, respectively, as on March 31, 2008.

The average daily turnover in the foreign exchange market increased to US $ 48.1 billion during 2007-08 from US $ 25.8 billion during 2006-07, reflecting large cross border trade and capital flows. While average inter-bank turnover increased to US $ 33.8 billion from US $ 18.7 billion, merchant turnover increased to US $ 14.3

Table 49: Nominal and Real Effective Exchange Rate of the Indian Rupee (Trade Based Weights)

Year/Month	Base : 1993-94 (April-March) = 100			
	6-Currency Weights		36-Currency Weights	
	NEER	REER	NEER	REER
1	2	3	4	5
1993-94	100.00	100.00	100.00	100.00
2000-01	77.43	102.82	92.12	100.09
2001-02	76.04	102.71	91.58	100.86
2002-03	71.27	97.68	89.12	98.18
2003-04	69.97	99.17	87.14	99.56
2004-05	69.58	101.78	87.31	100.09
2005-06	72.28	107.30	89.85	102.35
2006-07 (P)	68.93	105.47	85.89	98.51
2007-08 (P)	74.13	114.73	92.97	106.17
Mar 2006	72.45	107.41	89.52	101.25
Apr 2006	71.04	105.75	87.73	98.19
May 2006	68.79	103.48	85.43	96.42
Jun 2006	68.21	103.06	85.11	96.57
Jul 2006	67.59	102.25	84.22	95.72
Aug 2006	67.08	102.14	83.61	95.61
Sep 2006	67.84	104.75	84.65	97.98
Oct 2006	69.11	107.25	86.18	99.94
Nov 2006	69.34	107.82	86.50	100.32
Dec 2006	68.82	106.39	85.89	99.16
Jan 2007 (P)	69.77	107.70	87.05	100.73
Feb 2007(P)	69.88	107.71	87.20	100.71
Mar 2007(P)	69.70	107.41	87.11	100.75
Apr 2007 (P)	72.18	111.59	91.50	103.45
May 2007 (P)	74.64	115.67	94.38	106.84
Jun 2007 (P)	74.83	115.28	93.24	106.82
Jul 2007 (P)	74.62	115.27	93.09	106.89
Aug 2007 (P)	73.91	114.24	92.65	106.28
Sep 2007 (P)	74.11	115.14	92.91	106.87
Oct 2007 (P)	74.92	115.91	93.48	107.12
Nov 2007 (P)	73.82	114.03	92.92	105.71
Dec 2007 (P)	74.17	114.67	92.97	106.25
Jan 2008 (P)	73.87	113.97	92.59	106.36
Feb 2008 (P)	73.01	113.20	91.43	105.28
Mar 2008 (P)	70.00	110.27	-	-
April 22, 2008 (P)	70.19	112.71	-	-

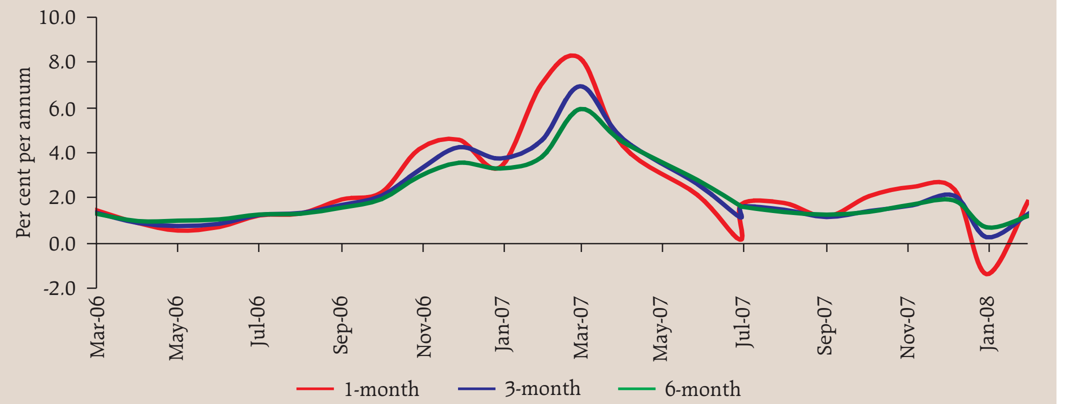
NEER: Nominal Effective Exchange Rate. REER: Real Effective Exchange Rate.
P : Provisional. - : Not available.
Note: Rise in indices indicates appreciation of the rupee and *vice versa.*

billion from US $ 7.0 billion (Chart 37). The ratio of inter-bank to merchant turnover was 2.4 during 2007-08 as compared with 2.7 a year ago.

Credit Market

The deposit rates of scheduled commercial banks (SCBs) softened, particularly at the longer end of the maturities during 2007-08. Interest rates offered by public sector banks (PSBs) on deposits of maturity of one year to three years were placed in the range of 8.25-9.25 per cent in march 2008 as compared with 7.25-9.50 per cent in March 2007, while those on deposits of maturity of above three years were placed in the range of 8.00-9.00 per cent in March 2008 as

Chart 36: Movement in Rs./US $ Forward Premia



compared with 7.50-9.50 per cent in March 2007 (Table 50). Similarly, interest rates offered by private sector banks on deposits of maturity of one year to three years were placed in the range of 7.25-9.25 per cent in March 2008 as compared with 6.75-9.75 per cent in March 2007, while those on deposits of maturity above three years were placed in the range of 7.25-9.75 per cent in March 2008 as compared with 7.75-9.60 per cent in March 2007. Interest rates offered by foreign banks on deposits of maturity of one year to three years were placed in the range of 3.50-9.75 per cent in March 2008 as compared with 3.50-9.50 per cent in March 2007.

As regards lending rates, the benchmark prime lending rates (BPLRs) of PSBs and private sector banks were placed in the range of 12.25-13.50 per cent and 13.00-16.50 per cent, respectively, in March 2008 as compared with 12.25-12.75 per cent and 12.00-16.50 per cent, respectively, in March 2007 (Chart 38). The BPLR of foreign banks

Chart 37 : Daily (Average) Turnover in Foreign Exchange Market

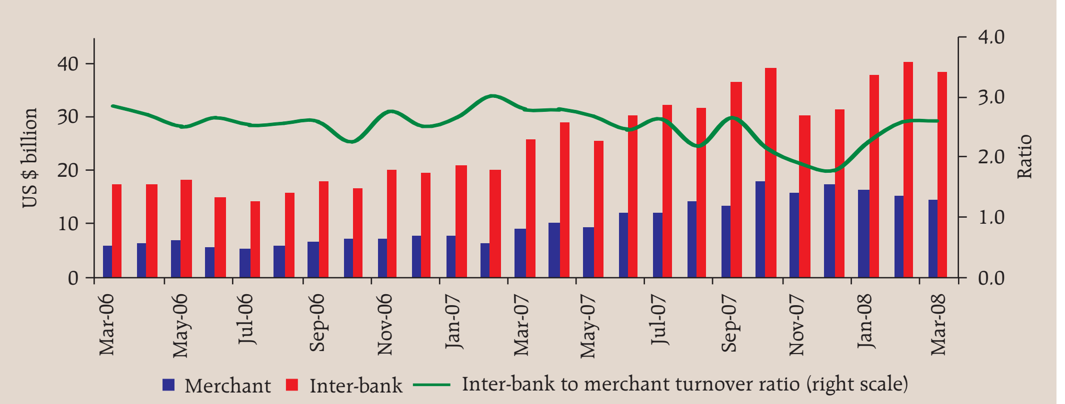


Table 50: Deposit and Lending Rates

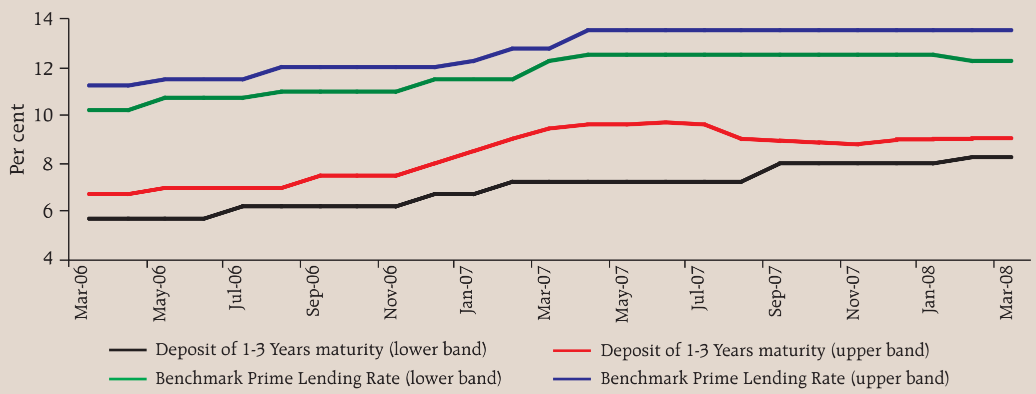
(Per cent)

Item	March 2006	March 2007	June 2007	September 2007	December 2007	March 2008
1	2	3	4	5	6	7
1. Domestic Deposit Rate						
Public Sector Banks						
Up to 1 year	2.25-6.50	2.75-8.75	2.75-8.75	2.75-8.50	2.75-8.50	2.75-8.50
More than 1 year and up to 3 years	5.75-6.75	7.25-9.50	7.25-9.75	8.00-9.00	8.00-9.25	8.25-9.25
More than 3 years	6.00-7.25	7.50-9.50	7.75-9.75	8.00-9.50	8.00-9.00	8.00-9.00
Private Sector Banks						
Up to 1 year	3.50-7.25	3.00-9.00	3.00-9.50	2.50-9.25	2.50-8.50	2.50-9.25
More than 1 year and up to 3 years	5.50-7.75	6.75-9.75	6.75-10.25	6.25-10.00	7.25-9.60	7.25-9.25
More than 3 years	6.00-7.75	7.75-9.60	7.50-10.00	7.25-10.00	7.25-10.00	7.25-9.75
Foreign Banks						
Up to 1 year	3.00-6.15	3.00-9.50	0.25-9.00	2.00-9.00	2.00-9.25	2.25-9.25
More than 1 year and up to 3 years	4.00-6.50	3.50-9.50	3.50-9.50	2.00-9.50	2.00-9.75	3.50-9.75
More than 3 years	5.50-6.50	4.05-9.50	4.05-9.50	2.00-9.50	2.00-9.50	3.60-9.50
2. Benchmark Prime Lending Rate						
Public Sector Banks	10.25-11.25	12.25-12.75	12.50-13.50	12.50-13.50	12.50-13.50	12.25-13.50
Private Sector Banks	11.00-14.00	12.00-16.50	13.00-17.25	13.00-16.50	13.00-16.50	13.00-16.50
Foreign Banks	10.00-14.50	10.00-15.50	10.00-15.50	10.00-15.50	10.00-15.50	10.00-15.50
3. Actual Lending Rate*						
Public Sector Banks	4.00-16.50	4.00-17.00	4.00-17.75	4.00-17.75	4.00-17.75	-
Private Sector Banks	3.15-20.50	3.15-25.50	4.00-26.00	4.00-24.00	4.00-22.00	-
Foreign Banks	4.75-26.00	5.00-26.50	2.98-28.00	2.00-28.00	5.00-28.00	-
4. Weighted Average Actual Lending Rate	**11.97**	**11.92**	-	-	-	-

- : Not available.
* : Interest rate on non-export demand and term loans above Rs.2 lakh excluding lending rates at the extreme five per cent on both sides.

remained unchanged during this period. The weighted average BPLR of PSBs increased from 12.4 per cent in March 2007 to 12.8 per cent in March 2008. Over the same period, the weighted average BPLR of private sector banks increased from 14.3 per cent to 15.1 per cent. The weighted average BPLR of foreign banks also increased from 12.6 per cent in March 2007 to 13.9 per cent in March 2008. The

Chart 38: Deposit and Lending Rates - Public Sector Banks



weighted average actual lending rate of SCBs declined from 12.57 per cent at end-March 2005 to 11.97 per cent at end-March 2006 and further to 11.92 per cent at end-March 2007.

Government Securities Market

Yields in the government securities market hardened somewhat during the first quarter of 2007-08, partly reflecting global trends and announcement of an unscheduled auction. Yields, however, remained generally range-bound during July-December 2007, partly reflecting global trends in yields, lower inflation and easy liquidity conditions (Chart 39). Yields softened during January and February 2008, reflecting easy liquidity conditions and lower inflation. From the second half of March 2008 yields hardened reflecting higher inflation. The 10-year yield moved in a range of 7.42-8.32 per cent during 2007-08. As on March 31, 2008, the yield was 7.93 per cent, 4 basis points lower than that at end-March 2007. The 10-year yield was 8.23 per cent on April 23, 2008. The spread between 1-year and 10-year yields was 45 basis points at end-March 2008 as compared with 42 basis points at end-March 2007. The spread between 10-year and 30-year yields was 47 basis points at end-March 2008 as compared with 37 basis points at end-March 2007.

The turnover in the government securities market increased in 2007-08 (Chart 40). The turnover almost doubled in July 2007 from its level in June 2007 on account of low funding cost at the shorter-end, but reverted in August-September 2007 as overnight rates rose to the corridor set by the reverse repo and repo rates. The turnover declined in November 2007 after increasing in October 2007 on account of hike in the CRR. The turnover increased in December 2007 and reached a peak in January 2008, reflecting lower yields. The turnover declined sharply in March 2008 as yields hardened.

The yield on 5-year AAA-rated corporate bonds softened during May-January 2007-08 in tandem with government securities yield. The credit spread between the yields on 5-year AAA-rated bonds and 5-year

Chart 39: Yields on Central Government Securities

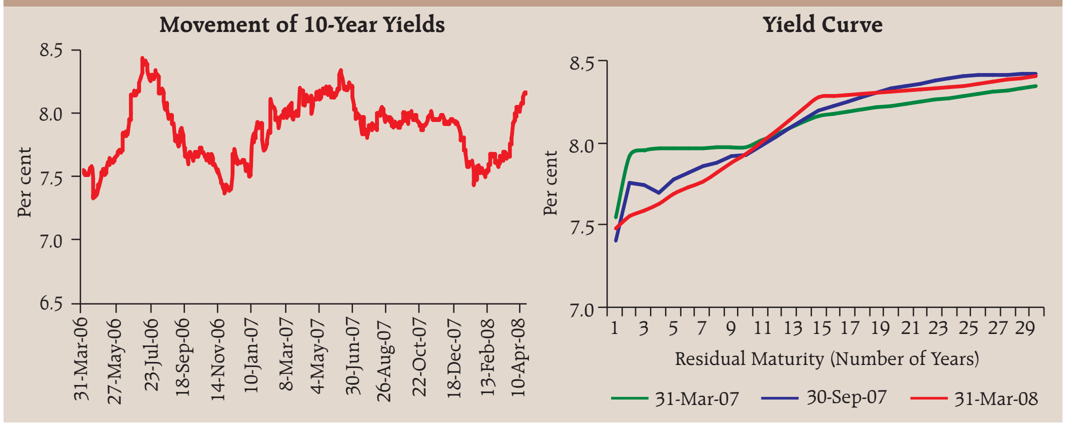
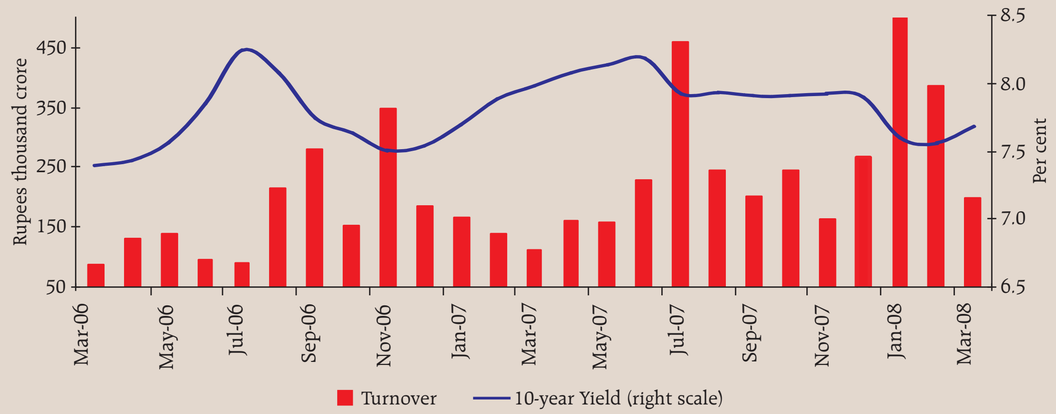


Chart 40: Government Securities Turnover and Yields (Monthly Average)



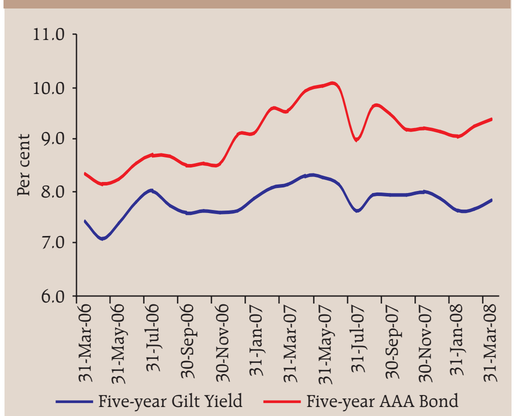
government securities was 156 basis points at end-March 2008 as compared with 142 basis points at end-March 2007 (Chart 41).

Equity Market

Primary Market

Resources raised through public issues by the corporate sector increased sharply by 158.5 per cent to Rs. 83,707 crore during 2007-08 over those in last year. The number of issues remained unchanged at 119 in 2007-08 (Table 51). The average size of public issues, however, increased from Rs.272 crore in 2006-07 to Rs.703 crore in 2007-08. All public issues during 2007-08 were in the form of equity, barring three which were in the form of debt. Out of 119 issues, 82 issues were initial public offerings (IPOs), accounting for 47.7 per cent of total resource mobilisation.

Chart 41: Credit Spreads



Mobilisation of resources through private placement increased by 34.9 per cent to Rs.1,49,651 crore during April-December 2007 over the corresponding period of the previous year (Table 51). Resources mobilised by private sector entities increased by 49.4 per cent, while those by public sector entities increased by only 15.5 per cent during April-December 2007. Financial intermediaries (both from public sector and private sector) accounted for the bulk (68.3 per cent) of the total resource mobilisation from the private placement market during April-December 2007 (69.0 per cent during April-December 2006).

Resources raised through Euro issues – American Depository Receipts (ADRs) and Global Depository Receipts (GDRs) – by Indian corporates during 2007-08 at

Table 51: Mobilisation of Resources from the Primary Market

(Amount in Rupees crore)

Item	2006-07		2007-08 P	
	No. of Issues	Amount	No. of Issues	Amount
1	2	3	4	5
A. Prospectus and Rights Issues*				
1. Private Sector (a+b)	**117**	**30,603**	**115**	**63,638**
a) Financial	8	1,425	11	14,676
b) Non-financial	109	29,178	104	48,962
2. Public Sector (a+b+c)	**2**	**1,779**	**4**	**20,069**
a) Public Sector Undertakings	1	997	-	-
b) Government Companies	-	-	2	2,516
c) Banks/Financial Institutions	1	782	2	17,553
3. Total (1+2)	**119**	**32,382**	**119**	**83,707**
of which:				
(i) Equity	116	31,532	116	82,398
(ii) Debt	3	850	3	1,309
	2006-07 (April-December)		2007-08 (April-December) P	
B. Private Placement				
1. Private Sector	**1,145**	**63,418**	**1,248**	**94,746**
a) Financial	462	38,159	696	64,438
b) Non-financial	683	25,259	552	30,308
2. Public Sector	**96**	**47,549**	**111**	**54,905**
a) Financial	78	38,360	74	37,709
b) Non-financial	18	9,189	37	17,196
3. Total (1+2)	**1,241**	**1,10,967**	**1,359**	**1,49,651**
of which:				
(i) Equity	1	57	-	-
(ii) Debt	1,240	1,10,910	1,359	1,49,651
Memo:				
C. Euro Issues	**40**	**17,005**	**26**	**26,556**

P : Provisional. * : Excluding offers for sale. - : Nil/Negligible.

Rs.26,556 crore were higher by 56.2 per cent than those during the previous year (Table 51).

During 2007-08, net mobilisation of resources by mutual funds increased by 63.6 per cent to Rs.1,53,802 crore over those in 2006-07 (Table 52). Net resource mobilisation by mutual funds increased sharply to Rs. 1,12,824 crore during April-August 2007 due to buoyant capital market conditions. However, resource mobilisation declined to Rs. 40,978 crore between September 2007 and March 2008 due to volatile conditions in the stock market. About 67.5 per cent of net mobilisation of funds by mutual funds during 2007-08 was under income/debt market-oriented schemes, out of which bulk of the resources were mobilised through debt other than assured return schemes. Growth-oriented schemes accounted for only 30.5 per cent of net resource mobilisation during 2007-08.

Secondary Market

The domestic stock markets, which remained generally firm up to early January 2008, witnessed a sharp correction beginning January 11, 2008 (Chart 42). Liquidity support from foreign institutional investors (FIIs), strong macroeconomic fundamentals, healthy corporate earrings,

Table 52 : Resource Mobilisation by Mutual Funds

(Rupees crore)

Category	April-March 2006-07		April-March 2007-08	
	Net Mobilisation @	Net Assets#	Net Mobilisation @	Net Assets #
1	2	3	4	5
Private Sector	79,038	2,62,079	1,33,304	4,15,621
Public Sector *	14,947	64,213	20, 498	89,531
Total	**93,985**	**3,26,292**	**1,53,802**	**5,05,152**

@: Net of redemptions. #: End-period. *: Including UTI Mutual fund.

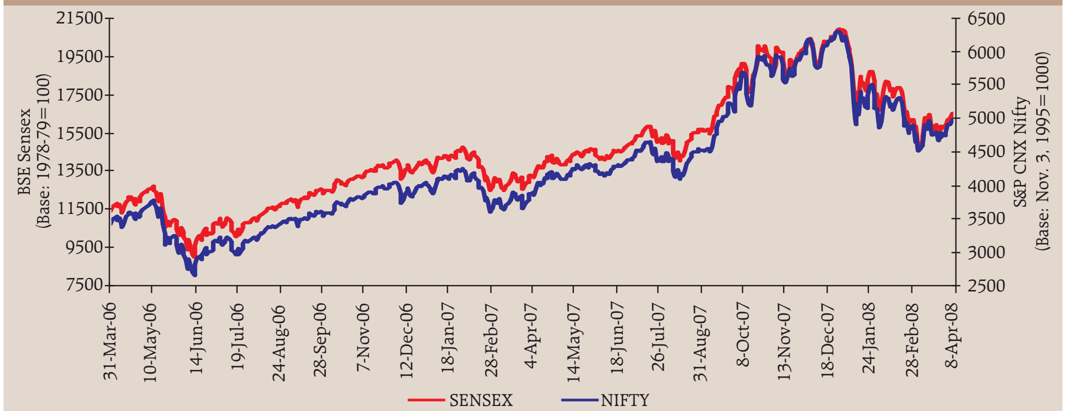
Note : Data exclude funds mobilised under Fund of Funds Schemes.

Source : Securities and Exchange Board of India.

upward trend in EMEs equity markets and other sector and stock specific news helped to boost the market sentiment during April-December 2007. Although the domestic stock markets during this period witnessed corrections in mid-August, mid-October and mid-December 2007, they again recovered to reach new high. Reflecting this, the BSE Sensex reached an all-time high of 20873.33 on January 8, 2008.

Beginning January 11, 2008, the domestic stock markets witnessed severe bouts of volatility due to heightened concerns over the severity of sub-prime lending crises in the US and its spill-over to other market segments and in other countries. Fears of recession in the US economy on account of contraction in the US service industry, weak earnings growth reported by some of the leading US companies, home foreclosures climbing to record high levels and lacklustre retail sales in the US also impacted the sentiment. Liquidity squeeze from the secondary market in the wake of the IPO issuances, heavy sales by FIIs in the Indian equity market, hike in short-term capital gains tax from 10 per cent to 15 per cent

Chart 42: Indian Stock Market



announced in the Union Budget 2008-09, increase in domestic inflation rate, rise in global crude oil prices to record highs and decline in ADR prices in the US markets were some of the other factors that adversely affected the market sentiment. Between end-March 2007 and March 31, 2008, the BSE Sensex moved in a wide range of 12455.37-20873.33. The BSE Sensex and the S&P CNX Nifty, closed at 15644.44 and 4734.50, respectively, on March 31, 2008 registering gains of 19.7 per cent and 23.9 per cent, respectively, over end-March 2007. The BSE sensex was 16698.04 on April 23, 2008.

According to the data released by the Securities and Exchange Board of India (SEBI), FIIs have invested Rs.52,574 crore (US $ 12.7 billion) in the Indian stock markets during 2007-08 as compared with net purchases of Rs.26,031 crore (US $ 5.7 billion) during 2006-07 (Chart 43). Between April 1, 2007 and January 8, 2008, FIIs invested Rs.66,898 crore (US $ 16.3 billion) in the Indian stock markets. However, FIIs made net sales of Rs.14,324 crore (US $ 3.6 billion) between January 9, 2008 and March 31, 2008. Mutual funds made net investments of Rs. 15,775 crore during 2007-08 as compared with net investments of Rs.9,062 crore during 2006-07.

The major gainers in the domestic stock markets during 2007-08 were metal, oil and gas, capital goods, fast moving consumer goods, public sector undertakings, banking and consumer durables sector stocks (Table 53).

Reflecting the upward trend in stock prices, the price-earnings (P/E) ratios of the 30 scrips included in the BSE Sensex rose from 20.3 at end-March 2007 to 28.5 by January 8, 2008 before sliding to 20.1 by end-March 2008 (Table 54). The market capitalisation of the BSE increased sharply by 44.9 per cent between end-March 2007 and end-March 2008. Market capitalisation to GDP ratio improved from 85.5 per cent at end-March 2007 to 156.7 per cent on January 8, 2008 before declining to 109.5

Chart 43 : Institutional Investment and Stock Market

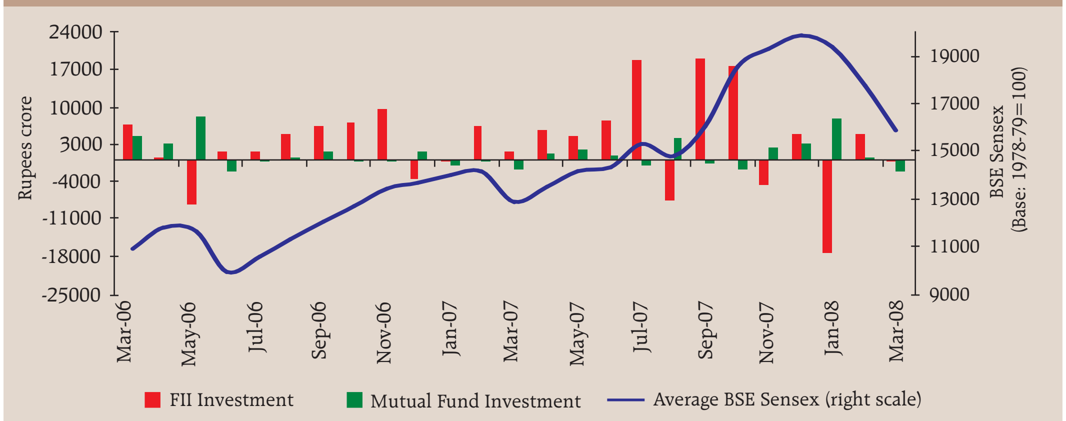


Table 53 : BSE Sectoral Stock Indices

(Base: 1978-79=100)

Sector	Variation (per cent)			
	End-March 2006@	End-March 2007@	End-March 2008 @	April 17, 2008 #
1	2	3	4	5
Fast Moving Consumer Goods	109.9	-21.4	33.3	2.1
Public Sector Undertakings	44.0	-3.2	30.2	0.4
Information Technology	49.2	21.6	-23.3	10.5
Auto	101.2	-8.5	-5.9	-1.5
Oil and Gas	61.1	30.5	63.7	9.0
Metal	40.3	-4.3	72.6	0.0
Health Care	51.2	-5.4	5.6	6.0
Bankex	36.8	24.2	25.4	1.2
Capital Goods	156	11.1	59.3	-7.4
Consumer Durables	115.4	11.1	12.7	4.8
BSE 500	65.2	9.7	29.1	2.5
BSE Sensex	73.7	15.9	19.7	5.3

@: Year-on-year variation. #: Change over end-March 2008.
Source: Bombay Stock Exchange Limited.

per cent by end-March 2008. The combined turnover of BSE and NSE in the cash segment during 2007-08 was higher by 76.8 per cent than that during 2006-07.

Table 54 : Stock Market Indicators

Indicator	BSE			NSE		
	2005-06	2006-07	2007-08	2005-06	2006-07	2007-08
1	2	3	4	5	6	7
1. BSE Sensex / S&P CNX Nifty						
(i) End-period	11280	13072	15644	3403	3822	4735
(ii) Average	8280	12277	16569	2513	3572	4897
2. Coefficient of Variation	16.7	11.1	13.7	15.6	10.4	14.4
3. Price-Earning Ratio (end-period)*	20.9	20.3	20.1	20.3	18.4	20.6
4. Price-Book Value Ratio*	5.1	5.1	5.2	5.2	4.9	5.1
5. Yield* (per cent per annum)	1.2	1.3	1.0	1.3	1.3	1.1
6. Listed Companies	4,781	4,821	4,887	1,069	1,228	1,381
7. Cash Segment Turnover (Rupees crore)	8,16,074	9,56,185	15,78,856	15,69,556	19,45,285	35,51,038
8. Derivative Segment Turnover (Rupees crore)	9	59,007	2,42,308	48,24,174	73,56,242	1,30,90,478
9. Market Capitalisation (Rupees crore) @	30,22,191	35,45,041	51,38,014	28,13,201	33,67,350	48,58,122
10. Market Capitalisation to GDP Ratio	84.4	85.5	109.5	78.6	81.2	103.5

* : Based on 30 scrips included in the BSE Sensex and 50 scrips included in the S&P CNX Nifty.
@ : As at end-period.
Source : Bombay Stock Exchange Ltd. (BSE) and National Stock Exchange of India Ltd. (NSE).

VI. The External Economy

India's balance of payments position remained comfortable during 2007-08 (April-December), despite acceleration in non-oil imports growth. Merchandise exports during 2007-08 (April-February) continued to maintain the growth achieved during 2006-07 (April-February). Imports during 2007-08 (April-February) posted a high growth rate; oil imports, however, recorded a deceleration from the strong growth recorded during the corresponding period of the previous year. Net invisibles remained buoyant during 2007-08 (April-December), led by higher growth in private transfers and software services exports. Despite sharp rise in trade deficit, the surplus on the invisibles account helped in containing the current account deficit, although it remained at a higher level than in the comparable period of 2006-07. Net capital inflows were substantially higher than those in the corresponding period of 2006-07. India's foreign exchange reserves increased by US $ 110.5 billion during 2007-08.

International Developments

The global economy expanded by 4.9 per cent in 2007 as against 5.0 per cent in 2006. After a stronger than expected growth in the third quarter of 2007, growth in most of the advanced economies decelerated sharply in the last quarter of 2007, mainly on account of the financial crisis that has spread beyond the US sub-prime mortgage market. In contrast, emerging and developing economies continued to grow above the trend, despite some slackening of exports and industrial production towards the end of year (Table 55).

Going forward, the growth in global economy is projected to decelerate to 3.7

Table 55 : Growth Rates - Global Scenario

(Per cent)

Region/Country	2006	2007	2008 P	2009 P	2006	2007			
					Q4	Q1	Q2	Q3	Q4
1	2	3	4	5	6	7	8	9	10
Advanced Economies									
Euro area	2.8	2.6	1.4	1.2	3.2	3.2	2.5	2.7	2.2
Japan	2.4	2.1	1.4	1.5	2.3	3.0	1.7	1.7	2.0
Korea	5.1	5.0	4.2	4.4	4.0	4.0	4.9	5.1	5.7
UK	2.9	3.1	1.6	1.6	3.0	3.0	3.1	3.2	2.8
US	2.9	2.2	0.5	0.6	2.6	1.5	1.9	2.8	2.5
OECD Countries	3.1	2.7	2.3	2.4	3.0	2.7	2.5	2.9	2.6
Emerging Economies									
Argentina	8.5	8.7	7.0	4.5	8.6	8.0	8.7	8.7	9.1
Brazil	3.8	5.4	4.8	3.7	4.4	4.3	5.4	5.7	6.2
China	11.1	11.4	9.3	9.5	10.7	11.1	11.5	11.5	11.2
India	9.6	8.7	7.9	8.0	9.1	9.1	9.3	8.9	8.4
Indonesia	5.5	6.3	6.1	6.3	6.1	6.1	6.4	6.5	6.3
Malaysia	5.9	6.3	5.0	5.3	5.7	5.5	5.8	6.6	7.3
Thailand	5.1	4.8	5.3	5.6	4.3	4.2	4.3	4.8	5.7

P : IMF Projections.
Note : Data for India in columns 2 and 3 refer to fiscal years 2006-07 and 2007-08, respectively.
Source : International Monetary Fund; The Economist; and the OECD.

per cent in 2008 mainly on account of expected slowdown in most of the advanced economies. The overall balance of risks to the short-term global growth outlook remains tilted to the downside. Interaction between negative financial shocks and the domestic demand remains a serious downside risk for the US and to some extent in Western Europe and elsewhere. However, there is some upside potential for projected domestic demand in emerging economies. The emerging market and developing economies are expected to remain as the stabilising factor in supporting the global economy and in cushioning global downturns. So far, the spillover to emerging markets and developing countries seems relatively contained mainly because of their limited direct exposure to sub-prime related securities. Consumption activity supported domestic demand in emerging Asian economies, while export growth has begun to show some signs of moderation. The strength of domestic demand in the region combined with rising food and energy prices have led to the build-up of inflationary pressures in a number of countries in emerging Asia. Apart from the possibility of further credit crunch, downside risks to global growth include contagion from the likely US recession, increased inflationary pressures driven by rising food and energy prices, and persisting global imbalances.

The IMF has projected the US economy to grow by 0.5 per cent in 2008 (2.2 per cent in 2007). The US growth prospects would hinge upon the future course of the housing correction, the extent of financial sector dislocation, and the ensuing impact on household and business finances. The Euro area is expected to grow by 1.4 per cent in 2008 (2.6 per cent in 2007) although there are increasing concerns that with spillovers from the US, tightening credit conditions and rising risk spreads may have adverse implications for domestic demand. Growth in Japan is projected to decelerate to 1.4 per cent in 2008 (2.1 per cent in 2007) on account of expected moderation in export growth and consumption. Growth projection for developing Asia is placed at 8.2 per cent for 2008 as against 9.7 per cent in 2007 (Table 56). Growth in emerging Asia during 2007 was led by China and India. Growth in China was driven by investment growth and net exports, although export growth moderated somewhat towards the end of year. GDP in China grew by 10.6 per cent in the first quarter of 2008. The IMF has projected growth in china to moderate to 9.3 per cent in 2008 (11.4 per cent in 2007).

The IMF has projected that India's growth would moderate to 7.9 per cent in 2008 from 8.7 per cent in 2007 (April-March). The moderation in growth of the

Table 56 : Select Economic Indicators - World

Item	2002	2003	2004	2005	2006	2007	2008P	2009P
1	2	3	4	5	6	7	8	9
I. World Output (Per cent change) #	2.8	3.6	4.9	4.4	5.0	4.9	3.7	3.8
	(1.9)	(2.6)	(4.0)	(3.4)	(3.9)	(3.7)	(2.6)	(2.6)
i) Advanced economies	1.6	1.9	3.2	2.6	3.0	2.7	1.3	1.3
ii) Emerging market and developing countries	4.7	6.2	7.5	7.1	7.8	7.9	6.7	6.6
of which: Developing Asia	6.9	8.1	8.6	9.0	9.6	9.7	8.2	8.4
II. Consumer Price Inflation (Per cent)								
i) Advanced economies	1.5	1.8	2.0	2.3	2.4	2.2	2.6	2.0
ii) Emerging market and developing countries	6.7	6.6	5.9	5.7	5.4	6.4	7.4	5.7
of which: Developing Asia	2.0	2.5	4.1	3.8	4.1	5.3	5.9	4.1
III. Net Capital Flows* (US $ billion)								
i) Net private capital flows (a+b+c)**	89.8	168.6	241.9	251.8	231.9	605.0	330.7	441.5
a) Net private direct investment	157.2	166.2	188.7	259.8	250.1	309.9	306.9	322.4
b) Net private portfolio investment	-92.2	-13.2	16.4	-19.4	-103.8	48.5	-72.2	31.0
c) Net other private capital flows	25.1	17.1	38.5	13.3	87.5	248.8	98.0	90.0
ii) Net official flows	-0.6	-50.0	-70.7	-109.9	-160.0	-149.0	-162.3	-149.8
IV. World Trade @								
i) Volume	3.5	5.4	10.7	7.6	9.2	6.8	5.6	5.8
ii) Price deflator (in US dollars)	1.1	10.4	9.6	5.5	4.9	8.2	8.6	1.1
V. Current Account Balance (Per cent to GDP)								
i) US	-4.4	-4.8	-5.5	-6.1	-6.2	-5.3	-4.3	-4.2
ii) China	2.4	2.8	3.6	7.2	9.4	11.1	9.8	10.0
iii) Middle East	4.8	8.3	11.8	19.7	20.9	19.8	23.0	19.4

P : IMF Projections.
: Growth rates are based on exchange rates at purchasing power parities. Figures in parentheses are growth rates at market exchange rates.
* : Net capital flows to emerging market and developing countries.
** : On account of data limitations, flows listed under 'Net private capital flows' may include some official flows.
@ : Average of annual percentage change for world exports and imports of goods and services.
Source : World Economic Outlook, International Monetary Fund, April 2008.

Indian economy, however, is projected to be of a lower order in 2008 in comparison with several advanced economies and other emerging market economies. Also, India's growth would remain the highest among the major emerging economies, after China.

According to the IMF projections, growth in world trade is expected to moderate to 5.6 per cent in volume terms in 2008 from 6.8 per cent in the preceding year (Table 56). Exports of other emerging market and developing countries are projected to grow by 7.1 per cent in 2008 (8.9 per cent a year ago), while those of advanced countries are expected to grow by 4.5 per cent (5.8 per cent a year ago).

World exports (in US dollar terms) in 2007 (January-December) posted a growth of 15.0 per cent, lower than 15.3 per cent in 2006. Exports of industrial countries in 2007 increased at a higher rate of 13.6 per cent than 12.4 per cent in 2006. On the other hand, export growth of emerging and developing economies was lower at 16.8 per cent during 2007 than 19.1 per cent in 2006 (Table 57).

According to the World Trade Organization (WTO) Report released recently, world merchandise trade growth declined to 5.5 per cent in 2007 (lower than 6.0 per cent forecast in April 2007) from 8.5 per cent in 2006, and may grow even more slowly in 2008 at about 4.5 per cent. Sharp economic deceleration in key developed countries is expected to be only partly offset by continuing strong growth in emerging economies. Assuming a basic scenario of global GDP growth between 2.5 per cent and 3 per cent, global merchandise trade, according to the WTO, is expected to slow down to about 4.5 per cent in 2008, or about 1 percentage point lower than in 2007. The global economy and world trade started to slow down in 2007 due to the deceleration of demand in the developed regions. Developing countries' share of world merchandise trade (exports plus imports) reached a new record level of 34 per cent in 2007. Developing countries and Commonwealth of Independent States (CIS) region are expected to record faster growth in imports than exports; together they are expected to contribute more than one half of global import growth in 2008.

Table 57 : Growth in Exports - Global Scenario

(Per cent)

Region/ Country	2005	2006	2007
1	2	3	4
World	14.0	15.3	15.0
Industrial Countries	8.5	12.4	13.6
Emerging and Developing Economies	22.0	19.1	16.8
Non-Oil Developing Countries	19.3	19.4	17.9
China	28.4	27.2	25.6
France	3.8	9.9	12.0
Germany	7.3	14.7	18.5
India	29.9	21.4	20.3
Indonesia	22.9	18.3	16.8
Japan	5.2	9.2	9.2
Korea	12.0	14.4	14.2
Malaysia	12.0	14.0	9.6
Singapore	15.6	18.4	10.1
Thailand	14.5	18.5	16.8
US	10.8	14.7	12.2

Source: International Financial Statistics, International Monetary Fund; DGCI&S for India.

Merchandise Trade

According to the provisional data released by the Directorate General of Commercial Intelligence and Statistics (DGCI&S), India's merchandise exports recorded a growth of 22.8 per cent during 2007-08 (April-February), as compared with 23.2 per cent growth posted during the corresponding period of 2006-07, thereby maintaining the momentum. Growth in imports at 30.1 per cent was higher than 25.2 per cent recorded a year ago (Chart 44). Non-oil imports, which recorded a substantial increase of 31.8 per cent (22.6 per cent a year ago), contributed about 72 per cent to overall import growth. Oil imports during April-February 2008 showed a deceleration in growth (26.4 per cent as against 31.2 per cent in April-February 2007). Merchandise trade deficit during April-February 2008 aggregated US $ 72.5 billion, an increase of US $ 23.1 billion over a year ago (US $ 49.4 billion).

Commodity-wise data available for April-December 2007 show that all major commodity groups, barring agricultural and allied products, ores and minerals, and gems and jewellery group recorded deceleration. Agricultural and allied products, petroleum products, engineering goods, and gems and jewellery were the main drivers of export growth, as these product groups together constituted about 70 per cent of the overall export growth (Table 58). Growth of manufactured goods in general moderated, as most of the principal components such as engineering goods, chemicals and related products, textiles and textile products, leather and manufactures exhibited lower growth rates. Exports of petroleum products increased at a lower rate of 37.3 per cent as compared to 74.6 per cent during April-December 2006. Non-oil exports, however, posted a higher growth rate of 21.6 per cent than 18.7 per cent recorded in April-December 2006.

Destination-wise, the US continued to be the single largest market for India's exports during 2007-08, although its share declined from 15.3 per cent in April-December 2006 to 13.4 per cent in April-December 2007. The US was followed by the UAE (10.1 per cent), China (6.0 per cent), Singapore (4.5 per cent) and the UK (4.3 per cent). Among the major regions, India's exports to European Union (EU) and Asian developing countries showed accelerated growth, while exports to North America and the OPEC decelerated during April-December 2007 (Table 59).

Chart 44: India's Merchandise Trade

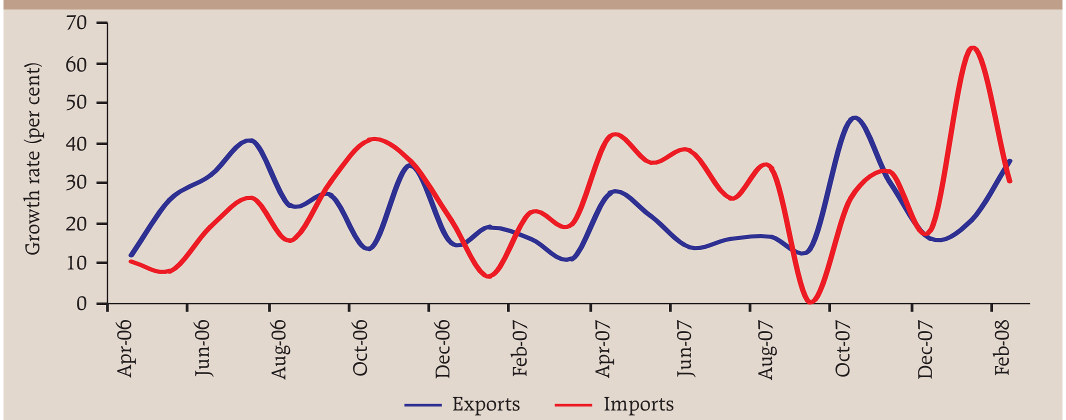


Table 58 : Exports of Principal Commodities

Commodity Group	US $ billion			Variation (per cent)		
	2006-07	2006-07	2007-08	2006-07	2006-07	2007-08
		April-December			April-December	
1	2	3	4	5	6	7
1. Primary Products	**19.7**	**13.2**	**17.2**	**20.2**	**18.5**	**30.3**
of which:						
a) Agriculture and Allied Products	12.7	8.6	11.6	24.2	23.0	34.9
b) Ores and Minerals	7.0	4.6	5.6	13.6	11.0	21.8
2. Manufactured Goods	**84.9**	**61.5**	**72.1**	**17.0**	**18.7**	**17.2**
of which:						
a) Chemicals and Related Products	17.3	12.6	14.7	17.4	21.3	15.9
b) Engineering Goods	29.6	21.3	25.5	36.1	38.4	19.7
c) Textiles and Textile Products	17.4	12.7	13.7	5.9	8.5	7.9
d) Gems and Jewellery	16.0	11.5	14.5	2.9	2.0	25.6
3. Petroleum Products	**18.7**	**14.3**	**19.7**	**60.5**	**74.6**	**37.3**
4. Total Exports	**126.4**	**91.4**	**113.4**	**22.6**	**25.0**	**24.1**
Memo:						
Non-oil Exports	107.7	77.0	93.7	17.7	18.7	21.6

Source: DGCI&S.

Commodity-wise details on imports available for April-December 2007 revealed that capital goods, and gold and silver were the main contributors of growth in non-oil imports. Capital goods increased by 31.6 per cent, while imports of gold and silver increased by 34.4 per cent over April-December 2006. Non-oil imports, net of gold and silver, increased at an accelerated pace of 29.2 per cent (22.5 per cent during April-December 2006). Among other non-oil products, imports of pearls, precious and semi-precious stones, chemicals, and iron and steel showed accelerated growth during the period (Table 60).

Source-wise, China was the major source of imports accounting for 11.5 per

Table 59 : Direction of India's Exports

Group/Country	US $ billion			Variation (per cent)		
	2006-07	2006-07	2007-08	2006-07	2006-07	2007-08
		April-December			April-December	
1	2	3	4	5	6	7
1. OECD Countries	**52.0**	**37.8**	**44.6**	**13.5**	**15.0**	**18.1**
of which:						
a) European Union	25.8	18.5	23.2	15.1	16.2	25.5
b) North America	20.0	14.8	16.1	8.7	10.8	9.3
US	18.9	13.9	15.2	8.7	10.6	9.3
2. OPEC	**20.7**	**15.3**	**19.2**	**35.8**	**44.2**	**25.4**
of which:						
UAE	12.0	8.9	11.4	40.0	48.9	28.0
3. Developing Countries	**49.9**	**36.3**	**46.7**	**27.5**	**29.5**	**28.7**
of which:						
Asia	36.7	26.9	34.0	20.9	23.1	26.3
People's Republic of China	8.3	5.6	6.7	22.7	24.1	20.7
Singapore	6.1	4.8	5.1	11.9	17.2	7.7
4. Total Exports	**126.4**	**91.4**	**113.4**	**22.6**	**25.0**	**24.1**

Source : DGCI&S.

Table 60 : Imports of Principal Commodities

Commodity Group	US $ billion			Variation (per cent)		
	2006-07	2006-07	2007-08	2006-07	2006-07	2007-08
		April-December			April-December	
1	2	3	4	5	6	7
Petroleum, Petroleum Products and Related Material	57.1	43.9	54.4	30.0	39.4	24.0
Edible Oil	2.1	1.7	2.0	4.2	8.8	18.9
Iron and Steel	6.4	4.5	6.5	40.5	30.8	43.4
Capital Goods	47.1	30.9	40.7	25.0	35.9	31.6
Pearls, Precious and Semi-Precious Stones	7.5	5.9	7.1	-18.0	-20.6	20.8
Chemicals	7.8	5.8	7.3	12.1	11.9	25.4
Gold and Silver	14.6	10.7	14.4	29.4	24.5	34.4
Total Imports	**185.7**	**134.5**	**172.1**	**24.5**	**27.7**	**27.9**
Memo:						
Non-oil Imports	128.6	90.6	117.7	22.2	22.7	29.9
Non-oil Imports excluding Gold and Silver	114.0	79.9	103.3	21.4	22.5	29.2
Mainly Industrial Inputs*	104.7	73.3	94.2	19.6	21.5	28.5

* : Non-oil imports net of gold and silver, bulk consumption goods, manufactured fertilisers and professional instruments.
Source : DGCI&S.

cent of total imports (oil plus non-oil imports) during April-December 2007. The other major sources of imports were Saudi Arabia (7.8 per cent), the US (5.8 per cent), the UAE (5.6 per cent), Switzerland (4.6 per cent), Iran (4.2 per cent) and Germany (3.9 per cent).

India's exports have shown an average growth of 25.6 per cent during the period 2004-05 to 2006-07. It has maintained the growth momentum during 2007-08 with exports recording 22.8 per cent growth during 2007-08 (April-February). This, to an extent, reveals the terms of trade effect emanating from relatively high export prices realised *vis-à-vis* import prices. During 2004-05 to 2006-07, the unit value index of India's exports, on an average, increased by 8.7 per cent as compared with 4.6 per cent for imports. As a result, net terms of trade in favour of exports (unit value index of exports as percentage of unit value index of imports) increased by 5.6 per cent during this period. The improvement in net terms of trade was on account of realisation of higher export prices for commodities such as cereals, ores and minerals, iron and steel, non-ferrous metals and petroleum products- an outcome of surge in global commodity prices.

Trade deficit during April-February 2008 widened to US $ 72.5 billion, from US $ 49.4 billion a year ago (Table 61). The trade deficit on the oil account increased by US $ 5.2 billion during April-December 2007 to US $ 34.7 billion while non-oil trade deficit increased by US $ 10.4 billion to US $ 24.0 billion.

Current Account

Net surplus under invisibles (services, transfers and income taken together) was higher at US $ 50.5 billion in April-December 2007 as compared with US $ 36.3 billion in April-December 2006, reflecting mainly the rise in remittances from the overseas Indians and software services

Table 61 : India's Merchandise Trade

(US $ billion)

Item	2005-06	2006-07	2006-07	2007-08
			April-February	
1	2	3	4	5
Exports	103.1	126.4	112.7	138.3
Imports	149.2	185.7	162.0	210.8
Oil	44.0	57.1	52.2	65.9
Non-oil	105.2	128.6	110.0	144.8
Trade Balance	-46.1	-59.4	-49.4	-72.5
Non-Oil Trade Balance	-13.8	-20.9	-14.3	..
				Variation (per cent)
Exports	23.4	22.6	23.2	22.8
Imports	33.8	24.5	25.2	30.1
Oil	47.3	30.0	31.2	26.4
Non-oil	28.8	22.2	22.6	31.8

.. : Not Available.
Source : DGCI&S.

exports (Table 62). Growth in invisible receipts as well as invisible payments decelerated in April-December 2007 mainly on account of deceleration in exports of software and business services. The major components of invisible payments were travel payments, transportation, business service payments such as business and management consultancy, engineering and other technical services, and dividend and profit payments.

The net invisible surplus offset a large part of the trade deficit (75.9 per cent) during April-December 2007, thereby containing the current account deficit at US $ 16.0 billion during April-December 2007 (US $14.0 billion in April-December 2006) (Chart 45 and Table 63). Net of remittances, the current account deficit was US $ 43.9 billion during April-December 2007 (US $ 33.5 billion a year ago).

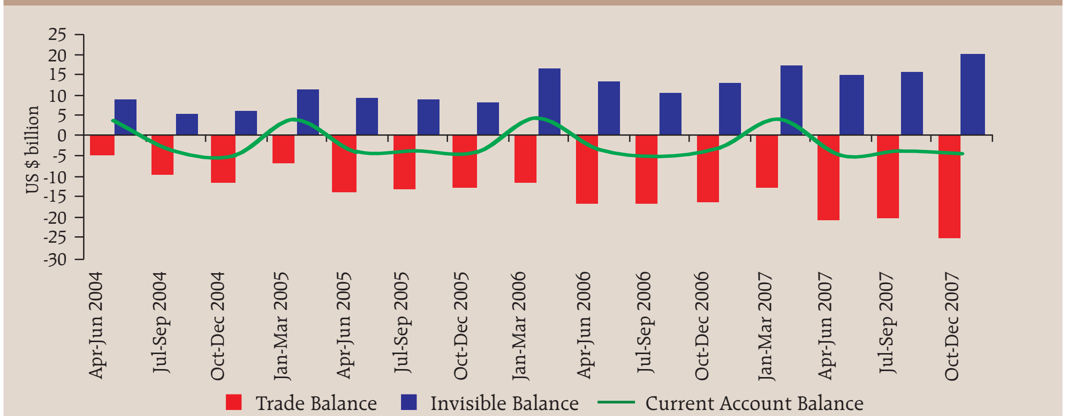
Table 62 : Invisibles Account (Net)

(US $ million)

Item	**2006-07 PR**	**2006-07 PR**	**2007-08 P**	**2006-07 PR**	**2007-2008**		
	April-March	**April-December**		**Oct.-Dec.**	**April-June PR**	**July-Sept. PR**	**Oct-Dec. P**
1	2	3	4	5	6	7	8
Services	31,810	21,731	26,372	7,234	8,824	7,459	10,089
Travel	2,438	1,187	1,257	983	207	145	905
Transportation	-18	-248	-1,529	2	-587	-649	-293
Insurance	560	362	412	92	185	36	191
Government, not included elsewhere	-153	-110	-62	-10	-16	-62	16
Software	29,033	20,258	24,964	6,918	8,040	7,667	9,257
Other Services	-50	282	1,330	-751	995	322	13
Transfers	28,168	19,705	27,977	7,447	7,618	9,354	11,005
Investment Income	-6,018	-4,734	-3,358	-1,699	-1,491	-900	-967
Compensation of Employees	-555	-419	-489	-133	-128	-201	-160
Total	**53,405**	**36,283**	**50,502**	**12,849**	**14,823**	**15,712**	**19,967**

PR : Partially Revised P : Preliminary.

Chart 45 : Movement in Current Account Balance



Capital Flows

During the financial year 2007-08 so far (up to February 2008), foreign investment of various components in India recorded increased inflows. The inflows under foreign direct investment (FDI) were US $

Table 63 : India's Balance of Payments

(US $ million)

Item	2006-07 PR	2006-07 PR	2007-08 P	2006-07PR	2007-2008		
	April-March	April-December		Oct.-Dec.	April-June PR	July-Sept. PR	Oct-Dec. P
1	2	3	4	5	6	7	8
Exports	128,083	92,383	115,084	30,933	35,752	37,595	41,737
Imports	191,254	142,684	181,632	47,460	56,493	58,049	67,090
Trade Balance	-63,171 (-6.9)	-50,301	-66,548	-16,527	-20,741	-20,454	25,353
Invisible Receipts	115,074	79,359	100,211	29,460	29,294	32,510	38,407
Invisible Payments	61,669	43,076	49,709	16,611	14,471	16,798	18,440
Invisibles, net	53,405 (5.8)	36,283	50,502	12,849	14,823	15,712	19,967
Current Account	-9,766 (-1.1)	-14,018	-16,046	-3,678	-5,918	-4,742	-5,386
Capital Account (net)*	46,372	30,172	83,220	11,183	17,118	33,978	32,124
of which:							
Foreign Direct Investment	8,479	7,580	8,402	3,089	2,200	2,575	3,627
Portfolio Investment	7,062	5,213	32,996	3,569	7,458	10,876	14,662
External Commercial Borrowings +	16,155	9,812	16,296	4,077	6,945	4,088	5,263
Short-term Trade Credit	6,612	5,678	10,845	1,813	1,804	4,789	4,252
External Assistance	1,767	1,003	1,250	617	276	453	521
NRI Deposits	4,321	3,673	-931	1,463	-447	369	-853
Change in Reserves #	-36,606	-16,154	-67,174	-7,505	-11,200	-29,236	26,738
Memo:							
Current Account net of Private Transfers	**-37,707 (-4.1)**	**-33,540**	**-43,937**	**-10,935**	**-13,549**	**-14,060**	**16,328**

P : Preliminary. PR : Partially Revised.
* : Includes errors and omissions. + : Medium and long-term borrowings.
# : On balance of payments basis (excluding valuation); (-) indicates increase.
Note : Figures in parentheses are percentages to GDP.

Table 64 : Capital Flows

(US $ million)

Item	Period	2006-07	2007-08
1	2	3	4
Foreign Direct Investment into India	April-February	19,614	25,455
FDI Abroad	April-December	-9,397	-9,534
FIIs (net)	April-March	3,225	20,328
ADRs/GDRs	April-February	3,751	8,726
External Assistance (Net)	April-December	1,003	1,250
External Commercial Borrowings (Net) (Medium and long-term)	April-December	9,812	16,296
Short-term Trade Credits (Net)	April-December	5,678	10,845
NRI Deposits (Net)	April-February	3,932	106

Note : Data on FIIs presented in this table represent inflows into the country. They may differ from data relating to net investment in stock exchanges by FIIs.

25.5 billion during 2007-08 (April-February) as against US $ 19.6 billion during the corresponding period of the previous year (Table 64). FDI was channelled mainly into manufacturing industries (20.1 per cent), followed by financial services (18.7 per cent) and the construction sector (14.7 per cent). Source-wise, Mauritius, remained the main source of FDI to India during April-February 2007-08, followed by Singapore and the US.

Net inflows by foreign institutional investors (FIIs) aggregated US $ 20.3 billion during the financial year 2007-08. The number of FIIs registered with the SEBI increased from 997 by end-March 2007 to 1,319 by March 31, 2008. Capital inflows through American depository receipts (ADRs)/global depository receipts (GDRs) were US $ 8.7 billion for 2007-08 (April-February).

During the year 2007-08 (April-December), the inflows (net) under external commercial borrowings (ECBs) amounted to US $ 16.3 billion. Net short-term trade credit was US $ 10.8 billion (inclusive of suppliers' credit up to 180 days) in April-December 2007. Out of total short-term trade credit, the suppliers' credit up to 180 days amounted to US $ 4.2 billion during April-December 2007.

NRI deposits registered an inflow of US $ 106 million during 2007-08 (April-February). While there were net inflows under Non-Resident Ordinary Rupee (NRO) account scheme and Non-Resident External Rupee Account NR(E)RA deposits scheme, net outflows took place under Foreign Currency Non-Resident (Banks) [FCNR(B)] deposits segment.

With net capital flows being substantially higher than the current account deficit, the overall balance of payments recorded a surplus of US $ 67.2 billion during April-December 2007, substantially higher than that of US $ 16.2 billion during April-December 2006.

Foreign Exchange Reserves

India's foreign exchange reserves were US $ 309.7 billion as at end-March 2008, showing an increase of US $ 110.5 billion over end-March 2007. The increase in reserves was mainly due to an increase in foreign currency assets from US $ 191.9 billion at end-March 2007 to US $ 299.2 billion as at end-March 2008. As on April 18, 2008, india's foreign exchanges reserves were US $ 313.5 billion. As at end-February 2008, the outstanding net forward purchases of US dollar by the Reserve Bank were US $ 16.2 billion (Table 65).

India holds the third largest stock of reserves among the emerging market economies. The overall approach to the management of India's foreign exchange reserves in recent years reflects the changing composition of the balance of payments and the 'liquidity risks' associated with different types of flows and other requirements. Taking these factors into account, India's foreign exchange reserves continued to be at a comfortable level and consistent with the rate of growth, the share of external sector in the economy and the size of risk-adjusted capital flows.

External Debt

India's total external debt was placed at US $ 201.5 billion at end-December 2007, recording an increase of US $ 31.8 billion (18.7 per cent) over end-March 2007 (Table 66). The increase in external debt during the period was mainly on account of higher commercial borrowings, trade credit and multilateral debt. Based on original maturity, long-term debt amounted to US $ 166.2 billion (accounting for 82.5 per cent of the total external debt) and short-term debt was US $ 35.2 billion (17.5 per cent of the total external debt). The coverage of short-term debt has been made more

Table 65 : Foreign Exchange Reserves

(US $ million)

Month	Gold	SDR	Foreign Currency Assets	Reserve Position in the IMF	Total (2+3+4+5)	*Memo :* Outstanding Net Forward Sales (-) / Purchases (+) of US dollar by the Reserve Bank at the end of the month
1	2	3	4	5	6	7
March 2000	2,974	4	35,058	658	38,694	(-) 675
March 2005	4,500	5	135,571	1,438	141,514	-
March 2006	5,755	3	145,108	756	151,622	-
March 2007	6,784	2	191,924	469	199,179	-
April 2007	7,036	11	196,899	463	204,409	-
May 2007	6,911	1	200,697	459	208,068	-
June 2007	6,787	1	206,114	460	213,362	-
July 2007	6,887	12	219,753	455	227,107	-
August 2007	6,881	2	221,509	455	228,847	-
September 2007	7,367	2	239,955	438	247,762	-
October 2007	7,811	13	256,427	441	264,692	(+) 4,990
November 2007	8,357	3	264,725	435	273,520	(+) 7,553
December 2007	8,328	3	266,553	432	275,316	(+) 8,238
January 2008	9,199	9	283,595	437	293,240	(+) 16,629
February 2008	9,558	-	291,250	427	301,235	(+) 16,178
March 2008	10,039	18	299,230	436	309,723	..
April 2008*	10,039	18	302,988	489	313,534	..

* : As on April 18, 2008.

Table 66: India's External Debt

(US $ million)

Item	End-March 1995	End-March 2005	End-March 2006	End-March 2007	End-June 2007	End-Sept. 2007	End-Dec. 2007
1	2	3	4	5	6	7	8
1. Multilateral	28,542	31,744	32,620	35,337	36,058	37,068	37,944
2. Bilateral	20,270	17,034	15,761	16,061	15,841	16,774	17,269
3. International Monetary Fund	4,300	0	0	0	0	0	0
4. Trade Credit (above 1 year)	6,629	5,022	5,420	7,051	7,441	8,202	8,887
5. External Commercial Borrowings	12,991	26,405	26,452	41,657	47,918	52,123	57,012
6. NRI Deposit	12,383	32,743	36,282	41,240	42,603	43,679	43,034
7. Rupee Debt	9,624	2,302	2,059	1,947	2,023	2,071	2,097
8. Long-term (1 to 7)	94,739	115,250	118,594	143,293	151,884	159,917	166,243
9. Short-term	4,269	17,723	19,539	26,376	27,861	31,194	35,207
Total (8+9)	**99,008**	**132,973**	**138,133**	**169,669**	**179,745**	**191,111**	**201,450**
Memo:							(per cent)
Total debt/GDP	30.8	18.6	17.2	17.8	..	..	..
Short-term/Total debt	4.3	13.3	·14.1	15.5	15.5	16.3	17.5
Short-term debt/Reserves	16.9	12.5	12.9	13.2	13.1	12.6	12.9
Concessional debt/Total debt	45.3	30.9	28.6	23.3	22.0	21.4	20.5
Reserves/Total debt	25.4	106.4	109.8	117.4	118.7	129.6	136.7
Debt Service Ratio	25.9	6.1	9.9	4.8	4.6	5.5	5.9

.. : Not Available.

comprehensive with the inclusion of (i) suppliers' credit up to six months; and (ii) investment by Foreign Institutional Investors (FII) in short-term debt instruments, beginning with the quarter ended March 2005. Based on residual maturity, short-term debt (consisting of principal repayments due during one-year under medium and long-term loans, and short-term debt with original maturity of one year or less) accounted for 36 per cent of the total external debt.

The increase in outstanding debt to an extent was also due to a positive valuation impact during April-December 2007 (around US $ 6.0 billion), reflecting the depreciation of the US dollar *vis-à-vis* other major international currencies. About 54.5 per cent of the external debt stock was denominated in US dollars, followed by the Indian rupee (17.1 per cent), Japanese yen (11.2 per cent) and SDR (10.7 per cent). Amongst the debt sustainability indicators, the ratio of short-term to total debt increased between end-March 2007 and end-December 2007, while the ratio of short-term debt to reserves declined marginally over the same period. Foreign exchange reserves remained in excess of the stock of external debt at end-December 2007.

International Investment Position

India's net international liabilities increased by US $ 6.4 billion between end-March 2007 and end-September 2007, as the increase in international liabilities (US $ 63.3 billion) exceeded the increase in international assets (US $ 56.9 billion) (Table 67). While the increase in the

Table 67 : International Investment Position of India

(US $ billion)

Item	March 2005 R	March 2006 PR	March 2007 PR	June 2007 PR	Sept. 2007 P
1	2	3	4	5	6
A. Assets	**165.7**	**184.0**	**245.3**	**261.8**	**302.2**
	(23.0)	**(22.9)**	**(25.8)**	**..**	**..**
1. Direct Investment	10.0	15.9	29.4	34.0	35.4
2. Portfolio Investment	0.5	1.0	0.8	0.8	0.6
2.1 Equity Securities	0.3	0.5	0.4	0.4	0.4
2.2 Debt securities	0.2	0.5	0.4	0.4	0.2
3. Other Investment	13.7	15.5	15.9	13.7	18.5
3.1 Trade Credits	1.1	-0.3	0.6	-0.6	3.7
3.2 Loans	1.9	2.4	3.0	2.0	3.8
3.3 Currency and Deposits	7.3	10.0	8.1	8.1	6.6
3.4 Other Assets	3.4	3.3	4.2	4.2	4.4
4. Reserve Assets	141.5	151.6	199.2	213.4	247.8
	(19.7)	(18.9)	(20.9)	..	..
B. Liabilities	**219.6**	**243.7**	**307.6**	**342.0**	**370.9**
	(30.5)	**(30.4)**	**(32.4)**	**..**	**..**
1. Direct Investment	44.5	52.4	76.2	87.6	93.5
	(6.2)	(6.5)	(8.0)	..	..
2. Portfolio Investment	56.0	64.3	79.5	93.9	108.3
	(7.8)	(8.0)	(8.4)	..	..
2.1 Equity Securities	43.2	54.7	63.3	75.2	88.2
2.2 Debt securities	12.8	9.5	16.3	18.7	20.1
3. Other Investment	119.1	127.1	151.9	160.5	169.1
	(16.6)	(15.8)	(16.0)	..	..
3.1 Trade Credits	18.3	21.2	27.6	29.8	31.9
3.2 Loans	66.0	68.0	80.9	85.8	90.9
3.3 Currency and Deposits	33.6	37.3	42.3	43.8	44.8
3.4 Other Liabilities	1.2	0.6	1.1	1.2	1.5
C. Net Position (A-B)	**-53.9**	**-59.7**	**-62.3**	**-80.2**	**-68.7**
	(-7.5)	**(-7.4)**	**(-6.6)**	**..**	**..**

PR : Partially Revised. P : Provisional. .. : Not Available.

Note : Figures in parentheses represent percentage to GDP.

liabilities was mainly due to large capital inflows under portfolio investments, direct investments and external commercial loans, the increase in international assets was on account of an increase of US $ 48.6 billion in reserve assets between end-March 2007 and end-September 2007, followed by direct investment abroad (US $ 6.0 billion). A major part of the liabilities such as direct and portfolio investment reflects cumulative inflows, which are at historical prices.

Speeches

Government-owned Investment Vehicles and Capital Flows: Indian Perspective *

Dr. Y.V. Reddy

We know that government-owned investment vehicles (GIVs), also referred to as Sovereign Wealth Funds (SWFs), existed for long but they have acquired significance very recently due to their proliferation, growth in size and, above all, active participation in capital infusion in the aftermath of the recently observed financial turbulence. The International Monetary Fund (IMF) has to be complimented for its pioneering work and excellent document on the subject. The role of SWFs in global capital flows is also being debated in several fora, namely, the O.E.C.D., the G7 Ministers, the European Commission, the Peterson Institute for International Economics, the Central Banking Publications, the G 30, the Institute of International Finance and the World Economic Forum.

Towards Greater Transparency

It is useful to recognise in the above context that, of late, there have been initiatives to increase the transparency of all kinds of pools of capital as evidenced by the reports of the U.K. Hedge Fund Working Group (January 2008), led by Sir Andrew Large, and the Private Equity Working Group on Transparency and Disclosure (November 2007), led by Sir David Walker.

Briefly stated, while there is intense debate on the subject of comfort with SWFs in global capital flows, the present discussion could be considered both as a part of the wider and significant debate on transparency and regulation of certain broad categories of investors and also as one that addresses specific factors relevant to one category, namely SWFs.

* Remarks by Dr. Y.V. Reddy, Governor, Reserve Bank of India at a session on 'The Role of Government-owned Investment Vehicles in Global Capital Flows' in the International Capital Markets and Emerging Markets Roundtable held at Washington DC on April 14, 2008.

It is useful to recognise in this regard that there is an overlap among the categories in terms of sources of finance since SWFs invest on their own account and also through hedge funds and private equity funds. In other words, one of the broader issues is regulatory safeguards in place with regard to investors of a kind that may not necessarily assure regulatory comfort to the host country. A related, and in a way the other side of the coin, is the transparency and governance arrangements in regard to operation of SWFs in the home country. It is heartening to note that the IMF has begun covering in its Global Financial Stability Report, in addition to the SWFs, the issues relating to hedge funds and private equity funds.

Public Policy Initiatives on SWFs

The OECD approach in regard to SWFs is that international co-operation can build mutual trust and keep markets open. The OECD Investment Committee and its non-OECD partners have agreed that over the coming period they will follow a two-track approach to these issues. First track would involve dialogue among governments, SWFs and the private sector to improve understanding of both home and host country approaches to foreign investment. The second track would involve exchange of experiences in relation to national security protection, developing shared views on investment policies that observe the principles of proportionality, transparency and predictability, accountability, and that also avoid unnecessary restrictions to international investment, including by SWFs.

The OECD has recently, on April 4, 2008, released a report which is intended to develop guidance for recipient country policies toward investments from SWFs. The OECD has also proposed to work on how governments can maintain their commitment to open international investment policies - including for SWFs - while also protecting essential security interests. The resulting framework is expected to foster mutually beneficial situations where SWFs enjoy fair treatment in the markets of recipient countries and these countries can confidently resist protectionist pressures.

The European Commission (EC) is proposing a common EU approach to respond to concerns over SWFs and enhance the transparency, predictability and accountability of SWFs' investments while maintaining an open investment environment. It has laid out the principles which should shape that approach. These are (a) commitment to an open investment environment both in the EU and elsewhere, including in third countries that operate SWFs; (b) support of multilateral work, in international organisations such as the IMF and OECD; (c) use of existing instruments at EU and Member State level; (d) respect of EC Treaty obligations and international commitments, for example in the WTO framework; and (e) proportionality and transparency.

The recent joint release by United States, Abu Dhabi and Singapore sets out Policy Principles for the SWFs as well as the countries receiving SWF investment. The responsibilities enjoined upon SWFs mainly relate to greater transparency in areas such as purpose, investment objectives, institutional arrangements, and financial information, strong governance structures, internal controls, and operational and risk management systems and the need to respect host-country rules by complying with all applicable regulatory and disclosure requirements of the countries in which they invest. The prescriptions for the SWF host countries stress on transparent inward investment rules, which are 'publicly available, clearly articulated, predictable, and supported by strong and consistent rule of law' and favour non-discriminatory treatment for SWFs *vis-à-vis* other foreign investors.

Of particular interest from a host country perspective, is the Media Release of the Treasurer of the Commonwealth of Australia in February 2008, which illustratively lays down a set of principles to enhance the transparency of Australia's foreign investment screening regime. The principles set out the main factors that are considered during the screening, which include determining on a case by case basis and consistency with national interest; while assessing the national interest in any given case, a balanced view against principles is proposed. The principles set out the additional factors that need to be considered in relation to investment proposals by foreign governments and their agencies, over and above those that apply to normal private sector proposals. While the Australian Government welcomes foreign investment, the purposes of Australia's foreign investment screening is to ensure consistency with their national interest. The Treasurer can reject proposals that are deemed contrary to the national interest or impose conditions on them to address the national interest concerns. The concerns may relate to Australia's national security or economic development. The examination includes implications for other government policies, competition and operations of Australia's businesses.

Recent reports suggest that Germany is contemplating a legislation which will enable it to block 'unwanted' investments by SWFs. The proposed law is expected to enable scrutiny of all investments where the investor's stake in the investee entity is likely to exceed 25 per cent, even up to three months after the investment has been made. This concern seems to stem from the suspicion that some of the SWFs may be driven by 'political and other motivations' and not purely by economic and commercial considerations.

India as a Host Country

In India, the regulatory regime governing capital inflows does not recognise SWFs as a distinct category. Hence, their investments are subject to normal regulations governing capital flows under the category of Foreign Direct Investment (FDI) and Foreign Institutional Investments (FII). In regard to some sectors, such as banking and financial market infrastructure companies, there are limits on individual holdings and the investment proposals are subject to an element of due diligence processing with regard to fit and proper requirements. For this purpose, no discrimination is made between a domestic investor and a foreign investor, or between SWFs and others, as long as the policy criteria are met. Let me further elaborate on this position.

The existing FDI policy permits investments under the 'automatic route' and the 'approval route' in most, though not all, of the activities. Under the automatic route, the investors are allowed to invest in the identified sectors up to the threshold specified for those sectors, without the need for a prior approval from regulators or the Foreign Investment Promotion Board (FIPB). In respect of the other sectors, the investors will need a prior approval of the FIPB, before undertaking any investment. The FIPB is functioning under the aegis of the Ministry of Finance and comprises representatives of various government departments, who are expected to ensure that the proposed investment addresses the administrative and other concerns before allowing investments in the concerned activity. Similarly, under the FII route, the FIIs registered with the securities market regulator (the Securities and Exchange Board of India - SEBI) can invest in the secondary market, without prior approval, subject to certain limits on individual FIIs and an overall aggregate limit for all FIIs, as a category, as well as the sectoral thresholds and other conditions applicable to FDI. SWFs can also invest directly as an FII or indirectly as a 'sub-account' of a registered FII, which include hedge funds and investment funds. Accordingly, any SWF can invest under the FDI route (automatic or approval routes, as the case may be) or under FII route either directly or indirectly. Thus, on the inflows, there is generally no discrimination on the basis of the country of origin of the foreign investor or on the basis of category of foreign investors.

The policy, however, does provide for a framework in regard to ownership and management of the entity investing in some sectors, particularly the financial sector, which is applicable equally to resident as well as non-resident investors.

In respect of banks, acknowledgement from the Reserve Bank for acquisition/ transfer of shares is required for all cases of acquisition of shares which will take the aggregate holding (direct and indirect, beneficial or otherwise) of an individual or group to equivalent of 5 per cent or more of the paid-up capital of the bank. The relevant factors for 'fit and proper' assessment of the investor include the source of funds for the acquisition and, where the investor is a body corporate, its track record of reputation for operating in a manner that is consistent with the standards of good corporate governance, financial strength and integrity. The process also envisages a higher level of due diligence when the share holding of the investor exceeds 10 per cent in the investee bank's paid up capital, which includes fit and proper status of the investor entity.

An amendment to the Banking Regulation Act has been proposed which envisages prior approval of the Reserve Bank for acquisition of more than five per cent of the paid up share capital of a bank by any investor 'directly or indirectly, by himself or acting in concert with any person'. The approval will be accorded after ensuring that the investor would be 'fit and proper' from the perspective of public interest, interest of banking policy, emerging trends in banking and international best practices, and the interest of banking and financial system in India.

In the case of investments in financial market infrastructure companies, such as stock exchanges, the guidelines stipulate a desirable dispersal of ownership. Investment by individual entities, including investments by persons acting in concert, is subject to a threshold of five per cent of the equity in these companies.

In regard to Securitisation and Reconstruction Companies (SRC), the Reserve Bank conducts due diligence on the sponsors / investors before giving a certificate of registration to the SRC. Any subsequent investment by any individual entity in excess of 10 per cent of the paid up equity capital of the SRC also acquires the status of a 'sponsor' and requires prior permission of the Reserve Bank which, as the regulator, is required to satisfy itself, among other things, of the 'fit and proper' credentials of the investor.

Foreign investment in an Indian company in the financial services sector, through acquisitions, requires prior permission of the Reserve Bank which allows such investments only after ensuring that the regulatory concerns, if any, are appropriately addressed and that the bonafides of the overseas investor are satisfactory. Wherever necessary, the clearance or comments of the home country regulators of the investing entity are also sought while examining the requests.

In case of investments by foreign investors in activities other than the financial services sector, where there are security or other administrative concerns, for instance, in defence and strategic industries, and print media and broadcasting sectors, investments are allowed only under the "approval route".

In order to assess the eligibility of an entity to be registered as FII or as Foreign Venture Capital Investor, SEBI takes into account all factors relevant to the grant of a certificate and in particular the applicant's track record, professional competence, financial soundness, experience, general reputation of fairness and integrity as well as the fact whether the applicant is regulated by an appropriate foreign regulatory authority.

In brief, India is yet to consider a policy addressing investments by SWFs, except as a part of due diligence in regard to all investors.

India as a Home Country

In India, the foreign exchange reserves are on the balance sheet of the Reserve Bank of India (RBI) and are managed as per the provisions of the RBI Act, consistent with the global best practices. The Reserve Bank adheres to appropriate prudential norms and the transparency and data dissemination standards in regard to reserves management.

Given the significant increase in the level of foreign exchange reserves, there is an increasing expectation in regard to returns. The returns on the foreign exchange reserves, under the present framework, are constrained by the mandate to the Reserve Bank of India, which understandably lays a greater emphasis on safety and liquidity.

It may, however, be possible to argue that a part of the reserves, which may be considered to be in excess of the usual requirements, be managed with the primary objective of earning higher returns. Given the limitations placed on the central bank by its mandate, it can be held that it will be appropriate to bestow this responsibility on a different sovereign entity. If and when the country considers setting up of a SWF for the purpose, one of the methodologies could be to fund SWF by purchasing the foreign exchange from the central bank, to the extent required. These foreign currency funds could then be used by the sovereign entity for seeking higher returns by investing in assets, which a central bank's mandate may not permit. As the SWF will be a public enterprise, it will be required to conform to the applicable governance, transparency and disclosure standards.

While it is possible to make a case for an Indian SWF, there are also weighty arguments for caution in this regard. First, it would be very difficult to reckon in the Indian context - as is the case with many other countries, the 'reserve adequacy' in a dynamic setting and on that basis divert a part of 'excess' reserves for a higher return from riskier assets. The current reserves management policy recognises this, based on experience during periods of both net inflows and outflows and, therefore, the overall approach to the management of India's foreign exchange reserves takes into account the changing composition of the balance of payments and endeavours to reflect the 'liquidity risks' associated with different types of flows and other requirements.

Second, while most other countries that have set up SWFs have amassed large reserves either on account of persistent current account surpluses or due to revenue gains from commodity exports, in particular of oil and gas, the Indian economy has twin deficits-a current account deficit as also a fiscal deficit. India's export basket is diversified and does not have any dominant "exportable" natural resource output, which might promise significant revenue gains at the current juncture.

Third, India has experienced consistent but manageable current account deficits barring very few years of a modest surplus. India is also having a negative international investment position (IIP) with liabilities far exceeding the assets. The large reserves have been built, over time, mostly on account of capital flows like foreign direct investments (FDI), portfolio flows through foreign institutional investors (FII), external commercial borrowing (ECB) and short-term credit. Further, the increasing reserves also reflect, in part, the lower absorption capacity of the economy, which may pick up with the economy moving on to a higher growth trajectory.

In brief, the public policy is yet to take a conscious view on the desirability of establishing a SWF.

SPV for Use of Reserves

In the context of growing developmental needs, particularly of the infrastructure sector, a step in the direction of using a small part of reserves for development has recently been taken after considerable deliberations. An announcement was made by the Finance Minister in the budget Speech 2007-2008 on February 28, 2007 to "use a small part of the foreign exchange reserves without the risk of monetary expansion" for the purpose of financing infrastructure development projects. Accordingly a scheme has been finalised which envisages the Reserve Bank investing, in tranches, up to an aggregate amount of USD 5 billion in fully Government guaranteed foreign currency denominated bonds issued by an overseas SPV of the India Infrastructure Finance Corporation Ltd. (IIFCL), a wholly owned company of Government of India. The funds, thus raised, are to be utilised by the company for on-lending to the Indian companies implementing infrastructure projects in India and/or to co-finance the ECBs of such projects for capital expenditure outside India without creating any monetary impact. The lending by the SPV under the arrangement would be treated as external commercial borrowings (ECB) and would be subject to the prescribed reporting and disclosure requirements. The bonds will carry a floating rate of interest. The investment by the Reserve Bank in the foreign currency denominated bonds issued by the SPV will not be reckoned as a part of the foreign exchange reserves, but will be a foreign currency asset on the Reserve Bank balance sheet.

It is noteworthy that this arrangement is distinct in the sense that India is both a home and a host for the IIFCL's subsidiary, as it is basically a SPV for channelising foreign exchange funds for meeting the requirements of the Indian private sector for infrastructure projects in India by drawing upon the foreign exchange reserves of the country available with the central bank.

Summing Up

To sum up, India has not yet considered regulatory initiatives specifically addressing SWFs. Existing provisions in regard to fit-and-proper or take-over code are, however, applicable to all investors, including SWFs. Currently, the pros and cons for the establishment of an Indian SWF, as generally understood now, are still under debate. India is monitoring recent developments in regard to enhancing transparency and disclosure in respect of hedge funds, private equity and SWFs. In particular, India is watching with great interest the development of global codes, standards and practices in regard to SWFs, both in view of the presence of SWFs in the Indian financial markets and the ongoing debate on establishing an Indian SWF.

India : The Global Partner *

Dr. Y.V. Reddy

I am grateful to President Bollinger for extending me an invitation to participate in the prestigious World Leaders Forum at the Low Memorial Library. Distinguished past speakers at the Forum include, I am informed, President Clinton, President Putin, The Dalai Lama and Noble laureate Joseph Stiglitz. I am greatly honoured by the invitation and look forward to the informal dialogue with the highly respected Dr. Jagdish Bhagwati.

By way of an introduction, I will present select aspects of the engagement of independent India with the global polity and economy.

While India became independent on 15th August 1947, it became a Republic on 26th January 1950, with the adoption of a written Constitution which is governing the nation. Dr. B.R. Ambedkar, the architect of the Indian Constitution, had the benefit of education at the Columbia University where he obtained a Ph.D. Prof. John Dewey inspired many of Dr. Ambedkar's ideas about equality and social justice. Prof. Edwin Seligman, himself a friend of Lala Lajpat Rai, the legendary fiery freedom fighter of India, became a mentor to the young Ambedkar. Dr. Ambedkar also benefitted from his research and education in London. These are examples of how India's freedom movement and the Constitution, that binds our governance today, have benefitted from partnering with the global scholarship, in general, and with the special relationship with Columbia University and the United States, in particular. Incidentally, the Columbia University conferred an honorary degree

* Introductory Remarks by Dr. Y V Reddy, Governor, Reserve Bank of India at the World Leaders' Forum, Columbia University, New York, on April 15, 2008.

on the first Prime Minister of India, Pandit Jawaharlal Nehru, on his first visit to the US soon after our independence.

An important characteristic of the global society is the sheer diversity of races, religions, cultures, ideologies and languages. India has the distinction of reflecting, in itself, the great diversity of the global society. For example, India is a home to the largest number of people practising Zoroastrianism - who are also known as Parsees. Two of India's provinces are governed by communist parties. In fact, we are a unique federation where the boundaries of existing provinces are redrawn and new provinces are created, to accommodate aspirations, while remaining strictly within the provisions of the Constitution. We have several national languages in which governments' businesses are conducted. Every currency note that you see in India has the denomination written in seventeen languages with different scripts. In brief, independent India believes firmly, in dialogue, accommodation and assimilation of multiple identities of people.

These characteristics enable the Indian people and the Indian corporates to live and work harmoniously alongside other nationalities.

India's record as a responsible nation in honouring its commitments is well known. Specifically, independent India has never reneged on its monetary obligations to the rest of the world and has not sought any noticeable rescheduling of its payment obligations. In 1991, we had a liquidity crisis in currency, mainly due to the war in Iraq and the breakdown of trade with USSR, but we preferred to pledge gold, initiate a massive import compression and start a reform process with assistance from the IMF and the World Bank. The entire burden of crisis and adjustment was successfully borne by the domestic economy.

In the current environment of financial turbulence, and also a possible unwinding of macro imbalances, India plays a stabilising role with a modest current account deficit in most of the recent years, at around one per cent[1] of GDP, and a market determined exchange rate. India has not been contributing to the global macro economic imbalances, though it has a stake in how the issues get resolved in the near future.

Currently, there is a debate on the role of Sovereign Wealth Funds. India is in receipt of investments from several of them either directly or indirectly, and hence, is interested in the current debate. For its part, the country's foreign exchange reserves amounting to about US$ 300 billion continue to be managed by the Reserve Bank of India, typically as per mandate similar to those of other central banks around the world and consistent with the IMF guidelines. However, the Indian corporates, based on account of their own commercial judgements, take investment positions and merge or acquire other undertakings in other countries. Public policy neither provides incentives nor disincentives for such market based initiatives by the Indian corporates.

India's external sector has displayed considerable strength and resilience since the reforms in 1991 - despite several

[1] 0.4 % in 2004-05; 1.2 % in 2005-06; and 1.1 % in 2006-07.

domestic as well as global political events and supply shocks in food and fuel. Interestingly, India's external trade in goods and services as a percentage of GDP is more than that of the United States (at 48 per cent and 29 per cent respectively), and is, in a way, indicative of the extent of India's trade integration with the global economy. India is fully convertible on the current account, but we do have requirements of repatriation and surrender of export earnings to ensure that capital account transactions do not take place under the guise of current account. Capital account is almost fully open to non-residents, well regulated financial institutions, and corporates. In regard to residents, capital account is almost fully open to resident corporates and partially open to individuals and financial intermediaries. In brief, we partner with the global economy fully on the trade and the current account while there is progressive liberalisation of the capital account, consistent with the progress in reforms in the real, fiscal, and financial sectors.

The current turbulence in financial markets and institutions - particularly in the USA, has raised enquiries about the possible contagion. The money, government securities and foreign exchange markets have been stable in India and, in our view, they may not be vulnerable in terms of direct and first-round effects. However, the Indian equity markets, which often reflect global trends, have been volatile in the recent months and that has some impact on changing sentiments. We have a bank-dominated financial sector, and banks have a strong capital base.

In response to the global developments and the rapid growth in money supply, credit, and asset prices in India, we have since 2004 increased, in regard to banks, the risk weights and the provisioning requirements, and decreased or rationalised the exposure limits to select sectors. These were combined with prudential stipulations on off-balance sheet items and relationships between banks and non-bank finance companies. Several safeguards have been built in terms of prudential guidelines and access to repo markets to guard against liquidity-related problems to banks. Above all, withdrawal of monetary accommodation commenced in 2004 and has been gradually fine-tuned, remaining sensitive to early signs of overheating, while related prudential measures were addressing exposure of banks to risks in assets. Hence, in our assessment, the Indian financial sector is likely to be less affected by the contagion than most other EMEs, in respect of first-round or direct effects.

A few words about the state of the Indian real economy may be in order. The annual growth in real GDP since 2003-04[2] has averaged 8.7 per cent. Investments and savings as percentage of GDP have been in excess of 30 per cent since 2004-05[3] thus indicating a potential for continued growth in output and productivity over the medium term. Similarly, like most of the rest of the world, India has, by and large, experienced benign inflationary conditions averaging around 5.2 per cent

[2] 2003-04 to 2007-08.

[3] 2004-05 to 2006-07.

since 2004-05[4]. However, at this juncture, both domestic output and prices are under some pressure due to recent global developments with regard to the prices of food, fuel and metals, and the turbulence in the financial markets.

Our main challenges are eradication of poverty, efficient use of water, reviving growth in agriculture, improving physical and social infrastructure, upgrading human skills and, above all, fiscal empowerment coupled with the increasing real sector flexibility. Our strengths mainly are the demographic dividend, the stability of the political system, and the emergence of a very broad based and growing entrepreneurial class, which has a penchant for innovation. In overcoming the challenges and taking advantage of the strengths, our engagement with global economies, in particular with the United States, is bound to play a very critical role.

We are optimistic about a continued mutually beneficial engagement with the global economy. Indians are providing services in various parts of the world - U.S.A., Middle East, U.K. and East Asia. Their services range from the less skilled, at one end of the spectrum, to the very highly skilled professionals at the other end. Their annual contribution by way of remittances is about three per cent of GDP now. These are in addition to export of services, especially software which are of the same order. Indians are among the most significant foreign students to attend the universities for higher education in USA, UK, Australia, Canada, Singapore, China, *etc.*

Following sustained higher growth in India, a reverse process of brain flow has also commenced by way of foreign nationals and expatriate Indians expressing their interest for pursuing more fruitful ventures in India. As a result, corresponding trade and private business linkages have also started growing. To illustrate, recently a globally active bank has launched a product in India - "Account for Expatriates" - for providing value-added services for the rapidly growing expatriate community in India.

This engagement with the global economy has matured into a self reinforcing process as benefits are perceived by many and they are percolating to a large number of people in India.

Given the diversity of India in respect of social, political and financial systems, public policy considerations demand that India's integration with the global economy be managed through a participative and consultative manner, and in a gradual fashion.

[4] 2004-05 to 2007-08 (till week ended March 22, 2008).

Consolidation in the Indian Financial Sector *

Shri V. Leeladhar

It is my pleasure to be here with you this morning on the occasion of International Banking & Finance Conference 2008 of the Indian Merchants' Chamber. I am grateful to the organisers for having afforded me this valuable opportunity to address this august audience and share some of my thoughts on the subject of consolidation in the Indian financial sector. The Chamber has indeed come a long way since its establishment in the pre-independence days in September 1907 under the presidentship of late Sir Manmohandas Ramji. In that era, it performed the role of the nation's watchdog on the economic front under the alien rule. The Chamber also has the unique distinction of having had the patronage of the Father of the Nation, Mahatma Gandhi as its honorary member since 1931. The Chamber, during its functioning of hundred years, has done yeoman service to the country and society at large in promoting the cause of business community through strengthening the government-business partnership and representing the business point of view before the public policy authorities and I hope that it will continue to perform its productive role in the national policy formulation, in the days to come as well.

In my address today, I would like to briefly touch upon the experience in and the emerging contours of consolidation in the Indian financial sector, that have taken shape over the past few decades, in the Reserve Bank-regulated entities, as a result of a calibrated policy response designed for the purpose.

* Special address delivered by Shri V. Leeladhar, Deputy Governor, Reserve Bank of India on April 17, 2008 in Mumbai on the occasion of the International Banking & Finance Conference 2008 organised by the Indian Merchants' Chamber, Mumbai.

Consolidation in the Financial Sector

Consolidation of business entities, through mergers and acquisitions, is a world-wide phenomenon. The numerous mergers and acquisitions all over the world, including in India, in the real as well as in the financial services sector, appear to be driven by the objective of leveraging the synergies arising from the process of merger and acquisition. However, such structural changes, particularly in the financial system, can also potentially have public policy implications. With this brief backdrop, I would like to present an overview of consolidation in the Indian financial sector, particularly amongst the banks, development financial institutions and the non-banking financial companies.

The Indian Scenario

The Diversity of Statutory Frameworks

In the context of consolidation in the financial sector in India, let me say a few words about the unique features of the Indian credit institutions and their operating environment. While talking about consolidation in the Indian milieu, it is important to bear in mind that there is diversity of the governing statutes applicable to different entities in the Indian credit system. Further, they are governed by divergent statutory provisions, depending upon the nature of their operations and the form of their organisation or ownership.

Thus, while the private sector banks are subject to the provisions of the Banking Regulation Act, 1949, the public sector banks are governed by their respective founding statutes and by those provisions of the B R Act which have been made specifically applicable to them. The urban co-operative banks, on the other hand, are governed by the provisions of the Cooperative Societies Act of the respective State or by the Multi-State Cooperative Societies Act, as also by the provisions of the B R Act which are specifically applicable to them.

The development financial institutions (DFIs), which were founded by a statute, attract the provisions of those statutes while the DFIs structured as limited companies, were subject to the provisions of the Companies Act, 1956, but both the types of the DFIs are regulated and supervised by the Reserve Bank under the provisions of the RBI Act, 1934.

The Regional Rural Banks (RRBs) were created under the RRBs Act, 1976 and are regulated by the Reserve Bank but supervised by the NABARD, while the non-banking financial companies are subject to the provisions of the Companies Act, 1956 and are regulated and supervised by the Reserve Bank under the provisions of the RBI Act.

The housing finance companies, which are a sub-set of the NBFC category, are currently regulated and supervised by the National Housing Bank while the rural co-operative credit structure falls within the regulatory and supervisory domain of the NABARD.

History of Consolidation in the Indian Banking Sector

In the context of consolidation in the Indian banking sector, it may be recalled that the Report of the Committee on Banking Sector Reforms (the Second Narasimham Committee - 1998) had suggested, *inter alia*, mergers among strong banks, both in the public and private sectors and even with financial institutions and NBFCs. Indian banking sector is no stranger to the phenomenon of mergers and acquisition across the banks. Since 1961 till date, under the provisions of the Banking Regulation Act, 1949, there have been as many as 77 bank amalgamations in the Indian banking system, of which 46 amalgamations took place before nationalisation of banks in 1969 while remaining 31 occurred in the post-nationalisation era. Of the 31 mergers, in 25 cases, the private sector banks were merged with a public sector bank while in the remaining six cases both the banks were private sector banks.

Since the onset of reforms in 1990, there have been 22 bank amalgamations; brief particulars of these are furnished in the Annex - I. It would be observed that prior to 1999, the amalgamations of banks were primarily triggered by the weak financials of the bank being merged, whereas in the post-1999 period, there have also been mergers between healthy banks driven by the business and commercial considerations.

Consolidation in the Commercial Banking Segment: Recent Developments

The consolidation efforts in the Indian banking sector can be broadly placed, as per the nature of the entities involved and of the mergers, into several categories *viz.*, (a) voluntary amalgamation between private sector banks; (b) compulsory amalgamation of a private sector bank; (c) merger between public sector banks; (d) merger of a non-banking financial company (NBFC) with a private sector bank; and (e) merger of a housing finance subsidiary with the parent public sector bank. Let me present a brief overview of the policy and processes involved in each type of merger.

(a) Voluntary Amalgamation Between Private Sector Banks

As regards the statutory provisions, the procedure for voluntary amalgamation of two banking companies is laid down under Section 44-A of the Banking Regulation Act, 1949 (the Act), which is easy to follow and cost effective. After the two banking companies have passed the necessary resolution proposing the amalgamation of one bank with another bank, in their general meetings, by a majority in number representing two-thirds in value of the shareholding of each of the two banking companies, such resolution containing the scheme of amalgamation is submitted to the Reserve Bank for its sanction. If the scheme is sanctioned by the Reserve Bank, by an order in writing, it becomes binding not only on the banking companies concerned, but also on all their shareholders.

Pursuant to the recommendations of the Joint Parliamentary Committee, the Reserve Bank had constituted a Working Group to evolve the guidelines for voluntary merger between banking companies. Based on the recommendations of the Group, the Reserve Bank had issued guidelines in

May 2005 laying down various requirements for the process of such mergers including determination of the swap ratio, disclosures, the stages at which Boards will get involved in the merger process, *etc.* While amalgamations are normally decided on business considerations (such as the need for increasing the market share, synergies in the operations of businesses, acquisition of a business unit or segment, *etc.*), the policy objective of the Reserve Bank is to ensure that considerations like sound rationale for the amalgamation, the systemic benefits and the advantage accruing to the residual entity are evaluated in detail. While sanctioning the scheme of amalgamation, the Reserve Bank takes into account the financial health of the two banking companies to ensure, *inter alia,* that after the amalgamation, the new entity will emerge as a much stronger bank.

The experience of the Reserve Bank has been, by and large, satisfactory in approving the schemes of amalgamation of the private sector banks in the recent past and it had no occasion to reject any scheme of amalgamation submitted to it for approval. There have been five voluntary amalgamations between the private sector banks so far while one amalgamation between two private sector banks (Ganesh Bank of Kurundwad and the Federal Bank) was induced by the Reserve Bank, in the interest of the depositors of the former. A majority of these voluntary mergers was between healthy banks, somewhat on the lines suggested by the First Narasimham Committee. The committee was of the view that the move towards the restructured organisation of the banking system should be market-driven and based on profitability considerations and brought about through a process of mergers and acquisitions.

(b) Compulsory Amalgamation of a Private Sector Bank

Compulsory amalgamations are induced or forced by the Reserve Bank, under Section 45 of the B R Act, in public interest, or in the interest of the depositors of a distressed bank, or to secure proper management of a banking company, or in the interest of the banking system. In the case of a banking company in financial distress, which has been placed under the order of moratorium, under Section 45(2) of the Act, on an application made by the Reserve Bank to the Central Government, the Reserve Bank can, for the foregoing reasons, frame a scheme of amalgamation for transferring the assets and liabilities of such distressed bank to a much better and stronger bank. Such a scheme framed by the Reserve Bank is required to be sent to the banking companies concerned, for their suggestions or objections, including those from the depositors, shareholders and others. After consideration the same, the Reserve Bank sends the final scheme of amalgamation to the Central Government for sanction and notification in the official gazette. The notification issued for compulsory amalgamation under Section 45 of the Act is also required to be placed before the two Houses of Parliament.

Most of the amalgamations of the private sector banks in the post-nationalisation era were induced by the Reserve Bank in the larger public interest, under Section 45 of the Act. In all these cases, the weak or financially distressed banks were amalgamated with the healthy public sector banks. The overriding principles governing the consideration of the amalgamation proposals were: (a) protection of the depositors' interest; (b) expeditious resolution; and (c) avoidance of regulatory forbearance. The amalgamations of the erstwhile Global Trust Bank and the erstwhile United Western Bank with public sector banks are recent examples. Even in such cases, commercial interests of the transferee bank and the impact of the amalgamation on its profitability were duly considered.

The mergers of many weak private sector banks with the healthy ones, have brought us to a creditable stage today when not a single private sector bank in the country has the capital adequacy ratio of less than the minimum regulatory requirement of nine per cent. This now paves the way for effective implementation of the Prompt Corrective Action (PCA) Framework by the Reserve Bank, which could not be invoked earlier when the banking system was populated by many weak banks, without creating confidentiality issues.

(c) Merger of Public Sector Banks

The statutory framework for the amalgamation of the public sector banks, *viz.*, the nationalised banks, State Bank of India and its subsidiary banks, is, however, quite different since the foregoing provisions of the B R Act do not apply to them. As regards the nationalised banks, the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 and 1980, or the Bank Nationalisation Acts authorise the Central Government, under Section 9(1)(c), to prepare or make, after consultation with the Reserve Bank, a scheme, *inter alia*, for transfer of undertaking of a 'corresponding new bank' (*i.e.*, a nationalised bank) to another 'corresponding new bank' or for transfer of whole or part of any banking institution to a corresponding new bank. Unlike the sanction of the schemes by the Reserve Bank under Section 44-A of the B R Act, the scheme framed by the Central Government is required, under Section 9(6) of the Bank Nationalisation Acts, to be placed before both Houses of Parliament. Under this procedure, the lone merger that has happened so far was the amalgamation of the erstwhile New Bank of India with the Punjab National Bank, occasioned by the weak financials of the former. However, the post-merger experience was considered to be not altogether satisfactory on account of the problems in effective integration of the two entities.

As regards the State Bank of India (SBI), the SBI Act, 1955, empowers the State Bank to acquire, with the consent of the management of any banking institution (which would also include a banking company), the business, including the assets and liabilities of any bank. Under this provision, what is required is the consent of the bank sought to be acquired, the approval of the Reserve Bank and the sanction of such acquisition by the Central Government.

Several private sector banks were acquired by the State Bank of India following this route. However, so far, no acquisition of a public sector bank has materialised under this procedure. Similar provisions also exist in respect of the subsidiary banks of the SBI.

It would thus be seen that there are sufficient enabling statutory provisions in the existing statutes governing the public sector banks to encourage and promote consolidation even within the public sector banks through the merger and amalgamation route, and the procedure to be followed for the purpose has also been statutorily prescribed.

Consolidation and its Impact on the Branch Network

It may be mentioned here that one of the likely effects of consolidation in the banking sector may be the rationalisation of the branch network of the banks concerned, resulting in the likely closure of certain branches of the merging banks, where there might be an overlap in their catchment area. Generally, as part of consolidation process, the emerging bank would be more inclined to shift its branches and focus of operations from the rural to the urban and semi-urban areas, which are usually more remunerative. However, the current regulatory regime for branch authorisation does not generally permit closure of the rural branches of the banks. Such a requirement is in tune with the philosophy of financial inclusion which emphasises increasing penetration of the banking services in the unbanked and under-banked areas of the country. For instance, under the new Branch Authorisation Policy of the Reserve Bank announced in September 2005, during the year 2007-08 (April-March), of the 4117 branch authorisations issued 1979 were for the under-banked centres. In aggregate, 627 authorisations were issued during the year for opening of rural branches and 1471 branches in the semi-urban areas. I would like to emphasise that the new branch authorisation policy does not preclude the possibility of any urgent proposals for opening bank branches being considered by the Reserve Bank even outside the annual plan, specially in the rural / under-banked areas, anytime during the year.

In brief, the Reserve Bank has been discharging the mandate given to it for branch licensing as required by law, public policy and regulatory comforts. Let me add that under the new policy, all the branch-authorisation requests of the banks were granted by Reserve Bank, subject to the banks fulfilling the criteria laid down for opening of branches in under-banked areas, except in the case of a few banks where there were serious regulatory discomfort on account of their indiscretions and contravention of the regulatory norms. It is interesting to note in this context that in the USA, for instance, for lesser regulatory violations, the banks are subjected to "cease and desist" order from the regulator, severely restricting their activities during the currency of the order.

(d) Merger Between a Private Sector Bank and an NBFC

As I mentioned earlier, the Reserve Bank is vested with the discretionary powers to approve the voluntary amalgamation of two banking companies under the provisions of Section 44-A of the Banking Regulation Act, 1949. However, these powers do not extend to the voluntary amalgamation of a non-banking company with a banking company where amalgamations were governed by sections 391 to 394 of the Companies Act, 1956 in terms of which, the scheme of amalgamation has to be approved by the High Court. Hence, the banks were advised in June 2004 that where an NBFC is proposed to be amalgamated with a banking company, the banking company should obtain the approval of the Reserve Bank after the scheme of amalgamation is approved by its Board but before it is submitted to the High Court for approval.

Subsequently, in pursuance of the recommendations of the Joint Parliamentary Committee (JPC), a Working Group was constituted by the Reserve Bank to evolve guidelines for voluntary merger of banking companies. Based on the recommendations of the Group and in consultation with the Government, it was proposed in the Annual Policy Statement of April 2005 to issue guidelines on merger and amalgamation between private sector banks and with NBFCs. The guidelines were to cover: process of merger proposal, determination of swap ratios, disclosures, norms for buying / selling of shares by promoters before and during the process of merger and the Board's involvement in the merger process. The principles underlying these guidelines were also to be applicable, as appropriate, to public sector banks, subject to relevant legislation. Accordingly, the guidelines were issued in May 2005.

There have been a few instances of mergers of the NBFCs with the private sector banks. The first such merger occurred in May 1999 when the Reserve Bank approved the merger of Twentieth Century Finance Corporation Ltd., an NBFC, with Centurion Bank Ltd. Subsequently, in 2003, the merger of IndusInd Enterprises & Finance Ltd. (IEFL), one of the promoters of the IndusInd Bank Ltd., with the bank was also approved. Further, the Kotak Mahindra Finance Ltd., an NBFC, was converted into Kotak Mahindra Bank Limited, by amending its Memorandum and Articles of Association, and was granted a banking licence by the Reserve Bank in February 2003. In June 2004, the merger of Ashok Leyland Finance Ltd., an NBFC, with the IndusInd Bank Ltd. was approved by the Reserve Bank. Besides, certain banks also have significant stakes in some of the NBFCs. For instance, the Development Bank of Singapore (DBS) has a major stake in Cholamandalam Investment & Finance Ltd. while the Barclays Bank has a major holding in Rank Investments Ltd.

In view of the recent global developments, the current policy of merger of NBFCs with banks will require a comprehensive review.

(e) Merger of a Housing Finance Subsidiary with the Parent Public Sector Bank

There have also been a few instances where the housing finance subsidiaries of the public sector banks were merged with the parent bank. During April 2002 and March 2007, the merger of the housing finance subsidiaries of Andhra Bank, Vijaya Bank, Corporation Bank and Bank of Baroda with the respective parent banks was approved by the Reserve Bank. The mergers were triggered primarily by the rising cost of funds of the housing finance entities, which adversely impacted the viability of their business models. The approvals for mergers from the Reserve Bank became necessary as there was a change in the structure of the banks' subsidiaries, which had been established under Section 19(1) of the B R Act, 1949 with the regulatory approval of the Reserve Bank.

(f) Attempted Mergers that did not Materialise

Let me also take this opportunity to point out that all the attempts made for merger of banks do not necessarily result in a successful outcome. There has been an instance where despite the process of merger having progressed quite a bit, it did not eventually fructify. The case of the attempted merger of the then UTI Bank and the erstwhile Global Trust Bank can be cited in this regard. While the scheme of voluntary amalgamation of the two banks had been submitted to the Reserve Bank for approval, the approval was kept on hold pending the completion of the SEBI investigations. It may be recalled that, in the run up to the proposed merger, the SEBI had initiated certain investigations into the share-price manipulation of the GTB shares. While the approval from the Reserve Bank was yet to be granted, the proposed merger was called off by the parties concerned. Thus, the merger did not materialise.

Consolidation of the Development Financial Institutions (DFIs)

It may be recalled that the DFIs were set up in the country in the post-independence era for providing long-term finance to the industrial projects to facilitate industrial development, in the absence of alternative sources of long-term funds. Hence, to enable the DFIs to play this role, they were also provided access to certain concessional sources of funds by way of allocation of SLR Bonds and lending from the Long Term Operation Funds of the Reserve Bank. However, with the onset of financial sector reforms, and pursuant to the recommendations of the First Narasimham Committee, the access by the DFIs to the traditional concessional sources of funds was gradually phased out. Consequently, the raising of resources at market-related rates, increased their cost of funds, thereby, affecting the very viability of their business model, coupled with increasing competition from the banks. The DFIs came within the regulatory purview of the Reserve Bank in 1991 for the first time, and the regulatory domain of the Reserve Bank, till recently, extended to the seven Term-Lending Institutions (TLIs - EXIM Bank, ICICI Limited, IDBI, IDFC Limited, IFCI Limited, IIBI Limited, and TFCI Limited) and three Re-Financing Institutions (RFIs - NABARD, NHB and SIDBI).

The Committee on Banking Sector Reforms (Second Narasimham Committee) had recommended in 1998 that the DFIs over a period of time should convert themselves into banks and there should be only two forms of intermediaries - banking companies and non-banking finance companies, and if a DFI does not intend to become a bank with a banking licence, it should be categorised as an NBFC. The Working Group for Harmonising the Role and Operations of DFIs and Banks (Khan Working Group - KWG), was also of the view that a full banking licence be eventually granted to the DFIs. Based on these recommendations, the Reserve Bank had released a 'Discussion Paper' (DP) in January 1999 soliciting wider public debate on the issue. The DP had, *inter alia,* envisaged a transition path for the DFIs for becoming either a full-fledged NBFC or a bank. Based on the feedback received on the DP, the Monetary and Credit Policy for the year 2000-2001, outlined the broad approach proposed to be adopted for considering the proposals in the area of Universal Banking. The Policy stated that the principle of 'Universal Banking' was a desirable goal and any DFI, which wished to transform into a bank, should have the option to do so, provided it was able to fully satisfy the prudential norm applicable to the banks. For the purpose, such a DFI was expected to prepare a transition path for consideration of the Reserve Bank. Thus, in due course, the recommendation of the Narasimham Committee to have only banks and the restructured NBFCs in the system, could be operationalised. Accordingly, in April 2001, the FIs were advised several operational and regulatory issues relevant in evolving their transition path to a universal bank and for formulating a road map for the purpose.

In the light of the Reserve Bank guidance, two leading term lending institutions *viz.,* the erstwhile IDBI and ICICI Limited got converted into a commercial bank, each. The four term-lending institutions (IDFC Ltd., IFCI Ltd., IIBI Ltd. - since wound up, TFCI Limited) which were in the category of NBFCs, are now regulated as per the norms applicable to the NBFCs. However, the EXIM Bank and the three RFIs (NABARD, NHB and SIDBI) continue to be under the regulatory domain of the Reserve Bank and are regulated as per the norms applicable to the financial institutions.

Consolidation of the Regional Rural Banks (RRBs)

The RRBs were established under the RRBs Act, 1976 with a view to create an institutional mechanism for delivery of rural credit through an entity which would have the local feel but the expertise of the commercial banks for catering to the rural credit needs. The RRBs are owned jointly by Government of India, sponsor banks and State governments of 50, 35 and 15 per cent, respectively, and were expected to have region-specific limited area of operation. Over the years, their number had increased to 196, operating in 26 States of the country, being sponsored by 27 scheduled commercial banks and one State Co-operative Bank. However, with their limited size, scope and area of operations, competition from the rural branches of the commercial banks and the rising cost of operations due to upgraded wage structure on par with the commercial banks, their profitability and viability was adversely affected. This triggered the move towards their consolidation. The consolidation of the RRBs was first suggested by the Working Group to Suggest Amendments to the RRBs Act, 1976 (Chalapathy Rao Committee) in 2001. It had suggested that while retaining the regional character of these institutions, the number of sponsor banks may be reduced. Subsequently, the Advisory Committee on Flow of Credit to Agriculture and related Activities (Vyas Committee) had suggested in 2004 that in the first stage, all RRBs of a sponsor bank in a State should be amalgamated into a single unit in that State and at the second stage, there should be a State-level consolidation of RRBs. Subsequently, the Internal Working Group on RRBs, constituted by the Reserve Bank (Sardesai Committee) in June 2005, also suggested two options for strengthening RRBs, namely, merger between RRBs of the same sponsor bank in the same State or the merger of RRBs sponsored by different banks in the same State.

The main triggers for these recommendations were the small size of the RRBs which had made their operations unviable leading to significant amount of accumulated losses - which was not considered desirable. In order to improve the operational viability of RRBs and to take advantage of the economies of scale by reducing transaction cost, Government of India initiated, in September 2005, a process of amalgamation of RRBs sponsor bank-wise. The first set of amalgamations took place on September 12, 2005 when 28 RRBs were amalgamated to form 9 new RRBs. The amalgamations were carried out under Section 23-A of the RRBs Act, 1976, which provides that the Central Government, after consultation with the National Bank, the concerned State Government and the Sponsor Bank may amalgamate two or more RRBs. The process of amalgamation is still continuing.

As a result of such amalgamations, the number of RRBs has come down to 91 as on March 31, 2008 as against 133 and 196 RRBs as on March 31, 2006 and 2005, respectively. It needs to be noted here that this consolidation has occurred only amongst the RRBs, and not with the sponsor banks, and has been achieved without amendment to the governing statute of the RRBs. The structural consolidation of the RRBs has resulted in formation of new RRBs, which are financially stronger and bigger in size in terms of business volume and outreach. Thus, the emerging RRBs will be able to take advantages of the economies of scale and reduce their operational costs. With the advantages of local feel and familiarity acquired by the RRBs, they would now be better placed to achieve the objectives of rural development and financial inclusion.

Urban Co-operative Banks (UCBs)

The UCBs probably pose the most complex issues for a regulator since their governance is subject to the provisions of the Cooperative Societies Act, which is administered by the State governments while their banking operations are governed by the B R Act, administered by the Reserve Bank, leading to a duality of control. Hence, any move towards consolidation in this sector, required a very special and collaborative approach involving all the stakeholders. The constitution of the Taskforce for Cooperative Urban Banks (TAFCUB), for each State, at the initiative of the Reserve Bank, with representation from all the stakeholders was, therefore, a step in this direction and has proved effective in resolving the intractable issues of the UCBs.

The spectacular growth of UCBs in the late nineties and up to 2003, which had resulted in increasing their penetration, ironically, also led to certain weaknesses in the sector that adversely affected public perception and thereby, their competitiveness. A major reason for the decline in public confidence was the crisis faced in 2001 by a large multi-state co-operative bank in the State of Gujarat, when the bank witnessed a sudden 'run' on its branches, following rumours of its large exposure to a leading stock broker who had suffered huge losses in the share market. The large-scale withdrawal of deposits within a short time resulted in severe liquidity problems for the bank. The bank was also holding about rupees 800 crore of inter-bank deposits from a large number of UCBs within and outside the State, which posed a systemic risk. In order to protect the interests of the general public and also that of the other co-operative banks, Reserve Bank issued directions to the bank restricting certain operations (acceptance of fresh deposits, restricting payments to any single depositor to Rs.1000 and ban on fresh lending) and requisitioned the Central Registrar of Co-operative Societies, New Delhi to supersede the Board of Directors and appoint an Administrator. An order of moratorium was also enforced on the bank by the Central Government for a short period. The bank was subsequently placed under a scheme of reconstruction with the approval of Reserve Bank of India.

The Gujarat episode was followed by another major crisis in the State of Andhra Pradesh in 2002, when one of the largest co-operative banks in the State faced a run, following a newspaper report regarding an inquiry instituted into the affairs of the bank by the State Registrar of Cooperative Societies. The bank was in a weak position, and ultimately, after attempts for its revival failed, its licence was cancelled by the Reserve Bank in 2004.

The decline in public confidence in the UCB sector, deepened in the aftermath of the crisis in Gujarat and Andhra Pradesh and concomitantly, the position of UCBs generally deteriorated. As on June 30, 2004, 732 out of 1919 UCBs were categorised In Grade III or IV signifying weakness and sickness. With a view to facilitating consolidation and emergence of strong entities and providing an avenue for non-disruptive exit of weak/unviable entities in the co-operative banking sector, Reserve Bank had also issued guidelines in February 2005 to the UCBs to encourage merger/ amalgamation in the UCB sector.

Although the Banking Regulation Act, 1949 (As Applicable to the Cooperative Societies) does not empower the Reserve Bank to formulate a scheme with regard to merger and amalgamation of co-operative banks, the State Governments have incorporated in their respective Co-operative Societies Acts a provision for obtaining prior sanction in writing, of the Reserve Bank for an order, *inter alia,* for sanctioning a scheme of amalgamation or reconstruction. The Reserve Bank's role in the merger of the cooperative banks is, thus, confined to the examination of only the financial aspects of the scheme of merger and to protect the interests of depositors of the banks concerned as well as ensuring the stability of the financial system while considering such proposals. Subsequently, recognising that the UCBs are an important part of the financial system in India, it was also considered necessary for them to emerge as a sound and healthy network of jointly owned, democratically controlled, and ethically managed banking institutions providing need-based quality banking services, essentially to the middle and lower middle classes and marginalised sections of the society. Recognising the systemic risks and keeping in view the needs of its clientele, the Reserve Bank reviewed the entire gamut of legislative, regulatory and supervisory framework for these banks, and in March 2005, brought out a draft 'Vision Document' for the UCBs, setting out the broad approach and strategies needed to be adopted to actualise this vision.

The Urban Cooperative Banking sector witnessed a decline in the total number of banks from 1926 in March 2004 to 1793 in August 2007. Despite this decline in numbers, public confidence in the sector continued to rise as reflected by the increase in deposits by 6.1 per cent during 2006-07 on the top of 8.6 per cent in the previous year, thereby reversing the declining trend of 2004-05 when the deposits of the UCBs had declined by 4.7 per cent. Further, the decrease in the number of weak and sick banks indicated an improved risk profile of the sector. Thus, the number of UCBs in Grade III and IV (the banks with considerable supervisory concerns) constituted 31 per cent of the total number of banks in March 2007 as against the corresponding figure of 37 per cent in March 2006. The decline in number of banks was brought about by liquidation/ merger of banks and rejection of licence applications of banks and the continuance of the policy of not entertaining applications for licence to set up new UCBs.

Unlike in the past, the perception of the sector and of the State governments towards this contraction in the urban cooperative banking sector has undergone a change. As envisaged in the Vision Document for UCBs, drawn up by the Reserve Bank in consultation with the UCBs, State governments, *etc.,* adoption of a consultative approach to regulation and supervision, which is participatory and transparent, has resulted in appreciation of the regulatory actions of the Reserve Bank by all stakeholders. Earlier, the requisition for liquidation of a bank was protested by the bank and the sector, and often resulted in non-implementation or delay in implementation of the requisition by the

State governments. The process has now become smooth and quicker, as the decisions are based on the recommendations of the Taskforce for Cooperative Urban Banks (TAFCUB), constituted in States that have signed Memorandum of Understanding (MOU) with the Reserve Bank. The TAFCUB has representatives from State Government, UCB sector and the Reserve Bank. Till April 16, 2008, MOUs had been signed with 16 State Governments and Central Government, which encompass 1586 UCBs constituting 87.1 per cent of the total number of banks, which account for 93.8 per cent of the total deposits of the UCB sector.

I may mention that a medium-term framework for urban co-operative banks up to the year 2010 has been drawn up in order to facilitate the development of this sector into a strong and vibrant system comprising entities conforming to all prudential requirements. The Standing Advisory Committee for Urban Co-operative Banks is increasingly being used for continuous dialogue with the various stakeholders of the sector.

The deposits with the Grade I and Grade II UCBs (the banks with no / low supervisory concerns) as a proportion of total deposits of the UCBs , excluding the two banks in Gujarat and Andhra Pradesh, which faced the crisis, amounted to 77.5 per cent. This indicates that, at the moment, there is considerable improvement in the regulatory comfort as far as UCBs are concerned. The process of improved cooperation and collaboration with all stakeholders under the MoU is likely to strengthen the position further.

Impact of UCBs on the Amount of Claims Settled by the DICGC

In the context of the UCBs, it is appropriate to mention the impact of their operations on the pay out by the DICGC to the depositors affected by the weak UCBs. It is instructive to note that since the inception of DICGC in 1962 till the year 2000-01, claims paid to co-operative banks by the Corporation amounted to Rs.71.9 crore, which constituted 27.43 per cent of the total claims paid by the Corporation during the period. However, since the year 2001, the quantum of claims paid in respect of co-operative banks multiplied manifold, on account of failure of large UCBs since then.

Thus, during the period between 2000-01 and 2006-07, the claims paid in respect of co-operative banks aggregated Rs.2226.60 crore. Further, out of total claims of Rs.2594.30 crore paid in respect of all the banks up to 2006-07, over 88 per cent of the amount paid was in respect of 176 UCBs alone. However, with the added improvements in the regulatory comforts in the new environment of co-operation and collaboration the position of UCBs is poised to improve.

Local Area Banks (LABs)

The LAB Scheme was introduced in August 1996 pursuant to an announcement made by the then Finance Minister in his budget speech and the Guidelines for setting up the

LABs were thereafter issued by the Reserve Bank. The objective of setting up the LABs was to bridge the gaps in credit availability and enhance the institutional credit framework in the rural and semi-urban areas and to provide efficient and competitive financial intermediation services in their areas of operation. The LAB Scheme envisaged a minimum capital of Rs. 5 crore and an area of operation comprising three contiguous districts. Out of the 227 applications received by the Reserve Bank for setting up LABs, only six banks were actually licensed. Of the six LABs originally licensed, two have since ceased to exit as the licences granted to one of them was cancelled in January 2002 on account of grave irregularities observed in their operations while another one, whose financial position was unsatisfactory, was amalgamated in August 2004 with the Bank of Baroda under section 45 of the Banking Regulation Act, 1949. Thus, there are only four LABs functioning at present, all of which are non-scheduled banks. The LABs were subject to the provisions of the B. R. Act, RBI Act and prudential norms on income recognition and asset classification, *etc.,* since their inception.

In July 2002, a Review Group headed by Shri G. Ramachandran, former Finance Secretary, was appointed to study the working of the LAB Scheme and make recommendations. Based on the recommendations of the Group and with the concurrence of the Government of India, it was decided by the Reserve Bank that no new LABs would be licensed till the existing LABs were placed on a sound footing. The existing LABs were also advised by the Reserve Bank in November 2003 to attain a capital of Rs. 25 crore and a CRAR of 15 per cent over a period of 5 to 7 years. In the absence of any feasible restructuring options, it has been decided to maintain status quo in regard to the LABs, under the existing framework.

Non-Banking Financial Companies (NBFCs)

NBFCs are an important component of the service sector which was a significant contributor to the growth of the economy. It is important for the NBFCs to efficiently intermediate and enhance credit delivery to the dispersed, under-banked and under-serviced sections of the economy. However, it is also the Reserve Bank's responsibility to protect the depositors' interest. While ensuring that the public deposit-taking companies and systemically important non-deposit taking companies are well regulated, the Reserve Bank is looking to further strengthening of the NBFC sector so as to help the sector grow in terms of its asset base. The Reserve Bank had given an option to the NBFCs to voluntarily move out of public deposits acceptance activity if they found the regulatory costs outweighed their benefits. In case an NBFC voluntarily chose to get out of public deposits, the Reserve Bank would, in fact, help the NBFC in its efforts, including imparting training and technology support.

The NBFCs falling within the regulatory domain of the Reserve Bank can be broadly classified as the deposit-taking NBFCs (other than the Residuary Non-Banking Companies), Non-Deposit taking NBFCs and the Residuary Non-Banking Companies (RNBCs). NBFCs are broadly engaged in four types of activities *viz.,* equipment leasing, hire purchase, loans and investments. Regulatory/ supervisory norms, governing their operations differ reflecting the concerns specific to the segment.

As a part of consolidation in the NBFC sector, the number of deposit-taking NBFCs (NBFCs-D) has come down steeply from 710 as at the end of June 2003 to 376 as at the end of March 2008. The amount of public deposits held by them is also showing a declining trend and has come down from Rs 5035 crore (March 2003) to Rs 2043 crore (March 2007). The bank borrowings of NBFCs-D at Rs 14,923 crores are not significant in relation to the credit extended by them at Rs 37,990 crores as at end of March 2007. Further, the deposits held by NBFCs including RNBCs (Rs 24,665 crore as at end March 2007) is not significant (0.95 per cent) when compared to deposits held by commercial banks (Rs 26,08,309 crore) as on March 31, 2007. Considering that the amount of deposits held and bank borrowings of the deposit-taking NBFCs is not significant in relation to the aggregate bank deposit and credit, the systemic risk may not be considered significant. Furthermore, the number of non-deposit taking NBFCs (NBFCs-ND) declined from 13139 as on June 2003 to 12458 as at end of March 2008.

The number of RNBCs registered with the Bank has decreased from five as on March 31, 2003 to three as at the end of December 2006. Of these, two companies accounted for virtually the entire deposits as the deposits of the third company, at less than rupees one crore, were insignificant. However, in contrast to the trend of deposits of the NBFCs, the Aggregate Deposit Liability (ALD) of the RNBCs has been showing a rapid growth. The deposit liability of RNBCs increased from Rs.15,065 crore as on March 31, 2003 to Rs.22,622 crore as on March 31, 2007, showing an increase of 33.9 per cent. While the ALD of one company recorded a declining trend, the other large RNBC recorded a steady growth. However, it may be pointed out here that in view of the changes in the operating environment of the RNBCs, their business model has now become non-viable and there is a need for them to explore a new business model.

The total deposits of NBFCs as on March 31, 2007 were Rs 24,665 crore of which the deposits with deposit-taking NBFCs, other than the RNBCs, were Rs 2,043 crore forming only 8.3 percent of the total public deposits of the NBFCs. The deposits with the RNBCs as on March 31, 2007 amounted to Rs 22,622 crore which has been growing steadily. As already mentioned, the business model of RNBCs has become non-viable.

Taking into account the declining number of deposit-taking NBFCs, declining trend of public deposits held by NBFCs, strengthening of regulatory prescription in case of NBFCs-ND-SI and RNBCs, low level of NPAs and relatively low level of bank borrowings by the sector, the potential systemic risk from this segment is low at this point of time, even as the process of consolidation is gaining momentum. In these circumstances at the appropriate stage, the proposal of restricting public deposit taking activities only to banks may have to be taken up for consideration.

Conclusion

Over the years, there has been considerable progress in consolidation in India in the private sector banks and the mergers have happened not only between the weak and the healthy banks but also, of late, between healthy and well-functioning banks as well. The Reserve Bank has been supportive of the initiatives for consolidation and there have been no cases so far where the approval for merger of banks was denied by the Reserve Bank, since the proposals conformed to the requirements and guidelines of the Reserve Bank.

In the case of the urban cooperative banks, notable degree of consolidation has taken place over the years with a good number of weak UCBs getting weeded out from the system, through mergers and amalgamations.

In the case of the RRBs, their number has reduced to less than half of their original number and the existing RRBs are in much better financial health.

What is noteworthy is that the consolidation in the UCB and the RRB sector has been achieved through innovative ways devised, within the existing statutory framework and without waiting for any legislative amendments to come about.

The DFIs have been largely phased out in an orderly manner with only a few refinancing institutions left now.

The NBFCs sector too has witnessed a fair degree of consolidation with a sharp reduction in the number of deposit-taking NBFCs, with their aggregate deposits amounting to not a significant proportion of the total deposits of the banking system, and hence, not a source of systemic risk. However, RNBCs will have to quickly gear up to a change in their business model.

Though consolidation in the public sector banking segment, which accounts for about 75 per cent of the assets of the banking system, is still a work in progress, there are enabling legal provisions for the purpose in the respective statutes of the public sector banks. The Reserve Bank, as the regulator and supervisor of the banking system, would continue to play a supportive role in the task of banking consolidation based on commercial considerations, with a view to further strengthening the Indian financial sector and support growth while securing the stability of the system.

Annex- I

List of Indian commercial banks merged since January 1990 under the provisions of the Banking Regulation Act 1949

Sr. No.	Name of the Transferor Bank	Name of the Transferee Bank	Date of amalgammation
1.	Bank of Tamilnad Ltd.	Indian Overseas Bank	20.02.1990
2.	Bank of Thanjavur Ltd.	Indian Bank	20.02.1990
3.	Parur Central Bank Ltd.	Bank of India	20.02.1990
4.	Purbanchal Bank Ltd.	Central Bank of India	29.08.1990
5.	Kashi Nath Seth Bank Ltd.	State Bank of India	01.01.1996
6.	Bari Doab Bank Ltd.	Oriental Bank of Commerce	08.04.1997
7.	Punjab co-operative Bank Ltd.	Oriental Bank of Commerce	08.04.1997
8.	Bareilly Corporation Bank Ltd.	Bank of Baroda	03.06.1999
9.	Sikkim Bank Ltd.	Union Bank of India	22.12.1999
10.	Times Bank Ltd.	HDFC Bank Ltd.	26.02.2000
11.	Bank of Madura Ltd.	ICICI Bank Ltd.	10.03.2001
12.	Benaras State Bank Ltd.	Bank of Baroda	20.06.2002
13.	Nedungadi Bank Ltd.	PNB	01.02.2003
14.	South Gujarat Local Area Bank Ltd.	Bank Of Baroda	25.06.2004
15.	Global Trust Bank Ltd.	Oriental Bank Of Commerce	14.08.2004
16.	Bank of Punjab Ltd	Centurian Bank	01.10.2005
17.	IDBI Bank Ltd.	IDBI Ltd.	02.04.2005
18.	The Ganesh Bank of Kurundwad Ltd.	The Federal Bank Ltd.	02.09.2006
19.	United Western Bank Ltd.	IDBI Ltd.	03.10.2006
20.	Bharat Overseas Bank	Indian overseas Bank	31.03.2007
21.	The Sangli Bank Ltd	ICICI Bank Ltd. (Voluntary)	19.04.2007
22.	Lord Krishna Bank Ltd.	Centurion Bank of Punjab Ltd. (voluntary)	29.08.2007

Banks' Relationship with Customers - Evolving Perspectives *

Smt. Shyamala Gopinath

I feel it a privilege to be associated with today's function as a tribute to the late Mr. M.R.Pai, the doyen of consumer activism in India. He successfully championed the cause of consumers, particularly bank depositors, during a different economic setting when the institutional dynamics were different, particularly for the public sector, and customer as a generic entity had not acquired the high pedestal in public discourses and management meetings. Times have changed. But as a Sanskrit saying goes…*kadachit anidrishyam jagat.* The world has always been the same and consumer issues in the new economic order remain as pressing as ever, even more so. Even in developed countries issues relating to customer protection and financial inclusion are finding increasing focus. There is as much need for a Mr. Pai today, as it was then in putting across consumer issues to the fore in an effective manner.

In my address today, I intend to share my perspective on the evolving nature of banks' relationship with its individual customers and the new challenges in this regard. The role of banks in intermediation of financial needs of different classes of customers has undergone significant changes. For the sake of convenience, banks' various roles *vis-à-vis* their customers can be broadly categorised as (i) acceptors of deposits (ii) credit providers (ii) providers of payments and remittances services (iv) provider of foreign exchange services (v) facilitators in circulation of currency notes/coins; and (vi) providers of financial instruments.

* Address by Smt. Shyamala Gopinath, Deputy Governor, Reserve Bank of India at the 4th M.R.Pai Memorial Award Function organized by the All India Depositors' Association at Mumbai on April 8, 2008.

One of the defining features of the process of reforms initiated in the early nineties was the deregulation of interest rates. On the deposit side, interest rates on all deposits, except savings accounts, have been de-regulated. Similarly, on the bank lending, rates to be charged by the banks on most of the credit facilities have been deregulated except a small component for lending related to certain segments. Simultaneously, in 1993, as per the new licensing policy, fresh licenses were issued to a few private sector banks with the objective of enhancing the level of competition in the sector. One of the expected outcomes of this policy was expanding the reach of banking services, both in qualitative and quantitative terms. Technology emerged as the backbone of banking operations, revolutionising service delivery through new platforms and channels. But it became evident gradually, these developments created more challenges for the customer in terms of service quality, non-human interface, unsolicited marketing of products, ever-increasing fine-prints on documents, *etc.*, all of which got compounded on account of basic financial unawareness on part of the ordinary customer.

Self regulation by the banking industry would have been the ideal redressal for the emerging challenges. But due to heterogeneous and complex nature of the problems coming to light, some regulatory initiative had become necessary. In the mid term review of the Monetary and Credit Policy 2003-2004, it was decided to review the level of public service provided by the Reserve Bank and banks, and to evolve appropriate incentives to facilitate change on an ongoing basis. Accordingly, the Committee on Procedures and Performance Audit on Public Services was set up. The Committee focused on the inadequacy in banking services available to common person and looked into the need to (i) benchmark the current level of service, (ii) review the progress periodically, (iii) enhance the timeliness and quality, (iv) rationalise the processes taking into account technological developments, and (v) suggest appropriate incentives to facilitate change on an ongoing basis. Following the Committee's recommendations, various important customer service regulations were issued, notable among them being the guidelines on facilitating the payment to survivor/nominee of a deceased depositor, simplifying the KYC requirements, collection of cheques and facilitating operations in bank accounts.

Simultaneously, a series of measures was taken to improve the institutional mechanism within as well as outside the banks to improve the quality of customer service.

- All the banks were advised to constitute a Customer Service Committee of the Board with a view to strengthening the corporate governance structure in the banking system and also to bring about ongoing improvements in the quality of customer service provided by the banks.
- In order to encourage a formal channel of communication

between the customers and the bank at the branch level, banks were advised to take necessary steps for strengthening the branch level customer service committees with greater involvement of customers. Further as senior citizens usually form an important constituency in banks, banks were advised to preferably include a senior citizen in the branch level committees.

- The Banking Ombudsman Scheme was revised to enlarge the scope of the Scheme to include customer complaints on certain new areas, such as, credit card complaints, deficiencies in providing the promised services even by banks' sales agents, levying service charges without prior notice to the customer and non- adherence to the fair practices code as adopted by individual banks. The Scheme therefore provides a forum to bank customers to seek redressal of their most common complaints against banks, including those relating to credit cards, service charges, promises given by the sales agents of banks, but not kept by banks, as also, delays in delivery of bank services. The bank customers would be able to complain about non-payment or any inordinate delay in payments or collection of cheques towards bills or remittances by banks, as also non-acceptance of small denomination notes and coins or charging of commission for acceptance of small denomination notes and coins by banks. The present Scheme also allows appeals from both banks and complainants against the decisions of Banking Ombudsmen.

- Recognising an institutional gap in measuring the performance of the banks against codes and standards based on established best practices, the Reserve Bank of India has taken the initiative in setting up the Banking Codes and Standards Board of India (BCSBI). It is an autonomous and independent body, adopting the stance of a self-regulatory organisation in the larger interest of improving the quality of customer services by the Indian banking system. Banks register themselves with the Board as its members and provide services as per the agreed standards and codes. The Board in turn, monitors and assesses the compliance with codes and standards which the banks have agreed to. The registration of banks with the BCSBI, as members, enables the Reserve Bank of India to derive greater supervisory comfort, so also the customers of the member banks. This would also enable the BCSBI to accommodate the bank-specific differences in the customer service related benchmarks set by the banks for themselves. As on date, around 71 banks have joined the BCSBI as members.

I. Deposit Accounts

With regard to account holders, it would be useful, to recollect some of the important incremental measures taken by RBI, which over a period have made significant impact:

- Banks are required to inform customers upfront about the requirement of minimum balances and the charges if such balances are not maintained. They are also required to inform customers one month in advance any changes in such minimum balances and charges.
- It has been clarified to banks that NRO accounts can be held jointly with residents.
- In case of collection of cheques, banks are required to formulate and disclose their policy for affording immediate credit, time frame for collection and interest payment for delayed collection, taking care to ensure that the interests of the small depositors are fully protected. The policy should clearly lay down the liability of the banks by way of interest payments due to delays for non-compliance with the standards set by the banks themselves. Compensation by way of interest payment, where necessary, should be made without any claim from the customer.
- Banks are required to provide both the drop box facility and the facility for acknowledgement of the cheques at the regular collection counters and no branch should refuse to give an acknowledgement if the customer tenders the cheques at the counters.
- Banks have been advised to ensure that brief, intelligible particulars are invariably entered in passbooks / statements of account and they adhere to the prescribed monthly periodicity while sending statement of accounts.
- It has been clarified to banks that payment to the survivor /nominee of a deceased depositor where there is a valid nomination or where the account has been opened with a survivorship clause is a valid discharge of liability provided *inter alia* it has been made clear to the survivor(s) / nominee that he would be receiving the payment from the bank as a trustee of the legal heirs of the deceased depositor, *i.e.*, such payment to him shall not affect the right or claim which any person may have against the survivor(s) / nominee to whom the payment is made. In such cases insistence on production of legal representation is unwarranted and would, invite serious supervisory disapproval. In such case, therefore, while making payment to the survivor(s) / nominee of the deceased depositor, the banks have to desist from insisting on production of succession certificate, letter of administration or probate, *etc.*, or obtain any bond of indemnity or surety from the survivor(s)/ nominee, irrespective of the amount standing to the credit of the deceased account holder.
- In case where the deceased depositor had not made any

nomination or for the accounts other than those styled as 'either or survivor' (such as single or jointly operated accounts), banks have been told to adopt a simplified procedure for repayment to legal heir(s) of the depositor keeping in view the imperative need to avoid inconvenience and undue hardship to the common person. In this context, banks may, keeping in view their risk management systems, fix a minimum threshold limit, for the balance in the account of the deceased depositors, up to which claims in respect of the deceased depositors could be settled without insisting on production of any documentation other than a letter of indemnity.

- In the case of term deposits, banks are advised to incorporate a clause in the account opening form itself to the effect that in the event of the death of the depositor, premature termination of term deposits would be allowed. The conditions subject to which such premature withdrawal would be permitted may also be specified in the account opening form. Such premature withdrawal would not attract any penal charge.
- In order to avoid hardship to the survivor(s) / nominee of a deposit account, banks are advised to obtain appropriate agreement / authorisation from the survivor(s) / nominee with regard to the treatment of pipeline flows in the name of the deceased account holder.
- Banks are advised to settle the claims in respect of deceased depositors and release payments to survivor(s) / nominee(s) within a period not exceeding 15 days from the date of receipt of the claim subject to the production of proof of death of the depositor and suitable identification of the claim(s), to the bank's satisfaction.
- Information should not be gathered in the name of KYC with the intention of using it for cross-selling of services. The banks should obtain the information required for opening an account independent of any other information that they may seek for cross-selling purposes with the consent of the customer. The forms containing this information must not be a part of the account opening form.
- The KYC procedure for opening accounts for those persons who intend to keep balances not exceeding rupees fifty thousand (Rs. 50,000/-) in all their accounts taken together and the total credit in all the accounts taken together is not expected to exceed rupees one lakh (Rs. 1,00,000/-) in a year has been simplified to enable those belonging to low income groups without documents of identity and proof of residence to open banks accounts. In such cases banks can take introduction from an account

holder on whom full KYC procedure has been completed and has had satisfactory transactions with the bank for at least six months. Photograph of the customer who proposes to open the account and his address need to be certified by the introducer. Recently, clarification had also been issued to facilitate account opening by close relatives, *e.g.* wife, son, daughter and parents, *etc.*, who live with their husband, father/mother and son, as the case may be, who may not have the utility bills required for address verification in their name.

II. Bank Lending

On the lending side, guidelines were issued on Fair Practices Code for Lenders, including comprehensive details in loan applications and conveying reasons for rejection of loans.

In terms of the guidelines banks / FIs are required to ensure that loan application forms in respect of priority sector advances up to Rs.2.00 lakhs contains comprehensive information about the fees / charges and any other matter which affects the interest of the borrower. The Guidelines were further revised to ensure that all loan applications in respect of all categories of loans irrespective of the amount of loan sought by the borrower contains comprehensive information about fees / charges, *etc.*

Banks / FIs are also required to convey in writing, the main reason/reasons which have led to rejection of the loan applications in case of all categories of loans irrespective of any threshold limits, including credit card applications.

The Reserve Bank has issued comprehensive Credit Card Guidelines relating to credit card operations of banks/NBFCs in November 2005. These guidelines have been issued aimed at encouraging growth of credit cards in a safe, secure and efficient manner as well as to ensure that the rules, regulations, standards and practices of the card issuing banks are in alignment with the best customer practices. These guidelines address issues relating to billing, use of Direct Selling Agents (DSAs) and other agents, protection of customer rights, customer confidentiality, fair practices in debt collection, redressal of grievances, *etc.* Master Circular on the issue has since been issued.

Measures for Ensuring Reasonableness of Service Charges :

The Reserve Bank has made it obligatory for banks to display and update, in their offices/branches as also on their websites, the details of various service charges in a prescribed format. The banks are also required to display the service charges and fees on the homepage of their website at a prominent place under the title of 'Service Charges and Fees' so as to facilitate easy access to the bank customers. The Reserve Bank has also placed a web-link to these web pages of banks in its website to facilitate comparison of service charges and thereby enabling the customer to take an informed decision. A Working Group was also set up to look into the issue of reasonableness of bank charges, which submitted its Report in August 2006. The Working Group indicated broad principles of reasonableness that banks should adopt in fixing and notifying the service charges for providing basic services to individuals. Guidelines have been issued to the banks based on the recommendations of the Working Group and steps taken by the banks in this regard are being examined.

Instructions to guard against incidence of excessive interest rates & charges

Based on feedback that excessive interest and charges were being levied on certain loans and advances, banks were advised to lay out appropriate internal principles and procedures so that usurious interest, including processing and other charges, are not levied by them on small value loans, particularly personal loans and such other loans of similar nature. Banks are also required to fix appropriate ceiling on the interest, including processing and other charges that could be levied on such loans, which may be suitably publicised.

III. Foreign Exchange

Over the last two decades, there has been a paradigm shift in the foreign exchange regime in India. The approach of conservation and preservation of foreign exchange has been replaced with a liberal framework aimed at facilitation of external trade and payments and orderly development of foreign exchange markets. In the process, the Reserve Bank has moved beyond the role of a regulator to that of a facilitator of foreign exchange transactions.

Several measures have been taken to expand the delivery channels of foreign exchange services for reducing transaction costs and to undertake external transactions in a hassle free manner. These measures include - licensing of a new category of entities as AD category-II to handle non-trade related current account transactions and licensing of select Urban Cooperative Banks and RRBs as well to operate as AD Cat-II. In addition, the norms for the Full Fledged Money Changers have been reviewed and the ADs have been permitted to enter into franchisee arrangements for provision of money changing facilities. Further, measures have been taken to simpify procedures in respect of cross-border flows through Exchange Houses (Rupee Drawing Arrangements).

Resident individuals have been permitted to make remittances overseas up to USD 200,000 per financial year for undertaking any of the permitted current or capital account transactions or a combination of both. Only requirements are a designated bank account, PAN number and a simple declaration.

The critical issue at this juncture is for the banks to ensure efficient customer service by equipping the frontline staff with up-dated instructions and bring about an attitudinal change in their approach towards foreign exchange business. It is disconcerting to note that the incognito visits to various banks have revealed that the services delivered at various banks are deficient and insistence on unwarranted or complex documents continues for individuals. Another issue is the reluctance of the banks to extend service to walk-in customers for handling their small value transactions. We have been sensitizing banks to these issues.

The steps taken by the Reserve Bank in liberalising the forex regulations, delegating authority to the ADs and simplify the procedures is basically designed to extend the forex services to the residents and non-residents in a simple and hassle free manner with minimal documentation.

IV. Payment Systems

The traditional role of banks as providers of various payment and settlement services to customers is getting redefined. Until recently, requirements of customers, be it corporate or retail, were determined and extended by banks based on their perception and understanding of customer necessities. This to a large extent was also dictated by the banks' ability to offer such products. The scenario is fast changing and changing for the better. Now, the banks are encouraged to innovate and tailor products to suit various segments of customers, apart from being more sensitive to their demands. Competition between banks for market share and the emergence of other service providers are other reasons for this push.

It is also necessary to put into context the magnitude of challenges that are ahead of us. The paper clearing volumes we handle is the sixth largest in the world with a volume of 1.44 billion cheques cleared during the year 2007. The Reserve Bank has launched the Cheque Truncation System in the National Capital Region of New Delhi on February 1, 2008 with the participation of 10 banks in the pilot run. Once fully operational, the system will be the largest in the world and leapfrog the country into migrating the paper based instruments to the electronic mode. The electronic suite of products is continuously expanding in terms of coverage of branches, volume of transactions and number of users availing the facility. The Reserve Bank has intervened and mandated (a) reasonability in pricing of transactions effected through ATMs, (b) compulsory use of electronic mode of initiating transactions above a specified cut-off limit, (c) strengthening the payment systems infrastructure, *etc.*

Whilst the clearing cycle operating across the country on a T+1 basis for cheques payable locally, favourably compares with the best in the world, it is necessary to look into the entire cycle from the time a customer deposits a cheque at a branch till the point of realisation of credit in his account. There is scope for continuous improvement in overall cycle. Going by the number of complaints, it is felt that customer-service in this area is not customer-centric. *Albeit* the fact that electronic payment products are improving their share in the overall retail portfolio, the volume of paper instruments would continue to be significant in the near future as well.

The share of electronic payment products like RTGS, NEFT and ECS is rising by the day and the number of branches which are offering this facility is also increasing. Notwithstanding this, the share of public sector banks in the electronic product usage is very less. It is necessary to make available these products across all bank branches. While the build-up should continue, banks need to also concentrate on reaching geographical areas and segments of populace that have not been embraced by this expansion. It is difficult to achieve financial inclusion without involving rural-India in the payment system out-reach and those banks who do so first, will reap the benefits of increase in volumes and increase in market-share, leading to concomitant increase in revenues, and of-course increase in other businesses as well. And as we all know, the electronic medium is location independent, can leave a better audit-trail and will surely improve customer involvement and service expectations. It is our vision that electronic products reach 50 per cent of volume and 95 per cent of value by the end of March 2009.

Banks need to adopt a 'STOCK' approach while conceiving and bringing out products. Products that are 'secure and scalable', transparent in terms and conditions of usage, operationally resilient and efficient, cost-effective and reasonably priced, and knowledgeable to staff and customers. The customers have an equal if not higher responsibility to ensure banks adopt this approach while innovating products for them

V. Currency Management

As per the provisions of the Reserve Bank of India Act 1934, the Reserve Bank is statutorily required to undertake certain activities in the area of currency management. In view of the fact that the Reserve Bank has its Offices only at state capitals or at large centres, the services of commercial banks are used to store banknotes on behalf of the Reserve Bank in the currency chests held at designated branches. These bank branches may operate on the balances of the currency chests as per their requirements with correct and timely reporting being their responsibility. A decision has also been taken to provide the currency chest facility to private sector and foreign banks with 99 currency chests being held by these banks. Further, now the Urban Cooperative Bank and RRBs are also allowed to hold the facility. These steps would improve the availability of banknotes and coins across the country.

The channel of currency chests is used not only for distributing banknotes and coins but also for collecting back the soiled notes. While the banks are under instructions to sort the banknotes before depositing them into the currency chest, it was observed that meaningful sorting was not done as evident from a number of reissuable notes being retrieved at the level of the Reserve Bank regional offices. To overcome this, all the banks were advised to install Note Sorting Machines at their currency chests, a task that has been completed. To carry the Clean Note Policy further, banks have been instructed to process all of their daily receipts over Note Sorting Machines and keep a daily record thereof. It may be mentioned here that banks are already under instructions by way of a Directive under Section 35A of the Banking Regulation Act 1949 on non-stapling of banknotes, issue only good quality of banknotes and not to write anything on the watermark portion. This would be evident from the general improvement in the quality of notes in circulation.

Further, to extend the reach of channels for distribution of coins, the services of Post Offices, Urban Cooperative Banks and Regional Rural Banks are being used in view of their wide reach to the members of general public.

VI. Financial Education and Inclusion

Lastly, let me come to the very significant aspect of financial inclusion which has been pursued with a missionary purpose by the Reserve Bank of India during the last four years. Given the socio-demographic complexities in India, the endeavour has been towards a multi-institutional and multi-instrumental approach to comprehensively address the issue of financial inclusion in all its entirety, going beyond mere availability of credit. By financial inclusion we mean the provision of affordable financial services, *viz.*, access to payments and remittance facilities, savings, loans and insurance services by the formal financial system to those who tend to be excluded.

Globally the issue of financial inclusion has now assumed significance not merely in developing countries but also in developed countries. The Reserve Bank started a focused drive in this regard in 2004.

In the Annual Policy of the Reserve Bank for 2004-05, the Governor, Dr. Reddy observed and I quote -

"There has been expansion, greater competition and diversification of ownership of banks leading to both enhanced efficiency and systemic resilience in the banking sector. However, there are legitimate concerns in regard to the banking practices that tend to exclude rather than attract vast sections of population, in particular pensioners, self-employed and those employed in unorganised sector. While commercial considerations are no doubt important, the banks have been bestowed with several privileges, especially of seeking public deposits on a highly leveraged basis, and consequently they should be obliged to provide banking services to all segments of the population, on equitable basis."

Pursuant to this, the Reserve Bank has undertaken a number of measures with the objective of attracting the financially excluded population into the structured financial system going beyond credit to a whole range of financial services.

- In November 2005, banks were advised to make available a basic banking 'no-frills' account with low or nil minimum balances as well as charges to expand the outreach of such accounts to vast sections of the population. Banks are required to make available all printed material used by retail customers in the concerned regional language.
- In order to ensure that persons belonging to low income group, both in urban and rural areas do not encounter difficulties in opening bank accounts, the know

your customer (KYC) procedures for opening accounts has been simplified for those persons with balances not exceeding Rs 50000/- (about GBP 600) and credits in the accounts not exceeding Rs.100000/- (about GBP 1200) in a year. The simplified procedure allows introduction by a customer on whom full KYC drill has been followed.

- Banks have been asked to consider introduction of a General purpose Credit Card (GCC) facility up to Rs. 25000/- at their rural and semi urban branches. The credit facility is in the nature of revolving credit entitling the holder to withdraw upto the limit sanctioned. Based on assessment of household cash flows, the limits are sanctioned without insistence on security or purpose. Interest rate on the facility is completely deregulated.
- In January 2006, banks were permitted to utilise the services of non-governmental organisations (NGOs/SHGs), micro-finance institutions and other civil society organisations as intermediaries in providing financial and banking services through the use of business facilitator and business correspondent (BC) models. The BC model allows banks to do 'cash in - cash out' transactions at the location of the BC and allows branchless banking.
- Other measures include setting up pilots for credit counselling and financial education. A multilingual website in 13 Indian languages on all matters concerning banking and the common person has been launched by the Reserve Bank on June 18, 2007.

The key driver in the success of these initiatives would undoubtedly be technology. Technology today provides a lever which can enable multilevel leapfrogging in pursuit of financial inclusion. Andhra Pradesh has started a project that aims to improve the mechanism for paying pensions and unemployment benefits to around half a million people in villages in the Karimnagar and Warangal regions of the State. It is a tiny start-so far some 40,000 cards have been issued-but the potential is clear. The initiative is to have a bank tie up and extend this model to other places and States.

The role of financial literacy in this regard can't be over-emphasised. As noted by the *Economist* in a recent issue, a global crusade is under way to teach personal finance to the masses. Governments from USA to Britain to Russia are declaring their commitment to financial education. This month the World Savings Banks Institute, which represents retail and savings banks from 92 countries, will hold a summit in Brussels about financial education in the light of the sub-prime crisis. There is also an exhortation to the policy makers to simplify the choices available to people in financial matters, quoting the Swedish savings plan for old age, which offers a choice of funds to invest in but also includes a low-cost default option, chosen by 90 per cent of the people.

Financial education has an ever more critical role to play in the changed financial landscape of India which, while on one hand has presented with newer opportunities for future collective growth, on the other, it has also heightened fears of uncertainty in certain quarters mainly because of increasing multi-faceted choices and options in the management of personal finances and exposure to a gamut of risks. Financial education could ideally supplement the financial inclusion initiatives for long term efficacy. The Reserve Bank has recently put out a concept paper on setting up Financial Literacy and Counseling Centres with the objective of providing free financial literacy/education and credit counselling. The specific objectives of the proposed FLCCs would be:

- To educate the people in rural and urban areas with regard to various financial products and services available from the formal financial sector;
- To make the people aware of the advantages of being connected with the formal financial sector ;
- To provide face-to-face financial counselling services, including education on responsible borrowing and offering debt counselling to individuals who are indebted to formal and/or informal financial sectors;
- To formulate debt restructuring plans for borrowers in distress and recommend the same to formal financial institutions, including cooperatives, for consideration ;
- To take up any such activity that promotes financial literacy, awareness of the banking products, financial planning and amelioration of debt-related distress of an individual; and
- To take up any other activity that facilitates the above.

Once feedback is received, the initiative could be carried forward in consultation with all stakeholders.

Conclusion

I would like to conclude by quoting from one of Governor Dr. Reddy's speech:

"Banking is a trust-based relationship and the banking licence from the regulator provides an assurance of trust to the public at large. To the banks, the banking licence provides the privilege of accepting uncollateralised deposits from the public. However, the acts of stealth banking, negative option marketing, misleading advertisements, information gathering from customers for cross selling of products and services, and tie-up arrangements are inconsistent with the concept of a trust-based relationship. The lack of transparency, coupled with the difficulty of consumers in identifying key information from the large volume of material and communication in fine print, leads to an information asymmetry, which renders the banker-customer relationship one of unequals."

The broad approach of the Reserve Bank is to empower the common person where banking services are concerned and strengthen customer-service delivery in banks by adopting a consultative process with banks, through the IBA. Specifically, the focus is on:

a) Sensitising banks to customer service and encouraging the involvement of the Boards of the banks, especially to strengthen the banks own grievance redressal machinery.

b) Insisting on transparency in all the dealings with the customers, and ensuring reasonableness in pricing.

c) Promoting adherence to self imposed codes by banks on commitments to bank customers and monitoring compliance by an independent agency, *viz.* BCSBI.

d) Strengthening the mechanism for dispute resolution.

e) Using regulation/prescription only when essential, while encouraging the industry association (IBA) to take initiatives.

f) Rationalising RBI's own systems and procedures.

It is a constant endeavour to meet the above objectives and collectively, I am sure we can build a customer-oriented banking culture and, through the initiatives on financial inclusion, achieve democratization of the financial sector.

Articles

*Union Budget 2008-09: Review and Assessment**

The article undertakes a review and an assessment of the Union Budget 2008-09. The revised estimates of the finances of the Central Government during 2007-08 placed the key deficit indicators, viz., revenue deficit and fiscal deficit in relation to GDP lower than the budget estimates. This was mainly on account of higher revenue receipts, facilitated by buoyant tax revenue. The primary balance continued to be in surplus. A notable feature of the budget is that although the revenue deficit has complied with the target of annual reduction of 0.5 per cent of GDP, in terms of the Fiscal Responsibility and Budget Management Act, it could not be eliminated by 2008-09 as required under the Act on account of a conscious shift in expenditure in favour of health and education which have a large revenue expenditure component. Therefore, the target for elimination of revenue deficit has been rescheduled by one more year to 2009-10. The target for gross fiscal deficit would be attained as per mandate, i.e., 3.0 per cent of GDP by 2008-09. The budget committed to strengthen the path of fiscal consolidation in 2008-09 with the continued strategy of revenue-led correction along with the continuation of allocation of expenditure towards social and physical infrastructure.

The Union Budget 2008-09 was presented in an environment of sustained growth and continued strong macro-economic fundamentals on the domestic front, notwithstanding the slowdown of the global economy. The

* Prepared in the Division of Central Finances of the Department of Economic Analysis and Policy. This article is based on the Union Budget 2008-09 presented to the Parliament on February 29, 2008. The article on Union Budget 2007-08 had appeared in the May 2007 issue of the RBI Bulletin.

nominal growth rate of Gross Domestic Product (GDP) for 2008-09 has been assumed at 13.0 per cent. Assuming an inflation rate of 4-5 per cent, the real GDP growth would be 8-9 per cent. The major thrust of the budget is to accord priority for sustained, rapid and a more inclusive economic growth with a sharp focus on development of physical and social infrastructure. In the penultimate year of Fiscal Responsibility and Budget Management (FRBM) Act, 2003, the budget proposed that the target relating to fiscal deficit would be achieved as per mandate while that relating to elimination of revenue deficit would be rescheduled by one more year to 2009-10. The budget proposed that the ongoing reforms and fiscal correction initiatives would continue to be supportive of raising domestic demand and investment, both of which are main drivers of growth in GDP. Towards this end, the budget sought to rationalise the personal income tax and Central excise, broaden the tax base by adding more services for service tax and improve expenditure management with focus on outcomes and provision of adequate investment for social sector. A major proposal in the budget relates to introduction of a scheme of Debt Waiver and Debt Relief for extending help to the indebted farmers.

Thrust of the Budget

Growth and Equity

The Union Budget 2008-09 reiterated its commitment to faster and more inclusive growth and also emphasised the need to address supply constraints on growth. The Government considered the second year of the Eleventh Plan extremely critical to the success of the Plan. In this context, it emphasised that 2008-09 should be a year of the consolidation; of securing the ongoing programmes on firm financial foundation; of close monitoring of implementation and enforcing accountability and of measuring the outcomes in terms of the targets achieved as well as their quality. Despite pressure from committed and non-discretionary expenditures such as interest payments, defence, pensions, salaries, subsidies, the fiscal policy for 2008-09 remains committed to the overarching objectives of achieving faster and more inclusive growth by increasing allocation for social sectors, including rural employment, education and health, while at the same time ensuring adequate resources for improving infrastructure to boost employment, investment and consumption levels.

Fiscal Consolidation

The Central Government continued the fiscal correction process in 2007-08 with key deficit indicators, *viz.,* revenue deficit (RD) and gross fiscal deficit (GFD) turning out to be lower than the budget estimates by 0.1 per cent and 0.2 per cent, respectively. This was on account of robust economic growth coupled with buoyant tax revenue. The Union Budget 2008-09 continued with the revenue led process of fiscal consolidation while focussing on the outcomes and improving the allocative efficiency of public expenditure. The RD was budgeted to be reduced by 0.4 per cent, close to the annual reduction of 0.5 per cent as stipulated under FRBM Rules. However, under FRBM Rules 2004, the RD was required to be reduced to zero by 2008-09. This could not be adhered to on account of a conscious shift in expenditure in favour of health and education which include a large component of revenue expenditure.

The target for reducing RD to zero was, therefore, rescheduled by one more year, i.e., 2009-10[1]. In the case of GFD, the correction is as per the mandate under FRBM Rules. The process of fiscal consolidation would continue to be sustained through improvement in tax-GDP ratio, moderate growth in non-tax revenue, reprioritisation and improvement in the quality of expenditure including promotion of capital expenditure to boost infrastructure development while ensuring adequate resources for social sectors like health and education.

Tax Proposals

The Union Budget 2008-09 pursued the tax policy that has been in vogue in recent years, whereby tax policy has been governed by the overarching objective of increasing the tax-GDP ratio for achieving fiscal consolidation. In the Budget 2008-09, this is sought to be achieved both through appropriate policy interventions and a steadfast improvement in the quality and effectiveness of tax administration. On the policy side, a strategy of moderate and few rates, removal of exemptions and broadening of the tax base were proposed for attaining desired outcomes. In this context, it is worthwhile to note that threshold limit on personal income tax has been further enhanced in the Budget and the income slabs have been rationalised. In the case of tax administration, extensive adoption of Information Technology' solutions continued to enable a less intrusive tax system which fosters voluntary compliance. On the indirect tax side, the CENVAT rate was further reduced to 14 per cent. The measure was intended to integrate the taxes on goods (Central Excise) and services and finally move to a comprehensive Goods and Services Tax (GST) by April 1, 2010. Excise duty in case of certain sectors such as pharmaceuticals, automobiles, paper and paper board has been reduced. The Budget proposed to improve the revenue yield from service tax by adding four more number of services in keeping with the contribution of the sector to GDP. Thus, the strategy of tax policy is aimed to improve compliance, efficiency in administration through the use of information technology and raise revenue collections.

Against the above backdrop, this article makes an assessment of the Union

[1] As per the FRBM Rules, 2004 (as amended in Finance Act, 2004), GFD is to be reduced by 0.3 per cent or more of GDP every year, beginning with the year 2004-05, so that the GFD does not exceed 3 per cent of GDP by March 31, 2009. RD is to be reduced by 0.5 per cent or more of GDP at the end of each year, beginning from 2004-05, in order to achieve elimination of the RD by March 31, 2009.

Budget 2008-09. Section I presents major policy initiatives. The tax proposals announced in the Budget are provided in Section II. The budgetary outcome in the revised estimates for 2007-08 is discussed in Section III. An analysis of Budget Estimates of 2008-09 is presented in Section IV. Section V provides an assessment of the budget followed by conclusion in Section VI.

Section I
Major Policy Initiatives

The major policy announcements in the Budget for 2008-09 continued to focus on the areas covered under *Bharat Nirman,*[2] reflecting the higher allocations towards the eight flagship programmes of the Government covering, inter alia, education, health and rural employment. Apart from the areas under *Bhart Nirman,* a major announcement in the Budget related to the 'debt waiver and debt relief' scheme for the indebted farmers. In the second year of the Eleventh Five Year Plan, the focus of the Union Budget 2008-09 is on consolidation, securing the ongoing programmes on firm financial foundations, close monitoring of implementation and enforcing of accountability and measuring the outcomes in terms of the targets achieved as well as their quality. The Government, therefore, envisaged to strengthen evaluation by authorising independent evaluations of the major schemes. A Central Plan Scheme Monitoring System (CPSMS) has been proposed to be put in place to monitor scheme-wise and state-wise releases for Central Plan and Centrally Sponsored Schemes. The budget lays special emphasis on schemes for upliftment of women and children. It reiterates its focus on agriculture, education and health. The Gross Budgetary Support (GBS) in 2008-09 would be Rs.2,43,386 crore, an increase of 18.7 per cent over the previous year. The budget proposes a higher allocation for *Bharat Nirman* at Rs.31,280 crore showing an increase of Rs.6,677 crore (27.0 per cent) over that of 2007-08. The budget has envisaged to mobilise additional resources under Plan 'B' to the tune of Rs.10,000 crore, to be used for Plan capital expenditure.

I. Agriculture & Rural Development

In the Union Budget 2008-09, agriculture continued to receive priority for ensuring self-sufficiency in food grain production and maintaining macro-economic stability and growth. The major thrust areas in this sector include credit, investment, irrigation, diversification of crops, revamping of cooperative credit structure and debt waiver and debt relief.

a) *Agricultural Credit, Debt Waiver and Debt Relief:* The credit from scheduled commercial banks and regional rural banks is expected to exceed the target set for 2007-08. The Union Budget 2008-09 placed the target for agricultural credit at Rs.2,80,000 crore. The Union Budget 2008-09 focussed on easing the burden of agricultural credit,

[2] Bharat Nirman which was introduced in 2005-06 is a four year business plan emphasizing on building infrastructure and providing basic amenities in rural India.

promoting investment in agriculture, management and augmentation of water resources and improving the coverage of crop insurance. In order to enhance disbursal short term crop loans at 7 per cent per annum, an initial provision of Rs.1,600 crore for interest subvention has been made. Keeping in view the dimensions of the problem and the difficulty of the farmer community, specially the small and marginal farmers, the budget 2008-09 has proposed a scheme of debt waiver and debt relief. It may be noted that the Committee under Dr. R. Radhakrishna appointed by the Government to examine all aspects of agriculture indebtedness had, however, not recommended waiver of debt. The salient features of the proposed scheme of debt waiver and debt relief are: i) all agricultural loans disbursed by schedule commercial banks, regional rural banks and co-operative credit institutions up to March 31, 2007 and overdue as on December 31, 2007 will be covered under the scheme, ii) marginal farmers and small farmers will receive the benefit of complete waiver of all overdue loans on December 31, 2007, and which remain unpaid until February 29, 2008, iii) for other farmers there will be a one-time settlement scheme (OTS) for all loans that were overdue on December 31, 2007 and remained unpaid up to February 29, 2008, a rebate of 25 per cent will be given against the payment of balance 75 per cent, iv) agricultural loans restructured and rescheduled by banks in 2004 and 2006 through special packages will also be eligible either for a waiver or an OTS under the proposed scheme, and v) about 3 crore small and marginal farmers and about 1 crore other farmers will benefit from the scheme. The total value of overdue loans being waived is estimated at Rs.50,000 crore and the OTS relief on the overdue loans is estimated at Rs.10,000 crore.

b) Irrigation: Government is investing considerably in Accelerated Irrigation Benefit Programme (AIBP) and Rainfed Area Development Programme and in the management and augmentation of water resources. Under AIBP, 24 major and medium irrigation projects and 753 minor irrigation schemes are proposed to be completed during 2008-09, creating additional irrigation potential of 500,000 hectare. The outlay for these schemes in 2008-09 would be increased to Rs.20,000 crore from Rs.11,000 crore in 2007-08. In view of the massive investment required in agriculture, Government has approved 14 projects that satisfy certain criteria as national projects requiring Rs.7,000 crore during the Eleventh Plan. In this regard, Government proposes to establish the Irrigation and Water Resources Finance Corporation (IWRFC) with an initial capital of Rs.100 crore contributed by the Central Government. State Governments and other financial institutions would be invited to contribute to the equity. Furthermore, a crop insurance scheme for tea, rubber, tobacco, chilli, ginger, turmeric, pepper and cardamom is proposed to be introduced. The National Agriculture Insurance Scheme (NAIS) would be continued in its present form for *Kharif* and *Rabi* 2008-09, pending a decision on an alternative crop insurance scheme that is acceptable to the farmers as well as viable to the insurer.

c) Rural Infrastructure: The Budget continued to make impressive progress in attaining the targets for building rural infrastructure under Bharat Nirman for provision of irrigation, water supply, roads, houses, electrification and telephone facilities in the villages during 2007-08. On each day of the year, 290 habitations are provided with drinking water, 17 habitations are connected through an all weather road, 52 villages are provided with telephones, 42 villages are electrified and 4,113 houses are constructed. The corpus of Rural Infrastructure Development Fund (RIDF) in 2008-09 would be Rs.14,000 crore. It is proposed to operate a separate window under RIDF for rural roads with a corpus of Rs.4,000 crore. In the power sector, five more ultra mega power projects (UMPP) will be extended support. Under the sector-wise allocation of Central plan outlay (Rs.3,75,485 crore) in the budget 2008-09, in respect of infrastructure comprising transport (including rural road), energy and communications an amount of Rs.1,99,929 crore has been provided, which is higher by 26.7 per cent over the revised estimates for 2007-08.

I.2 Industry and Services

With regard to industry, the Budget has proposed a set of measures in respect of textiles, micro, small and medium enterprises. In the case of services sector, the Budget proposes to pursue industry friendly policy and increased the provision to the Department of Information Technology to Rs.1,680 crore. A scheme for establishing 100,000 broadband internet-enabled Common Service Centres in rural areas and a scheme for establishing State Wide Area Networks (SWAN) with Central assistance is under implementation.

a) Textiles and Handlooms: In order to meet the competition in the global market, government continued the supportive policy measures to this segment. The two major schemes of the Ministry of Textiles - the Scheme for Integrated Textile Parks (SITP) and the Technology Upgradation Fund (TUF) are proposed to be continued in the Eleventh Plan. All 30 integrated textile parks have been approved and 20 units in four parks have commenced production. The Government has proposed to maintain the provision for SITP at Rs.450 crore in 2008-09 while the provision for TUF was increased to Rs.1,090 crore in 2008-09 from Rs.911 crore in 2007-08. In the case of handloom sector, over 17 lakh family of weavers are proposed to be covered under the health insurance scheme and in this regard an allocation of Rs.340 crore has been made in 2008-09.

b) Micro, Small and Medium Enterprises: There has been a secular rise in the number of registered units, unregistered units, production, employment and exports in the case of micro, small and medium enterprises. In order to provide support to this sector, the Government proposed to create a risk capital fund in the Small Industries Development Bank of India (SIDBI). As on January 31, 2008, the Credit Guarantee Trust with SIDBI had extended guarantees to 89,129 units for an amount of Rs.2,479 crore. SIDBI would reduce the guarantee fee from 1.5 per cent to 1 per cent and the annual service fee from 0.75 per cent to 0.5 per cent for loans up to Rs.5 lakh.

I.3 Physical Infrastructure

The Budget pursued to take measures aimed at expansion of infrastructure which is vital for growth. In the case of power, by end-March 2008 additional 10,000 MWs is proposed to be created against 78,577 MWs target set for the Eleventh Plan. According to the Government, this is the best first year in any plan period. The Government approved continuation of the Rajiv Gandhi Grameen Vidyutikaran Yojana during the Eleventh Plan period with a capital subsidy of Rs.28,000 crore. In this regard, the Budget has made a provision of Rs.5,500 crore in 2008-09 for the Yojana (including NER). In view of the poor state of transmission and distribution, a national fund for transmission and distribution reform is proposed to be created. The provision for Accelerated Power Development and Reforms Project is budgeted at Rs.800 crore in 2008-09. All phases of the *National Highway Development Programme* (NHDP) are in progress. In the Budget, it was proposed to enhance the allocation for National Highway Development Programme to Rs.12,966 crore in 2008-09 from Rs.10,867 crore in 2007-08.

The Jawaharlal Nehru National Urban Renewal Mission (JNNURM) which was launched on December 3, 2005, is designed to meet the challenges of creating urban facilities of satisfactory standards in seven mega cities with a population of over a million and some other towns. It has succeeded in driving reforms in urban governments and urban related laws. The allocation for JNNURM would increase from Rs.5,482 crore in 2007-08 to Rs.6,866 crore in 2008-09.

I.4 Support to Central Public Sector Undertakings

In the Budget, the Government proposed to provide Rs.16,436 crore as equity support and Rs.3,003 crore as loans to central public sector enterprises (CPSEs) with a view to strengthen the public sector. At present, 44 CPSEs are listed in the stock exchanges. It is the policy of the Government to list more CPSEs in order to unlock their true value and improve corporate governance.

I.5 Social Infrastructure and Welfare Measures

The social sector infrastructure would continue to be developed through higher allocation of outlays to the flagship programmes relating to rural employment, education, health, water supply, women and child development and other welfare programmes and pursuing as well as monitoring the achievement of physical targets set out in these programmes.

a) Education and Health: The Government has emphasised that 'education and health' are the twin pillars on which rests the edifice of social sector reforms. In the Union Budget 2008-09, the allocation for the education (including NER) would increase by 20 per cent to Rs.34,400 crore. The focus of *Sarva Shiksha Abhiyan (SSA),* a flagship programme under *Bharat Nirman,* will shift from access and infrastructure at the primary level to enhancing retention, improving quality of learning and ensuring access to upper primary classes. A new scheme to establish 6,000 high quality model schools is proposed. The mid-day meal scheme is proposed to be extended to upper primary classes in Government and Government-aided schools in all blocks in the country, taking the total number of children covered under the Scheme to 13.9 crore. Furthermore, institutes of higher education, *viz.,* Indian Institute of Technology (IITs), Indian Institute of Social and Economic Research (IISERs) and Schools of Planning and Architecture would be set up in various States. Based on the recommendation of the National Knowledge Commission, the Ministry of Information and Technology would establish a National Knowledge Network to encourage sharing of resources and collaborative research. In order to address the challenge of imparting the skills required by a growing economy, a non-profit corporation with Rs.1,000 crore as equity from the Government would be set up to operate a skill development programme in mission mode.

The allocation for the health sector would increase by 15 per cent to Rs.16,534 crore in 2008-09. Out of this, the allocation for National Rural Health Mission (NRHM) would be Rs.12,050 crore. The NHRM is the key instrument of intervention by the Central Government in order to establish a fully functional, community owned decentralised health delivery system. 462,000 Associated Social Health Activists (ASHAs) and link workers have been trained. 177,924 Village Health and Sanitation Committees are functional. 323 district hospitals have been taken up for upgradation. The Union Budget proposed to start a Rashtriya Swasthya Bima Yojana (RSBY) in order to provide a health cover of Rs.30,000 for every worker in the unorganised sector falling under the Below Poverty Line (BPL) category and his/her family. Similarly, a National Programme for the Elderly was proposed to be started in 2008-09. The number of projects under Integrated Child Development Services (ICDS) Scheme at end December 2007 were 5,959 and Anganwadi and mini-Anganwadi centres 932,000. The beneficiaries under these schemes increased to 6.3 million children and 1.3 million pregnant and lactating mothers.

b) Drinking Water and Sanitation: The allocation for the Rajiv Gandhi Drinking Water Mission would be enhanced to Rs.7,300 crore in 2008-09 from Rs.6,500 crore in 2007-08 in order to supply safe drinking water to uncovered habitations and slipped back habitations and also to ensure quality. The provision for total sanitation campaign has been budgeted at Rs.12,000 crore in 2008-09.

c) Employment generation: The allocation for National Rural Employment Guarantee Scheme (NREGS) has been budgeted at Rs.16,000 crore and the scheme is proposed to be rolled out to all 596 rural districts in India. The Government has mentioned that more money would be provided to meet the legal guarantee of employment.

d) Social Security to Unorganized Sector Workers: The Government has introduced three schemes that are designed to provide social security to workers in the unorganised sector in a phased manner in anticipation of 'The Unorganised Sector Workers' Social Security Bill 2007' being made into to law. The schemes are: *a) The Aam Admi Bima Yojana* that will provide insurance cover to poor households. In the first year of the Yojana, LIC would cover 10 million landless households by September 30, 2008. The Government had already placed Rs.15,000 crore with LIC. In order to cover another 10 million poor households in the second year, an additional sum of Rs.1,000 crore was proposed to be placed with LIC in 2008-09; b) *The Rashtriya Swasthya Bima Yojana* would be implemented with effect from April 1, 2008; and c) The coverage under Indira Gandhi National Old Age Pension Scheme would be expanded from 8.7 million to 15.7 million beneficiaries, who are over 65 years falling under BPL category. The allocation for this purpose was increased to Rs.3,443 crore in 2008-09 from Rs. 2,392 crore in 2007-08.

e) Other Welfare Measures: In order to make accessible quality schools like Jawahar Navodaya Vidyalayas to Scheduled Castes (SCs) and Scheduled Tribes (STs) students, the Government proposed to establish these schools in 20 districts which have a large concentration of SCs and STs. The provision for this scheme has been budgeted at Rs.130 crore in 2008-09. The Government has made a provision of Rs.3,966 crore for schemes benefitting SCs and STs exclusively in 2008-09. Kasturba Gandhi Balika Vidyalayas were set up to address the issue of equity in the education of girls belonging to SC, ST, OBC and minority communities. 1,754 vidyalayas have been started so far and the Government proposed to allocate funds (as part of SSA) to set up an additional 410 vidyalayas in educationally backward blocks. The Government also proposed to provide a sum of Rs.80 crore to set up new or upgrade existing hostels attached to the Balika Vidyalayas. Development and Finance Corporations were set up for certain disadvantaged groups and accordingly government contributed an additional equity to these corporations. A sum of Rs.75 crore was allocated in 2008-09 for the Rajiv Gandhi National Fellowship Programme in order to support SC and ST students pursuing

M.Phil. and Ph.D Courses. The allocation for the development of minorities were increased to Rs.1,000 crore in 2008-09 from Rs.500 crore in 2007-08. The outlay for 100 per cent women specific schemes programme was fixed at Rs.11,460 crore in 2008-09 while for schemes, where at least 30 per cent was for women specific programmes, the outlay was kept at Rs.16,202 crore in 2008-09. The Backward Regions Grant Fund was given Rs.5,800 crore in 2007-08. The Government proposed to keep the allocation at the same level for the year 2008-09; about 45 per cent of the amount was likely to be allocated to the States of Bihar, Orissa and Uttar Pradesh. The allocation for North-Eastern Region spread over different Ministries/Departments was proposed to be increased to Rs.16,447 crore in 2008-09 from Rs.14,365 crore in 2007-08. This includes Rs.1,455 crore to the Ministry of Development of North-Eastern Region.

I.6 Financial Sector

a) Banking

The resource base of National Bank for Agriculture Rural Development (NABARD), Small Industries Development Bank of India (SIDBI) and National Housing Bank (NHB) would be enhanced by creation of a fund of Rs.5,000 crore in NABARD, two funds of Rs.2,000 crore each in SIDBI and a fund of Rs.1,200 crore in NHB to enhance their refinance operations. The resources for these funds would be tapped from the resources of the scheduled commercial banks to the extent that they fall short of their obligation to lend to the priority sector. These funds would be governed by the general guidelines applicable to RIDF with some modifications.

The borrower's eligibility criteria under the Differential Rate of Interest Scheme (DRI) for the weaker sections of the community engaged in gainful occupations would be fixed as annual family income of Rs.18,000 in rural areas and Rs.24,000 in urban areas. The public sector banks would be advised to include Indira Awas Yojana (IAY) houses under the DRI scheme and lend up to Rs.20,000 per unit at an interest rate of 4 per cent.

b) Insurance

As alluded earlier, a sum of Rs.1,000 crore would be placed with the Life Insurance Corporation of India (LIC) to cover another 10 million poor households in the second year of *Aam Admi Bima Yojana (AABY).* LIC would also be asked to scale up the coverage of its Janashree Bima Yojana to cover all women self-help groups (SHGs) that are credit-linked to banks. A contribution of Rs.500 crore would be made to the corpus of the Social Security Fund, which subsidises one-half of the premium, with the assurance that annual contributions will be made as the scheme is scaled up.

c) Financial Inclusion

Based on the recommendations of the Committee on Financial Inclusion (Chairman: Dr. C. Rangarajan), the commercial banks including Regional Rural Banks (RRBs), would be advised to add at least 250 rural household accounts every year at each of their rural and semi-urban branches; and allow individuals such as retired bank officers, ex-servicemen etc. to be appointed as business facilitator or business correspondent or credit counsellor. Furthermore, in order to strengthen the ongoing financial inclusion, the Government would request all scheduled commercial banks to meet the entire credit requirements of SHG members, namely, (a) income generation activities, (b) social needs like housing, education, marriage etc and (c) debt swapping.

d) Capital Market

Taking forward the reforms initiated in the previous year's budget to create an exchange-traded market for corporate bonds, it has proposed to launch exchange-traded currency and interest rate futures and develop a transparent credit derivatives market with appropriate safeguards. A mechanism to enable investors to separate the embedded equity option from the convertible bond and traded separately would be instituted to enhance the tradability of domestic convertible bonds. The requirement of Permanent Account Number (PAN) would be extended to all transactions in the financial market subject to suitable threshold exemption limits. The Empowered Committee of State Finance Ministers will be requested to work with the Central Government to create a pan Indian market for securities that will expand the market base and enhance the revenues of the State Governments.

I.7 Public Finance

The Government has acknowledged that significant liabilities of the Government on account of oil, food and fertiliser bonds are currently below the line. This accounting arrangement is consistent with past practice. However, fiscal and revenue deficits are understated to that extent. The Government has recognised the need to bring these liabilities into fiscal accounting. As a first step in this direction, these liabilities have been shown clearly in 'Budget at a Glance'. After the obligations on account of the Sixth Central Pay Commission become clear, Government intends to request the Thirteenth Finance Commission to revisit the roadmap for fiscal adjustment and suggest a suitably revised roadmap. Following an agreement between the Central Government and State Governments, the rate of Central Sales Tax was reduced from 4 per cent to 3 per cent in 2007-08 and it was proposed to be reduced further to 2 per cent from April 1, 2008. Consultations are underway under compensation for losses, if any, and once the agreement is reached, the new rate would be notified. The Government has also mentioned that there is a considerable progress in preparing a road map for introducing the goods and services tax with effect from April 1, 2010.

Section II

TAX PROPOSALS

The tax proposals announced in the Union Budget 2008-09 focus at sustaining the growth in tax revenue and also further consolidating the achievements made in the last four years. As per cent of GDP, tax revenue is budgeted to increase to 13.0 per cent in 2008-09 from 12.5 per cent in 2007-08. This is sought to be achieved through appropriate policy intervention coupled with improvement in the quality, efficiency and effectiveness of tax administration. On the policy side, the strategy has been moderate and few tax rates, removal of exemptions and broadening of the tax base. In the case of tax administration, the focus has been on recovery of arrears of tax revenue, improvement in service delivery to the tax payer and enhancement of deterrence levels. Overall, the direct tax measures in the Union Budget 2008-09 have been revenue neutral whereas the indirect proposals would involve a loss of Rs.5,000 crore. Detailed tax proposals are set out in the Annex I. The major proposals in respect of direct and indirect taxes are as follows.

II.1 Direct Taxes

In the case of direct taxes the corporate tax rates were kept unchanged. The threshold limits for income tax were increased based on the premise that 'trust will beget trust, moderation will beget revenues and fairness will beget compliance'. The Budget sought to maximise direct tax revenue through expanding the base and maintaining moderate tax rates.

a) Personal Income Tax

In the Union Budget it was mentioned that moderate taxes would maximize revenue. Accordingly, the threshold limit of exemption for all assesses for Personal Income Tax (PIT) was increased from Rs.110,000 to Rs.150,000, thus giving every assesses a relief at a minimum of Rs.4,000. In the case of women the basic exemption limit was raised to Rs.1,80,000, and in case of senior citizens above 65 years of age, the exemption limit was raised to Rs.2,25,000. The Budget also proposed the changes in slabs for personal income tax (Table 1).

With a view to encouraging small savings, it was proposed to enlarge the scope of eligible instruments by inserting two new schemes under Section 80C of the Income Tax Act. Accordingly, the Senior Citizens Savings Scheme 2004 and the Post Office Time Deposit Account were proposed to be added to the basket of saving instruments. It was proposed to allow an additional deduction of Rs.15,000 under Section 80D to an individual who pays medical insurance premium for his/her parent or parents. In order to clarify the tax issues arising out of the Reverse Mortgage Scheme, it

Table 1: Income Tax Rates

Up to Rs.1,50,000/-	Nil
Rs.1,50,001/- to Rs.3,00,000/-	10 per cent
Rs.3,00,001/- to Rs.5,00,000/-	20 per cent
Above Rs.5,00,001/-	30 per cent

was proposed to amend Income Tax Act to provide that reverse mortgage would not amount to "transfer" and the stream of revenue received by the senior citizen would not be "income". The Banking Cash Transaction Tax (BCTT) was proposed to be withdrawn with effect from April 1, 2009. Coir Board was proposed to be excluded from income tax.

b) Corporate Tax

Owing to buoyancy in corporate income tax (CIT) collections and better compliance during 2007-08, no change in the rate of corporate income tax and the rate of surcharge in the Budget 2008-09 were proposed. The existing CIT rates of 30 per cent for domestic companies and 40 per cent for foreign companies were retained. The corporate debt instruments issued in demat form and listed on recognised stock exchanges would be exempted from Tax Deduction at Source.

The Union Budget proposed to increase the rate of tax on short term capital gains to 15 per cent to bring it in line with the tax rate of 15 per cent on the dividend distribution. At present, a domestic company is liable to pay Dividend Distribution Tax (DDT). As a result, the distributed dividend is sometimes taxed twice in the hands of a subsidiary company as well as its parent company. It was proposed to allow a parent company to set off the dividend received from its subsidiary company against dividend distributed by the parent company, provided that the dividend received has suffered DDT and the parent company is not a subsidiary of another company.

The Union Budget 2008-09 proposed to provide some relief to corporates and firms in the Fringe Benefit Tax (FBT) by excluding crèche facilities, sponsorship of an employee-sportsperson, organising sports events for employees and guest houses from the purview of FBT.

At present, Securities Transaction Tax (STT) paid is allowed as a rebate against tax liability. It was proposed that STT paid would be treated like any other deductible expenditure against business income. Further, the levy of STT, in the case of options, would be only on the option premium where the option is not exercised, and the liability will be on the seller. In a case where the option is exercised, the levy would be on the settlement price and the liability would be on the buyer. There would be no change in the present rates. The Union Budget proposed to introduce a Commodities Transaction Tax (CTT) on the same lines as STT on options and futures traded in commodity exchanges.

II.2 Indirect Taxes

a) Customs Duty

The peak rate of customs duty for non-agricultural products, which was 20 per cent in January 2004, stands at 10 per cent. The Government proposed to keep peak customs duty for non-agricultural products at this level. The collection rate is the closest approximation to the protection to the domestic industry. In order to provide a fillip to a specific industry or to promote value addition, the Budget proposed to reduce the customs duty on, among others, project imports, steel melting scrap and aluminium scrap, certain specified life saving drugs and on the bulk drugs used for the manufacture of such drugs, crude and unrefined sulphur and phosphoric acid. A 4 per cent special CVD on a few specified projects in the power sector would be imposed.

On account of a complex regime of export benefits and duty exemptions, naphtha is exported from refineries and naphtha is imported by manufacturers of polymers, leading to price distortions and revenue losses. It is proposed to withdraw the duty exemption on naphtha for use in the manufacture of polymers and subject it to the normal rate of 5 per cent. However, naphtha imported for the production of fertilisers will continue to be exempt from import duty. The duty specified parts of set top boxes and specified raw materials for use in the IT/ electronic hardware industry would be fully exempted.

b) Excise Duty

In order to provide stimulus to the manufacturing sector, it was proposed to reduce the general CENVAT rate on all goods from 16 per cent to 14 per cent. It was proposed to abolish the ad valorem part of the excise duty on unbranded petrol and unbranded diesel and replace the same by an equivalent specific duty of Rs.1.35 per litre. Henceforth, there would be only a specific duty of Rs.14.35 per litre on unbranded petrol and Rs.4.60 per litre on unbranded diesel. There will be no impact on retail prices.

It was proposed to reduce the excise duty in the case of specific sectors that are growth and employment drivers, viz; all goods produced in the pharmaceutical sector, buses and their chassis, small cars and hybrid cars, two wheelers and three wheelers, paper/paper board and articles made therefrom, and writing, printing and packing paper. On certain goods of mass consumption, it is proposed to reduce the excise duty from 16 per cent to nil including, composting machines, wireless data cards, packaged coconut water, tea and coffee mixes, and puffed rice.

In order to bring parity in the excise duty rates on bulk cement and packaged cement, bulk cement will now attract excise duty of Rs.400 per Metric Tonne or 14 per cent ad valorem, whichever is higher. Cement clinkers will be liable to excise duty of Rs.450 per Metric Tonne.

c) Service Tax

The Budget proposed to keep the service tax rate unchanged. In keeping with the growing share of service sector in the economy, the coverage of services was widened under the service tax net by adding four more number of services in the Union Budget 2008-09 to the existing list of services. The proposed services which are to be brought under the service tax net are: (i) asset management service provided under Unit Linked Insurance Plan (ULIP) (to bring

Box 1: Amendments to the Finance Bill, 2008

The Lok Sabha has passed the Finance Bill, 2008 including the amendments introduced by the Government on April 29, 2008. The following are the major amendments to the Finance Bill proposed by the Finance Minister.

Direct Taxes:

- The definition of 'charitable purpose' has been amended so as to limit the benefit to entities which are engaged in activities such as relief of the poor, education, medical relief and any other genuine charitable purpose, and to deny it to purely commercial and business entities which wear the mask of a charity.
- The sunset clauses under section 10A and 10B of the Income tax Act stipulate March 31, 2009 as the date on which the exemptions will come to an end. However, the Budget for 2009-10 may not be presented in February, 2009 due to the elections. In order to avoid any uncertainty at that time, it has been decided that the two sections would be amended and the exemptions continued until March 31, 2010.
- A new clause 8 in the Finance Bill, 2008 is proposed to be inserted to provide that no disallowance under section 40(a) (ia) of the Income-tax Act shall be made in the case of a deductor, in respect of the expenditure incurred in the month of March, if the tax deducted at source on such expenditure has been paid before the due date of the filing of the return. The taxpayers will now get a time period of six months for depositing such tax deducted at source, relatable to payments in the month of March, to escape the disallowance of the expense under this section. The proposed amendment would be given retrospective effect from assessment year 2005-06.
- With a view to ensuring that the benefit (of deduction) to refineries under construction in Paradeep, Bina and Bathinda is not denied on account of their inability to adhere to deadline (to begin refining before April 1, 2009), it has been proposed that such refineries would be eligible to avail of the benefit if they begin refining not later than the March 31, 2012.

Indirect Taxes

Customs duty

- In order to encourage value addition and exports, besides the proposed reduction in customs duty on some of the inputs of gem and jewellery industry, full exemption from basic customs duty would be given to two more inputs, namely, cut and polished colored gemstones and rough synthetic gemstones that currently attract 5 per cent duty.
- Basic customs duty on newsprint is proposed to be reduced from 5 per cent to 3 per cent to help newspaper industry.
- Tapioca starch is manufactured primarily by a large number of small, unorganized units. Owing to a hefty increase in the volume of imports, the Government had earlier imposed a safeguard duty on this item in the year 2005-06 for a period of three years. This levy expires on 1st May, 2008. In order to allow some additional flexibility to this industry to adjust, it has been proposed to increase the basic customs duty on this item from 30 per cent to 50 per cent with effect from 1st May 2008 coinciding with the expiry of the safeguard duty.
- Anti-dumping duty is not levied on imports made by 100 per cent Export Oriented Units (EOUs). However, these

Box 1: Amendments to the Finance Bill, 2008 *(Concld.)*

units often use imported inputs for the manufacture of goods that are sold domestically. They are also permitted to sell a portion of imported inputs into the domestic market. With a view to providing a level playing field to domestic units, it is proposed that EOUs would be liable to pay anti-dumping duty on imported inputs either sold directly or contained in finished products that are sold in the domestic market.

Excise duty

- Packaged cement with a price above Rs.250 per bag (of 50 kg.) is currently chargeable to a specific rate of duty of Rs.600 per metric tonne (PMT). This results in a regressive duty structure and does not sufficiently discourage increase in price beyond threshold of Rs.250 per bag. It is proposed to correct this by changing the mode of levy on packaged cement in this price bracket to an ad valorem rate of 12 per cent of retail sale price. For this purpose, the statutory rate for cement has been enhanced to Rs.900 PMT.
- The Government had fully exempted electric cars from excise duty in the Budget 2008-09 since they are emission free. It is proposed to extend this exemption to all electric vehicles, including two-wheelers and three-wheelers.
- Replaceable kits used in water filters presently attract the peak rate of 14 per cent excise duty and this is inhibiting a rapid growth in their use. It is proposed to fully exempt replaceable kits used in such water filters from excise duty.
- It has been proposed to take the following measures in the case of steel and steel products in order to augment domestic supply as well as soften prices:

  (i) Basic customs duty on pig iron and mild steel products viz. sponge iron, granules and powders; ingots, billets, semi-finished products, hot rolled coils, cold rolled coils, coated coils/sheets, bars and rods, angle shapes and sections and wires is proposed to be reduced from 5 per cent to nil.

  (ii) TMT bars and structurals are commonly used for construction of houses. In order to rein in the price, it has been proposed to fully exempt the import of this item from CVD which is currently 14 per cent.

  (iii) Basic customs duty on three critical inputs for manufacture of steel, *i.e.,* metallurgical coke, ferro alloys and zinc is proposed to be reduced from 5 per cent to nil.

  (iv) It has been proposed to impose export duty on steel items at three different rates; 15 per cent on specified primary forms and semi-finished products, and hot rolled coils/sheet; 10 per cent on specified rolled products including cold-rolled coils/sheets and pipes and tubes; 5 per cent on galvanized steel in coil/sheet form.
- In order to ensure adequate availability of milk in lean summer months, basic customs duty on skimmed milk powder is proposed to be reduced from 15 per cent to 5 per cent for a Tariff Rate Quota of 10,000 metric tonnes per annum. Similarly, on butter oil, duty has been proposed to be reduced from 40 per cent to 30 per cent.
- It has been proposed to impose an export duty of Rs.8,000 per tonne on basmati rice along with a reduction in its minimum export price to US $ 1,000 per tonne from US $ 1,200 per tonne.

it on par with asset management service provided under mutual funds), (ii) services provided by stock/commodity exchanges and clearing houses, (iii) right to use goods, in cases where Value Added Tax (VAT) is not payable, and (iv) customised software, (to bring it on par with packaged software and other Information Technology (IT) services).

It was clarified that services like money changers, persons running games of chance and tour operators using contract carriage vehicles are also liable to service tax. Furthermore, in order to facilitate small service providers and to ensure optimum utilisation of the administrative resources, threshold limit of annual turnover to small service providers for full service tax exemption is proposed to be increased from Rs. 8 lakh per year to Rs.10 lakh per year. This exemption would benefit about 65,000 small service providers.

The Finance Bill, 2008 was passed by the Lok Sabha on April 29, 2008 and the major amendments are set out in Box I.

Section III

Revised Estimates 2007-08 [3, 4]

III.1 Deficit Indicators

The revised estimates for 2007-08 showed improvement in the key deficit indicators, *viz.*, revenue deficit (RD), gross fiscal deficit (GFD) and primary balance (PD), relative to GDP, over their budgeted levels. RD and GFD were lower than the budget estimates even in absolute terms. Reduction in deficit indicators was mainly on account of increased revenue receipts, both tax and non-tax, which more than offset the higher expenditure. Aggregate expenditure was higher than the budget estimates on account of revenue expenditure, particularly on interest payments and subsidies.

The RD constituting 1.4 per cent of the GDP in the revised estimates was lower by 11.2 per cent than the budgeted level (Statement 1). Revenue receipts increased by Rs.38,676 crore (7.9 per cent) over the budget estimates, which offset the increase in revenue expenditure by Rs.30,686 crore (5.5 per cent). The improvement in revenue account in terms of lower RD than the budgeted level, combined with decline in capital expenditure due to lower defence and non-defence capital outlay, resulted in decline in GFD by Rs.7,295 crore (4.8 per cent). In terms of GDP, the GFD declined by 0.2 percentage points to 3.1 per cent. Primary surplus at 0.6 per cent of GDP in the revised estimates for 2007-08 was about 3.5 times higher than the budget estimates (Table 2).

III.2 Revenue Receipts

Revenue receipts at 11.2 per cent of GDP in the revised estimates increased by 0.8 percentage point of GDP over the budgeted level. Of this, the increase in net tax revenue (gross tax revenue minus

[3] All comparisons of 2007-08 in this section are with the budget estimates for 2007-08 unless stated otherwise.

[4] The analysis in this section is based on net of transaction relating to acquisition of RBI's stake in SBI by the Government. Statement 1 and Statement 3 provide information regarding inclusive and exclusive of SBI transactions wherever applicable. The acquisition cost of RBI's stake in SBI by the Government of India amounted to Rs 35,531 crore while the surplus transfer from RBI to Government of India on account of sale of RBI's stake in SBI to the Government amounted to Rs.34,308 crore.

Table 2: Major Fiscal Indicators - 2007-08 (RE) versus 2007-08 (BE)

(Rupees crore)

Item	2007-08 (BE)	2007-08 (RE)	Variation (3 over 2)	
			Amount	Per cent
1	2	3	4	5
1. Revenue Deficit (3-2)	**71,478**	**63,488**	**-7,990**	**-11.2**
2. Revenue Receipts	4,86,422	5,25,098	38,676	8.0
i. Tax Revenue	4,03,872	4,31,773	27,901	6.9
ii. Non-Tax Revenue	82,550	93,325	10,775	13.1
3. Revenue Expenditure	5,57,900	5,88,586	30,686	5.5
of which:				
i. Subsidies	54,330	69,742	15,412	28.4
ii. Interest Payments	1,58,995	1,71,971	12,976	8.2
4. Gross Fiscal Deficit (1-5+6+7)	**1,50,948**	**1,43,653**	**-7,295**	**-4.8**
5. Other non-debt capital receipts	41,651	36,125	-5,526	-13.3
6. Capital Outlay (i+ii)	1,15,123	1,09,795	-5,328	-4.6
i. Defence	41,922	37,705	-4,217	-10.1
ii. Non-defence capital outlay	73,201	72,090	-1,111	-1.5
7. Net Lending (i-ii)	5,998	6,495	497	8.3
i. Loans	7,498	10,992	3,494	46.6
ii. Recoveries	1,500	4,497	2,997	199.8
8. Gross Primary Deficit (4-3(ii))	**-8,047**	**-28,318**	**-20,271**	**251.9**

State's share in central taxes) was Rs.27,901 crore (0.6 per cent of GDP) and that of non-tax revenue Rs.10,775 crore (0.2 per cent of GDP). The increase in gross tax revenue in the revised estimates was mainly on account of higher collection in corporation and personal income tax than the budgeted level (Statement 2). The increase in corporation tax by Rs.17,724 crore or 10.5 per cent was on account of higher profits backed by sound balance sheets of the corporates. The personal income tax increased by Rs.16,641 crore or 19.2 per cent mainly due to improved tax compliance. Non-tax revenue was also 13.1 per cent higher than the budget estimates on account of higher receipts from communication services by way of one time entry fee from dual technology users and new Unified Access Service Licence (UASL) operators.

III.3 Non-Debt Capital Receipts

The non-debt capital receipts (net of SBI transactions), comprising recoveries of loans and advances and other miscellaneous receipts including disinvestment receipts increased in 2007-08 (RE) by Rs.3,162 crore (or by 100.3 per cent). Out of this increase, the recovery of loans from State Governments was Rs.1,900 crore and from public sector enterprises was Rs.1,096 crore. Disinvestment proceeds increased by Rs.166 crore to Rs.1,817 crore. These proceeds were on account of disinvestment of small portion of Government equities in Rural Electrification Corporation (REC), Power Grid Corporation Ltd. (PGCL) and National Hydro-Electric Power Corporation (NHPC). As per the present arrangement, these proceeds are kept in the National Investment Fund (NIF) and are maintained outside the Consolidated Fund of India.

III.4 Aggregate Expenditure

Aggregate expenditure (revenue and capital net of SBI transaction) at 14.3 per cent of GDP in the revised estimates for 2007-08 was 0.7 percentage point higher than the budgeted level, mainly due to increase in revenue expenditure. The revenue expenditure was higher on account of interest payments and subsidies. Increase in interest payments accounted for about 42.3 per cent of the total increase in revenue expenditure mainly due to higher payment of interest on market stabilisation scheme (MSS), as the volume of MSS increased substantially by Rs.1,30,768 crore over the budget estimates. The interest payments on MSS were Rs.13,382 crore in the revised estimates as against Rs.3,700 crore in the budget estimates. Adjusting for accrued interest of Rs.5,031 crore, the net interest payments on MSS was Rs.8,351 crore. The increase in subsidy accounted for 50.0 per cent of the total increase in revenue expenditure. The increase in the food subsidy was mainly due to increase in minimum support price and carrying cost. The fertiliser subsidies in the revised estimates were higher mainly due to increase in input costs and costs of imported fertilisers. Interest relief to debt stressed farmers and provision of interest subvention on short-term credit to farmers pushed up the interest subsidies. In the capital expenditure, while the defence capital expenditure declined, the non-defence capital outlay adjusted for SBI transactions increased by Rs.3,358 crore (10.1 per cent). The increase in net lending (loans and advances minus recovery of loans) was on account of higher non-plan loan disbursements to State Governments for conversion/write-off of loans.

a) Plan and Non-Plan Expenditure

Expenditure pattern revealed that both the plan and non-plan expenditure increased in the revised estimates. Increase in non-plan expenditure was higher by 5.6 per cent mainly due to higher provisions for interest payments and subsidies (Table 3). Under plan expenditure, the allocation for Central Plan was lower due to net impact of increase in Agriculture, Industrial Policy and Promotion, Labour and Employment, Rural Development, Urban Development, Social Justice and Empowerment and Railways and decrease under Atomic Energy, Health and Family Welfare, Higher Education and Power. On other hand, the Central Assistance for State and UT Plans was higher in the revised estimates due to additional Central assistance for externally Aided Projects, additional Central assistance for other projects, *i.e.,* Accelerated Irrigation Benefit Programme and other water resources programme, National Social Assistance Programme, Jawaharlal Nehru National Urban Renewal Mission and *Rashtriaya Krishi Vikas Yojana.*

III.5 Financing Pattern of GFD

The financing pattern of GFD revealed that the net borrowed funds were higher

Table 3: Plan and Non-Plan Expenditure in 2007-08

(Rupees crore)

Item	2007-08 (BE)	2007-08 (RE)	Variation (3 over 2)	
			Amount	Per cent
1	2	3	4	5
Non-Plan				
1.Interest Payments	1,58,995	1,71,971	12,976	8.2
2.Grants to States and UTs	38,403	36,431	-1,972	-5.1
3. Interest Subsidies	2,276	2,658	382	16.8
4. Fertiliser Subsidy	22,451	30,501	8,050	35.9
5. Defence Services	96,000	92,500	-3,500	-3.6
Total Non-Plan Expenditure	4,75,421	5,01,849	26,428	5.6
Plan				
1.Central Plan	1,54,939	1,48,669	-6,270	-4.0
2.Central Assistance for State and UT Plans	50,161	58,855	8,694	17.3
Total Plan Expenditure	2,05,100	2,07,524	2,424	1.2

than borrowing requirements, which led to addition to cash balances (Table 4). To elaborate, the net borrowed funds were Rs.1,61,837 crore as against the GFD of Rs.1,43,653 crore resulting in build up of surplus cash balance amounting to Rs.18,184 crore or 12.7 per cent of GFD as against nil provision in the budget estimates. This development was mainly on account of higher than budged short-term borrowings amounting to Rs.26,628 crore in 91-day treasury Bills. The share of market borrowings in the financing of GFD increased from 73.4 per cent to 77.1 per cent in the budget estimates.

The actual position during April-February 2007-08, as per the information released by Controller General of Accounts (CGA), indicates that fiscal and revenue deficits, as percentage of the revised estimates, were substantially lower at 73.1 per cent and 86.6 per cent, respectively than the corresponding levels of 80.0 per cent and 98.8 per cent during April-February 2006-07. The primary account recorded a much larger surplus during April-February 2007-08

Table 4: Financing Pattern of Gross Fiscal Deficit in 2007-08

(Rupees crore)

Item	2007-08 (BE)	2007-08 (RE)
1	2	3
Gross Fiscal Deficit	1,50,948	1,43,653
	(100.0)	(100.0)
Financed by		
Market Borrowings	1,10,827	1,10,727
	(73.4)	(77.1)
Short term borrowings	500	25,497
	(0.3)	(17.7)
a) 91 day treasury bills	0	26,628
b) 182 day treasury bills	500	-1,131
Securities against small savings	10,510	-1,802
	(7.0)	-(1.3)
External Assistance	9,111	9,970
	(6.0)	(6.9)
State provident fund	5,000	4,800
	(3.3)	(3.3)
NSSF	17,850	11,174
	(11.8)	(7.8)
Reserve Funds	738	3504
	(0.5)	(2.4)
Deposit and Advances	-2,411	7,808
	-(1.6)	(5.4)
Postal Insurance and Life	1,261	3,045
Annuity Funds	(0.8)	(2.1)
Draw down of Cash Balances	0	-18,184
	(0.0)	-(12.7)
Others	-2,438	-12,886.1
	-(1.6)	-(9.0)

compared to that in the corresponding period last year (Box 2).

IV. Analysis of Budget Estimates 2008-09[5]

The Union Budget for 2008-09 was presented against the backdrop of strong revenue led fiscal consolidation since 2004-05 under the FRBM Act, 2003 and FRBM Rules, 2004. Notwithstanding the pressures from committed and non-discretionary expenditures such as interest payments, defence, pensions and subsidies, the fiscal stance for 2008-09 remains committed to the overarching objectives of achieving faster and more inclusive growth by increasing allocations for social sectors including rural employment, education and health while at the same time ensuring adequate resources for improving physical infrastructure.

IV.1 Deficit Indicators

The key deficit indicators *viz.*, revenue deficit (RD) and gross fiscal deficit (GFD) as ratio to GDP in the budget estimates (BE) for 2008-09 are lower than that of revised estimates (RE) for 2007-08 broadly by the margins stipulated under the FRBM Rules, 2004. The FRBM-compliant road map envisages an annual reduction

Box 2: Financial Position of the Central Government during April-February 2007-08

The highlights of the Central Government finances for April-February 2007-08 as available from the Controller General of Accounts (net of SBI transactions) are as follows:

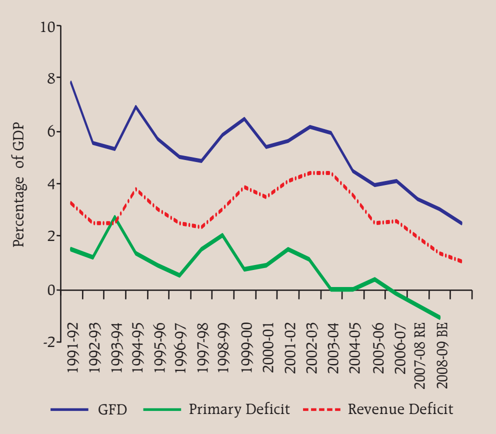
- Gross fiscal deficit of the Centre at Rs.1,04,179 crore constituted 73.1 per cent of the revised estimates for the year as compared with 80.0 per cent in the corresponding period of the previous year. This was due to higher tax and non-tax revenues.
- Revenue deficit at Rs.54,966 crore constituted 86.6 per cent of the revised estimates as compared with 98.8 per cent (Rs.82,411 crore) a year ago.
- Centre recorded a gross primary surplus of Rs.40,161 crore as compared with surplus of Rs.4,152 crore a year ago.
- Revenue receipts during April-February 2007-08 recorded growth of 26.8 per cent on top of increase of 27.8 per cent a year ago. Gross tax revenue increased by 26.8 per cent on account of higher collections under major taxes, viz., corporation tax, income tax, customs duties and other taxes. Non-tax revenue rose by 25.2 per cent during April-February 2007-08 as compared with rise of 9.5 per cent during the corresponding period of the previous year.
- On the expenditure side, the aggregate expenditure increased by 16.5 per cent during April-February 2007-08 as compared with an increase of 14.3 per cent a year ago, reflecting increase in both revenue and capital expenditure.
- Aggregate expenditure at Rs.5,48,602 crore represented 81.4 per cent of the revised estimate as compared with 81.0 per cent a year ago. Revenue and capital and expenditure constituted 83.5 per cent and 67.1 per cent of the revised estimates as compared with 84.2 per cent and 59.3 per cent, respectively a year ago.

[5] All comparisons of 2008-09 in this section are with the revised estimates for 2007-08 unless stated otherwise.

of at least 0.3 percentage points in fiscal deficit and 0.5 percentage points in the revenue deficit. While the FRBM targets relating to GFD are set to be achieved as per the mandate, the stipulated target of zero revenue deficit by 2008-09 under FRBM Rules, 2004 would be rescheduled primarily on account of a shift in plan priorities in favour of revenue expenditure-intensive programmes and schemes. Furthermore, there are systemic rigidities in containing non-plan expenditures in the short-term, particularly arising from committed and obligatory expenditures such as interest payments, pensions and defence. GFD/ GDP ratio, however, would be lower than the FRBM target.

The RD, GFD and Primary Deficit (PD), as per cent of GDP, are budgeted to decline to 1.0 per cent, 2.5 per cent and -1.1 per cent in 2008-09 from 1.4 per cent, 3.1 per cent and -0.6 per cent, respectively, in 2007-08 (RE) (Statement 1 and Chart 1).

Chart 1: Deficit Indicators of the Centre



The RD in 2008-09 is budgeted to decline further by Rs.8,304 crore on top of the decline of Rs.16,734 crore in 2007-08 (RE), primarily reflecting higher tax receipts. Though there was increase in capital outlay [after adjusting for SBI transactions in 2007-08 (RE)] by Rs.10,258 crore, the improvement in revenue account coupled with higher non-debt capital receipts led to a decline of GFD by Rs.10,336 crore (Table 5).

In addition to the quantitative aspect, a major focus of the fiscal consolidation process has been to improve quality of the fiscal correction. Besides narrowing of the key deficit indicators in absolute terms, the quality of correction is also expected to improve by allocating higher proportion of the receipts towards capital outlay. The RD to GFD ratio is budgeted to decline to 41.4 per cent in 2008-09 from 44.2 per cent in 2007-08 (RE) and 56.3 per cent in 2006-07 (Chart 2). However, it may be noted that as per the FRBM target, the RD to GFD ratio was required to be nil during 2008-09.

IV.2 Revenue Receipts

The revenue receipts in 2008-09 are budgeted to increase by 14.8 per cent, significantly lower than the high growth of 20.9 per cent recorded in 2007-08. Though the slowdown in revenue receipts would be observed in both the tax and non-tax components, the deceleration in non-tax revenue (NTR) from 12.2 per cent in 2007-08 (RE) to 2.6 per cent in 2008-09 (BE) would be much sharper than that of corresponding

Table 5: Major Fiscal Indicators - 2008-09 (BE) versus 2007-08 (RE)

(Rupees crore)

Item	2007-08 (RE)	2008-09 (BE)	Variation (3 over 2)	
			Amount	Per cent
1	2	3	4	5
1. Revenue Deficit (3-2)	**63,488**	**55,184**	**-8,304**	**-13.1**
2. Revenue Receipts (i+ii)	5,25,098	6,02,935	77,837	14.8
i. Tax Revenue	4,31,773	5,07,150	75,377	17.5
ii. Non-Tax Revenue	93,325	95,785	2,460	2.6
3. Revenue Expenditure	5,88,586	6,58,119	69,533	11.8
of which:				
i. Subsidies	69,742	71,431	1,689	2.4
ii. Interest Payments	1,71,971	1,90,807	18,836	11.0
4. Gross Fiscal Deficit (1+6+7-5)	**1,43,653@**	**1,33,287**	**-10,366**	**-7.2**
5. Non-debt capital receipts	1,817#	10,165	8,348	459.4
6. Capital Outlay (i+ii)	74,264#	84,522	10,258	13.8
i. Defence	37,705	48,007	10,302	27.3
ii. Non-defence capital outlay	36,559#	36,515	-44	-0.1
7. Net lending	6,495	3,746	-2,749	-42.3
i. Loans	10,992	8,243	-2,749	-25.0
ii. Recoveries	4,497	4,498	-1	0.0
8. Gross Primary Deficit (4-3(ii))	**-28,318**	**-57,520**	**-29,202**	**103.1**

: Excluding receipt of Rs.34,308 crore and expenditure of Rs.35,531 crore under the one time transfer by RBI on account transfer of its stake in State Bank of India to Government of India.

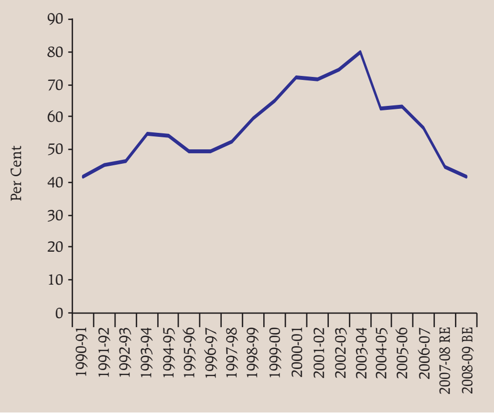
@ : Including Rs.1,223 crore, which is the difference between the receipts and expenditure on account of transfer of RBI's stake in State Bank of India to Government of India.

deceleration in net tax revenue [gross tax revenue less States' share in Central taxes and amount transferred to National Calamity Contingency Fund (NCCF)] from 22.9 per cent to 17.5 per cent (Statement 2).

a) Tax Revenue

The gross tax collections, relative to GDP, are budgeted to further increase to 13.0 per cent in 2008-09 from 12.5 per cent in 2007-08 (RE) and 11.4 per cent in 2006-07, which would be the highest since the beginning of the last decade. The growth in corporation tax collections are budgeted to decelerate to 21.6 per cent in 2008-09 from a high of 29.0 per cent in 2007-08. The personal income tax is estimated to decelerate the most to a growth of 16.6 per cent from 37.8 per cent in 2007-08, reflecting the high exemption limit and adjustment in the tax brackets.

Chart 2: Ratio of Revenue Deficit to GFD



Fringe Benefit Tax (FBT) is budgeted to increase to Rs.8,160 crore from Rs.6,800 crore in 2007-08. Income tax (including FBT) is budgeted to show a growth of 16.8 per cent as compared with 37.2 per cent in 2007-08. Reflecting the budget proposal of enhancing the threshold limit of exemption for small service providers, service tax growth is expected to decelerate to 27.4 per cent from a high of 34.6 per cent in 2007-08. Notwithstanding the continued policy of reducing the duty rates to levels of East Asian economies, the collections under customs duty are budgeted to remain strong at 18.0 per cent as compared with 16.7 per cent a year before. Excise duty collections are budgeted to show a lower growth of 7.8 per cent as against 8.8 per cent growth in the previous year. The revenue from securities transactions tax (STT) is estimated to increase to Rs.9,000 crore in 2008-09 from Rs.7,500 crore in 2007-08. Banking cash transaction tax is budgeted to generate Rs.550 crore in 2008-09, same as in 2007-08. Thus, the estimated buoyancies (percentage change in tax revenue as a ratio to percentage change in GDP) of major taxes in 2008-09, except custom duty, are budgeted to decline.

b) Non-Tax Revenues

Despite higher receipts from dividend and profits (increase of Rs. 7,096 crore) and interest receipts (an increase of Rs. 1,671 crore), the NTR is budgeted to increase only by Rs. 2,460 crore (2.6 per cent) in 2008-09, as against an increase by Rs.10,120 crore (12.2 per cent) in 2007-08. This would mainly be due to decline in receipt under other communication services by Rs. 7,580 crore, as there was an one time increase by way of entry fee from dual technology users and new Unified Access Service Licence (UASL) operators in 2007-08.

IV.3 Non-Debt Capital Receipts

The recoveries of loans and advances which are mainly from the State Governments and central public sector enterprises (CPSUs) are estimated to remain the same at the 2007-08 level of Rs. 4,497 crore. The other non-debt capital receipts are budgeted at Rs.10,165 crore as against Rs.1,817 crore (excluding one time receipts of Rs.34,308 crore from the Reserve Bank on account of transfer of its stake in the SBI to the Government) in 2007-08. These receipts are disinvestment proceeds from Rural Electrification Corporation (REC) and National Hydro-Electric Power Corporation (NHPC) amounting to Rs.1,165 crore and Rs.9,000 crore from Specified Undertaking of the Unit Trust of India (SUTI).

IV.4 Aggregate Expenditure

While the process of fiscal consolidation in the recent years has been largely revenue-led, the Union Budget has proposed to control the growth of revenue expenditure. The growth in revenue expenditure in 2008-09 is budgeted to slow down to 11.8 per cent from 14.4 per cent in 2007-08. A noteworthy feature of the containment of the growth of revenue expenditure would be the significantly lower growth in the two major components of subsidies, *viz.,* food and fertilizer subsidies (Table 6). The total subsidies are budgeted to decelerate by 2.4 per cent as against a growth of 22.1 per cent in 2007-08, leading to decline in its ratio to GDP by 0.2 percentage points to 1.3 per cent in 2008-09 (Statement 2).

In the above context, it may be noted that the Government has been issuing bonds to the oil marketing companies, fertilizer companies and the Food Corporation of India (FCI) in lieu of subsidies. These bonds are liabilities of the Government but are currently recorded below the line not accounting for RD and GFD. The budget 2008-09 has recognised that there is need to bring these liabilities into the fiscal accounting. As a first step, these are shown in the Budget at a Glance for the revised estimates for 2007-08 amounting to Rs.18,757 crore of which Rs.11,257 crore were in respect of oil marketing companies and Rs.7,500 crore for fertilizer companies.

Table 6: Major Subsidies

(Rupees crore)

Item	2007-08 (RE)	2008-09 (BE)
1	2	3
Subsidies	69,742	71,431
of which:	(1.5)	(1.3)
i. Food	31,546	32,667
	(0.7)	(0.6)
ii. Fertiliser	30,501	30,986
	(0.6)	(0.6)
iii. Petroleum	2,882	2,884
	(0.1)	(0.1)
iv. Interest subsidy	2,658	2,829
	(0.1)	(0.1)
v. Other subsidies	1,395	1,565
	(0.0)	(0.0)

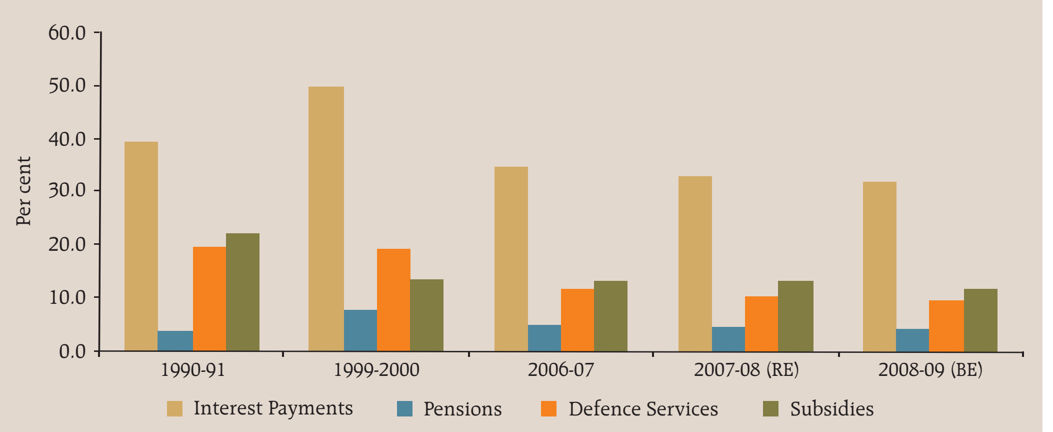
Note : Figures in parantheses are percentages to GDP

Interest payments are budgeted to show an increase of Rs.18,836 crore (or 11.0 per cent) due to higher requirement for interest on market loans, Market Stabilisation Scheme (MSS) and interest on special securities issued to Oil Marketing Companies, FCI and Fertiliser Companies. The interest payments on MSS are budgeted to increase by Rs. 13,234 crore over the revised estimates. Adjusting for accrued interest, the net increase would be Rs.5,607 crore.

The ratios of interest payments to revenue receipts have declined along with those for pensions, defence and subsidies. This has also been enabled by improved buoyancy in revenue receipts in the recent years (Chart 3).

The capital expenditure comprising capital outlay and loans and advances is budgeted to decline by 23.2 per cent (Statement 3). Adjusting the impact of capital expenditure of Rs.35,531 crore incurred for transferring the Reserve Bank's stake in the SBI, the capital expenditure is budgeted to increase by 8.8 per cent in 2008-09. This order of increase would still be significantly lower than the increase of 24.0 per cent in 2007-08. The defence capital outlay, however, is estimated to increase by Rs. 10,302 crore (by 27.3 per cent) to Rs.48,007 crore. The non-defence capital outlay adjusted for SBI transactions is budgeted broadly around the level of 2007-08 (RE).

Chart 3: Trends in Major Items of Revenue Expenditure as a proportion of Revenue Receipts



a) Plan and Non-Plan Expenditure

An analysis of the expenditure pattern shows the deceleration in the growth of both non-plan and plan components, particularly the non-plan component even after the exclusion of expenditure incurred on account of transferring the Reserve Bank's stake in the SBI. The major increase in the non-plan expenditure is proposed to occur in respect of interest payments, reflecting the continued dependence of debt resources to finance Government expenditure as well as provisioning for interest on special securities issued to Oil Marketing Companies and Food Corporation of India. Non-Plan expenditure in defence services is budgeted to rise sizeably reflecting enhanced provision for normal growth in pay and allowances and maintenance expenditure and for modernisation of defence services. The Budget also proposes to provide higher grants to the States as per the Twelfth Finance Commission (TFC). As far as Plan expenditure is concerned, the increase in Central Plan outlay reflects enhanced allocation for various social sector expenditures. The Central Assistance for State and UT Plans is also budgeted to increase reflecting allocations for various programmes relating to irrigation, education, roads and other infrastructure, etc. (Table 7).

IV.5 Financing of GFD

An analysis of the financing pattern of GFD reveals decline in the share of net market borrowings (excluding allocations budgeted under MSS) to 74.3 per cent of the GFD in 2008-09 from 77.1 per cent in 2007-08. On the other hand, the share of external assistance would increase to 8.2 per cent from 6.9 per cent in 2007-08. Investments by the National Small Savings Fund (NSSF) in the special Central Government securities are budgeted to finance 7.4 per cent of GFD, as against a negative of 1.3 per cent last year. During 2008-09, the budget expects

Table 7: Plan and Non-Plan Expenditure in 2008-09

(Rupees crore)

Item	2007-08 (RE)	2008-09 (BE)	Variation (3 over 2)	
			Amount	Per cent
1	2	3	4	5
Interest Payments	1,71,971	1,90,807	18,836	11.0
Food Subsidy	31,546	32667	1,121	3.6
Interest Subsidies	2,658	2,829	171	6.4
Police	14,154	15,562	1,408	9.9
Agriculture & Allied services	2,996	4,972	1,976	66.0
Pensions	24,193	25,085	891	3.7
Defence Expenditure	92,500	1,05,600	13,100	14.2
Grants to States and UTs	36,431	43,294	6,863	18.8
Other Communication Services	1,516	2,066	550	36.3
Capital Outlay	14,104*	10,567	-3,537	-25.1
Other non-plan expenditure	79,907	76,878	-29	0.0
Total Non-Plan	**4,66,318**	**5,07,498**	**41,180**	**8.8**
Central Plan	1,48,669	1,79,954	31,285	21.0
Central Assistance for State and UT Plans	58,855	63,432	4,577	7.8
Total Plan	**2,07,524**	**2,43,386**	**35,862**	**17.3**

*: Net of acquisition cost of RBI' stake in SBI by the Government of India amounting to Rs.35,531 crore.

draw down of cash balances to finance 5.4 per cent of GFD, as against built up of cash balances amounting to 12.7 per cent of GFD in the previous year (Table 8).

IV.6 Sectoral Allocation of Expenditure

The sectoral allocation of expenditure under certain developmental heads indicated a continued Government thrust on agriculture and rural development. The share of education in total expenditure was budgeted to increase in 2008-09 (Table 9).

IV.7 Devolution and Transfer of Resources to States and Union Territories

The devolution of resources to the State Governments and Union Territories shows that the net resource transfer would increase by 16.6 per cent to Rs.3,04,960 crore in 2008-09. The taxes transferred to the States and Union Territories would increase by 17.7 per cent to Rs.1,78,765 crore reflecting buoyant tax collections, grants would also increase by 17.7 per cent to Rs.1,24,746 crore as a result of higher grants under the TFC award (Table 10).

IV.8 Eleventh Plan Projections vis-a-vis the Budget Estimates for 2008-09

The projections indicated in the Approach Paper to the Eleventh Plan for the major fiscal indicators vis-a-vis the budget estimates for 2008-09 are set out in Table 11. As it may be seen, the key fiscal indicators such as revenue deficit, non-plan expenditure and gross tax

Table 8: Financing Pattern of Gross Fiscal Deficit in 2008-09

(Rupees crore)

Item	2007-08 (RE)	2008-09 (BE)
1	2	3
Gross Fiscal Deficit	1,43,653	1,33,287
Financed by		
Market Borrowings	1,10,727	99,000
	(77.1)	(74.3)
Short term borrowings (a + b)	25,497	14,000
	(17.7)	(10.5)
a) 91 day treasury bills	26,628	15,000
b) 182 day treasury bills	-1,131	-1,000
Securities against Small Savings	-1,802	9,873
	-(1.3)	(7.4)
External Assistance	9,970	10,989
	(6.9)	(8.2)
State Provident Fund	4,800	4,800
	(3.3)	(3.6)
NSSF	11,174	53
	(7.8)	(0.0)
Reserve Funds	3,504	-972
	(2.4)	-(0.7)
Deposit and Advances	7,807	8,629
	(5.4)	(6.5)
Postal Insurance and Life Annuity Funds	3,045	4,123
	(2.1)	(3.1)
Others	-12,885	-24,433
	-(9.0)	-(18.3)
Draw down of Cash Balances	-18,184	7,225
	-(12.7)	(5.4)

Note : Figures in parentheses are percentages to GFD.

revenue relative to GDP are budgeted higher than the Eleventh Plan projections for 2008-09.

IV.9 Additional Disclosures on Revenues and Guarantees

The Government has reiterated its commitment to augment the tax collections and improve the tax/GDP ratio through liquidation of arrears of tax revenues and prevention of further accretions to the stock. In the Budget 2008-09, the Government continued with the practice of presenting three statements relating to revenue, *viz.*, on tax revenue raised but not realised; on arrears of non-tax revenue; and tax expenditure as well as two statements relating to the asset-liability position of the Government introduced in the preceding two years. These statements,

Table 9: Expenditure on Select Developmental Heads

(Rupees crore)

Item	2007-08 (RE)	2008-09 (BE)
1	2	3
Subsidies	69,742	71,431
Agriculture	62,441	68,612
	(9.3)	(9.1)
Education	25,428	33,924
	(3.8)	(4.5)
Health, family welfare and sanitation	13,186	15,250
	(2.0)	(2.0)
Rural Development	17,385	18,562
	(2.6)	(2.5)
Irrigation	384	567
	(0.1)	(0.1)

Note : 1) Figures in parenthesis are percentages to total expenditure.
2) The total expenditure for 2007-08 (RE) has been adjusted to exclude transactions relating to transfer of the Reserve Bank's stake in the State Bank of India.

Table 10: Resource Transfer to States and Union Territories

(Rupees crore)

Item	2007-08 (RE)	2008-09 (BE)	Variation (per cent) (Col. 3 over Col.2)
1	2	3	4
States and UTs Share of			
Taxes and Duties	1,51,837	1,78,765	17.7
Grants	1,06,015	1,24,746	17.7
Non-Plan	36,431	43,294	18.8
Plan	69,584	81,452	17.1
Loans	6,250	4,115	-35.6
Non-Plan	89	89	0.0
Plan	6,161	4,026	-34.7
Recovery of Loan			
and Advances	2,503	2,666	6.5
Net Resource Transfers	2,61,599	3,04,960	16.6

UT : Union Territories.

Table 11: Eleventh Plan Projections vis-à-vis the Budget Estimates

(As per cent to GDP)

Item	2008-09	
	Eleventh Plan Projections	Budget Estimates
1	2	3
Centre		
1. Gross Budgetary Support to Plan	4.51	4.59
of which		
Plan revenue Expenditure	2.34	3.96
2. Total Non-Plan	9.16	9.57
of which		
(i) Interest Payments	3.18	3.60
(ii) Defence	2.20	1.99
(iii) Non-Plan grants to States	0.72	0.82
(iv) Subsidies	1.03	1.35
3. Total Expenditure	13.67	14.16
4. Gross tax revenue	11.83	12.97
less : Share of States	3.22	3.37
5. Net Tax to Centre	8.62	9.56
6. Non-tax Revenue	1.82	1.81
7. Total Revenue Receipts	10.44	11.37
8. Gross Fiscal Deficit	3.00	2.51
9. Revenue Deficit	0.00	1.04

with the exception of the statement on tax expenditure, are in accordance with Rule 6 of the FRBM Rules, 2004. As per these statements the estimates of tax revenue raised but not realised were placed at Rs.99,293 crore, arrears of non-tax revenue at Rs.53,941 crore and the revenue forgone on account of major tax preferences at Rs.2,39,712 crore for 2006-07. The revenue foregone constituted 50.9 per cent of the gross tax collections in 2006-07. The Union Budget 2008-09 projected the revenue foregone for 2007-08 at Rs.2,78,644 crore during 2007-08, constituting around 48.0 per cent of the gross tax collections. The outstanding guarantees of Government of India declined by 0.7 per cent of GDP during 2006-07 against the stipulated accretion limit of 0.5 per cent of GDP placed under Rule 3(3) of the FRBM Rules, 2004. The statement on asset register indicated that the cumulative assets at the end of 2006-07 were around Rs.5,89,524 crore with physical assets amounting to Rs.1,42,774 crore and financial assets of Rs.4,46,750 crore. With the provision of the new statements, the Government has met the stipulations under FRBM Rules.

V. Assessment of the Union Budget 2008-09

V.1 Fiscal Correction and Consolidation

On the strength of sound macroeconomic management, continued strong revenue-led fiscal consolidation and monetary stability, the deficit targets stipulated under FRBM were on track in the revised estimates for 2007-08. Fiscal performance during the last four years under the FRBM framework in relation to the quantitative goals under the Act has been encouraging. In the penultimate year for meeting the FRBM targets, it was required under FRBM Rules, 2004 to eliminate RD and reduce GFD-GDP ratio to 3.0 per cent. However, the Union Budget 2008-09 proposes to reduce RD-GDP ratio to 1.0 per cent and GFD-GDP ratio to 2.5 per cent (Table 12).

The FRBM target for GFD is budgeted to be achieved as per mandate, while that relating to RD would be rescheduled to 2009-10. According to the Budget 2008-09, the target relating to RD would be

Table 12: Rolling Target under FRBM

(As per cent GDP)

Item	2003-04	2004-05	2005-06	2006-07	2007-08 (RE)	2008-09 (BE)	Targets for 2008-09	Targets for 2009-10
1	2	3	4	5	6	7	8	9
Revenue Deficit	3.6	2.5	2.6	1.9	1.4	1	0	0
Gross Fiscal Deficit	4.5	4.0	4.1	3.4	3.1	2.5	3	3
Gross Tax Revenue	9.2	9.7	10.4	11.4	12.5	13	12.3	13.5
Total outstanding liabilities at end of the year	63.0	63.3	63.1	61.2	61.7	57.7	58.6	55.7

required to be rescheduled primarily on account of enhanced budgetary allocation for social sector in particular education, health and rural employment. These allocations have been made to generate employment in rural areas while also providing better connectivity and improved quality of life particularly through enhanced access to health and education facilities. Reflecting this, plan revenue expenditure is budgeted at around 4.0 per cent of GDP as against 3.7 per cent in 2007-08 and 3.4 per cent in 2006-07. The non-plan revenue expenditure as proportion of GDP is budgeted at 8.4 per cent as against 8.8 per cent in 2007-08 and 9.0 per cent in 2006-07. Given the reduction in non-plan revenue expenditure by 0.4 percentage points and enhancement in revenue receipts by 0.4 percentage points the correction would have been much higher had the plan revenue expenditure not been increased.

The fiscal correction and consolidation process of the Government under the FRBM framework essentially has been revenue-led. The robust economic growth and macro-economic stability achieved during the past four years generally resulted in higher than anticipated tax receipts with the tax-GDP ratio moving up from 9.2 per cent in 2003-04 to 12.5 per cent in 2007-08 (RE) and estimated at 13.0 per cent for 2008-09 (Table 13). Higher growth in tax collections is due to combined effect of a balanced tax structure based on reasonable rates with fewer exemptions, wider coverage of tax payers, better compliance and more efficient tax administration. The expenditure policy is aimed at containing non-plan expenditure and providing adequately fast priority spending on social development and

Table 13: Gross Tax Revenue

(Per cent to GDP)

Year	Budgeted	Actual
1	2	3
2001-02	9.2	8.2
2002-03	9.6	8.8
2003-04	9.2	9.2
2004-05	10.2	9.7
2005-06	10.5	10.4
2006-07	11.2	11.4
2007-08	12.0	12.5*

*: Revised Estimates.

infrastructure needs. The fiscal policy strategy is accommodative of the spending priority associated with interventions relating to inclusive growth, human capital development and critical infrastructure development to achieve the growth objectives set out for the Eleventh Five Year Plan.

V.2 Debt Waiver and Debt Relief

The Finance Minister in his Budget Speech mentioned that about 30 million small and marginal farmers and 10 million other farmers will benefit from the proposed Debt Waiver and Debt Relief Scheme. The total value of overdue loans to be waived is estimated at Rs.50,000 crore and OTS relief on the overdue loan is estimated at Rs.10,000 crore.

V.3 Sixth Pay Commission

As per the Sixth Pay Commission which submitted its Report on March 24, 2008, the likely impact of pay hike on the Government finances would be Rs.12,561 crore per annum (Table 14). Out of this Rs.12,561 crore, Rs.9,242 crore would be borne by the Central Budget and the remaining Rs.3,319 crore would be borne by the Railway Budget. The Commission, however, projects that there would be savings of Rs.4,586 crore per annum on account of the recommended rectification of commutation pension formula, revision of scheme for payment pension commutation, revision of scheme for payment of advances and lateral movement of Defence Forces personnel. Thus, the net additional financial burden for Government would be Rs.7,975 crore per annum. The Commission, however, expects that there may be no accrual of savings in the first year of the implementation of the recommendations.

Since the revision of pay scales and pension would be effected retrospectively from January 1, 2006, their would be one time expenditure on account of payment of arrears of about Rs,18,060 crore. Of this, Rs.12,642 crore would be borne by

Table 14: Financial Impact per annum

Sr. No	Head	Implications (Rupees crore)
1	Revised pay scales for civilians	3,828
2	Revised pay scales for Defence Forces	1,640
3	Military Service Pay for Defence Forces	1,497
4	Transport Allowances (civilians and Defence Forces)	241
5	HRA (civilians and Defence Forces)	1,100
6	Pension (civilians and Defence Forces)	1,365
7	Gratuity (civilians and Defence Forces	410
8	Leave encashment (civilians and Defence Forces)	180
9	Defence forces allowances	1,750
10	Other allowances	400
11	Miscellaneous (up-gradations of individual posts, individual allowances)	150
	Total	12,561

the Budget of the Central Government and the remaining Rs.5,418 crore by the Railway Budget. On the presumption that the Government would pay arrears in two instalments in different years as recommended in the Report, the total impact on account of pay hike and arrears works out to Rs.15,563 crore for the Central Budget for 2008-09. This amount constitutes 0.3 per cent of GDP for 2008-09. Accordingly, the revenue deficit and gross fiscal deficit would increase to 1.3 per cent and 2.8 per cent from the Budget estimates of 1.0 per cent and 2.5 per cent, respectively. However, the likely increase in income tax collections consequent to pay hike, may partially mitigate the impact on key deficit indicators.

V.4 Off Balance Sheet Liabilities

Acknowledging that the RD and GFD are understated to the extent liabilities of the Government on account of oil, food and fertilizer bonds are currently below the line, the budget as a first step to bring these liabilities into fiscal accounting has indicated Rs.18,757 crore of bonds issued to oil marketing companies (Rs.11,257 crore) and fertilizer companies (Rs.7,500 crore) in lieu of subsidies during 2007-08 revised estimates. At this level, these bonds accounted for about 0.4 per cent of GDP.

V.5 Inflation

The Union Budget 2008-09, in its 'Medium-term Fiscal Policy Statement', assumes 13 per cent growth in nominal GDP in 2008-09. The Statement further notes that "the annual GDP growth that averaged around 8.7 per cent is set to accelerate further in the range of 9-10 per cent, as set out in the Eleventh Five Year Plan". Assuming the real GDP growth to be on this trend for 2008-09, implicit inflation works out to about 4 per cent. The various measures announced in the Budget are expected to reduce the input costs to some extent in key items such as metal scrap, machinery, chemical and cement. The CENVAT rate has been further reduced to 14 per cent in 2008-09 from 16 per cent in 2007-08. Similarly, excise duty in case of certain sectors such as pharmaceuticals, automobiles, paper and paper board has been reduced.

The annual average inflation of 4.7 per cent during 2007-08 which was lower than 5.4 per cent in the previous year, however, has picked up since the fourth quarter of 2007-08. As on April 19, 2008 the headline inflation stood at 7.6 per cent as against 6.1 per cent a year ago. This surge in inflation mainly emanated from a number of supply side pressures. First, in order to partially off-set the increase in the average price of Indian basket of international crude oil price by 27.6 per cent from US $ 62.4 per barrel during 2006-07 to US $ 79.7 per barrel in 2007-08 (US $ 99.4 a barrel by March 2008), the domestic retail prices of petrol and diesel were revised upwards by 4.5 per cent and by 3.25 per cent, respectively, with effect from February 15, 2008.

Second, the prices of freely priced petroleum products such as naphtha, bitumen, furnace oil and aviation turbine fuel have hardened continuously along with the increase in international crude oil price. Third, prices of wheat and oil seeds have risen and the steel prices was adjusted upward in March 2008 due to surge in international prices. It may be noted that, domestic prices of kerosene and liquefied petroleum gas (LPG) have also not been raised by the Government since April 2002 and November 2004, respectively, on grounds of societal concerns. Furthermore, to contain fuller pass-through of higher international crude prices to domestic prices, the Government, has extended the subsidy schemes for these products, which were available through the public distribution system to March 2010. The Government has also announced to bear a higher share of the burden of the under recoveries in the retail sale of petroleum products by oil marketing companies through issuance of oil bonds.

In order to contain inflationary pressures, the Government initiated a number of fiscal and supply augmenting measures recently. In order to augment cement supply in the domestic market, on April 14, 2008, the customs duty on inputs of cement was reduced from 12.5 per cent to nil and countervailing duty and special additional duty were withdrawn. The Government also took several measures with the aim of containing food price inflation. Customs duty on import of pulses was reduced to zero on June 8, 2006 and the period of validity of import of pulses at zero duty, which was initially available up to March 2007, was first extended to August 2007 and further to March 2009. A ban was imposed on export of pulses with effect from June 22, 2006 and the period of validity of prohibition on exports of pulses, which was initially applied up to end-March 2007, was further extended up to end-March 2008. In March 2008, the customs duty on import of rice was reduced from 70 per cent to zero per cent up to March 2009; customs duties on import of crude and refined edible oil were reduced from a range of 40-75 per cent to 20-27.5 per cent; full exemption from customs duty available to import of wheat has been extended beyond the expiry date of December 2007 and wheat flour has been fully exempted from customs duty; the minimum export prices for basmati and non-basmati rice were raised to US $ 900 and US $ 650 per tonne, respectively; and export of all edible oils were prohibited with immediate effect from March 18, 2008. These measures are expected to help in containing inflation and inflationary expectations.

VI. Conclusion

The progress on fiscal consolidation front has been satisfactory under the FRBM framework. The FRBM mandated fiscal correction path was helpful in improving the credibility of the Government with respect to fiscal adjustment. The fiscal consolidation strategy, however, has been essentially revenue led as reflected in sustained rise in the tax-GDP ratio. The robust economic growth and macroeconomic stability achieved during the past four years generally resulted in higher than anticipated tax revenues and created fiscal space to meet increasing demand for resources.

The Budget 2008-09 marks the path of fiscal correction with emphasis on quality in expenditure in accordance with FRBM goals. In case of revenue deficit, though the budget has complied with the FRBM target of annual reduction of 0.5 per cent of GDP, however, the revenue deficit is still placed at 1.0 per cent of GDP. This is on account of a conscious shift in expenditure in favour of health and education under the social services which have a large revenue expenditure component. While this shift is a welcome measure, there would be a pressure on the revenue account on account of implementation of Sixth Pay Commission reward to the extent of 0.3 per cent of GDP.

The total plan expenditure commonly identified with developmental expenditure is budgeted to be above 183.0 per cent of GFD in 2008-09. This implies a continuation of a healthy trend of plan expenditure exceeding GFD achieved in 2007-08 (about 136.0 per cent) for the third time since the beginning of economic reform process. In this context, it may be mentioned that a large component (more than 80 per cent) of this plan expenditure is in the revenue account. This development needs to be seen in conjunction with stagnation of the non-defence capital outlay relative to GDP at less than 1.0 per cent (for example, 0.7 per cent in 2008-09 and 0.8 per cent in the revised estimates for 2007-08).

The ongoing reforms and fiscal correction initiatives would provide support to rising domestic demand and investment both of which are main drivers of economic growth. While meeting the spending requirements in consonance with the policy objectives, the tax reform would continue to benefit the buoyant behaviour of tax receipts. The increased buoyancy in tax revenue, control of consumption expenditure, containing subsidies, generating resources for investment, improving physical infrastructure and creating human capital would be core focus areas in the medium-term. The task ahead to achieve elimination of revenue deficit is more complex and challenging. Though the endeavour in this regard is expected to be facilitated by continued buoyancy in revenues on the strength of a higher growth trajectory, the risk of volatility in international prices, fluctuating interest rates and the global growth trends may influence the budgetary approach to the management of revenue deficit in accordance with the revised revenue deficit targets in the medium-term. The process of fiscal consolidation would need to be sustained through improvement in tax-GDP ratio, moderation in growth of non-tax revenue, reprioritization and improving the quality of expenditure including promotion of capital expenditure to boost infrastructure development while ensuring adequate resources for social sectors like health and education.

Statement 1 : Budget at a Glance

(Rupees crore)

Items	2006-07 (Accounts)	2007-08 (Budget Estimates)	2007-08 (Revised Estimates)	2008-09 (Budget Estimates)
1	2	3	4	5
1. Revenue Receipts (i+ii)	**434,387**	**486,422**	**525,098**	**602,935**
i) Tax Revenue (Net to Centre)	351,182	403,872	431,773	507,150
ii) Non-tax Revenue	83,205	82,550	93,325	95,785
of which: Interest Receipts	22,524	19,308	17,464	19,135
2. Capital Receipts	**149,000**	**194,099**	**184,275**	**147,949**
		(154,099) *	**(149,966) #**	
of which:				
i) Market Borrowings	114,801	110,827	110,727	99,000
ii) Recoveries of Loans	5,893	1,500	4,497	4,497
iii) Disinvestment of equity in PSUs	534	41,651	36,125	10,165
		(1,651) *	(1,816) #	
3. Total Receipts (1+2)	**583,387**	**680,521**	**709,373**	**750,884**
		(640,521) *	**(675,064) #**	
4. Revenue Expenditure (i + ii)	**514,609**	**557,900**	**588,586**	**658,119**
i) Non-Plan	372,191	383,546	412,975	448,352
ii) Plan	142,418	174,354	175,611	209,767
5. Capital Expenditure (i + ii)	**68,778**	**122,621**	**120,787**	**92,765**
		(82,621) *	**(85,256) $**	
i) Non-Plan	41,336	91,875	88,874	59,146
		(51,875) *	(53,343) $	
ii) Plan	27,442	30,746	31,913	33,619
6. Total Non-Plan Expenditure (4i + 5i)	**413,527**	**475,421**	**501,849**	**507,498**
		(435,421) *	**(466,318) $**	
of which:				
i) Interest Payments	150,272	158,995	171,971	190,807
ii) Defence	85,510	96,000	92,500	105,600
iii) Subsidies	57,125	54,330	69,742	71,431
7. Total Plan Expenditure (4ii + 5ii)	**169,860**	**205,100**	**207,524**	**243,386**
8. Total Expenditure (6+7=4+5)	**583,387**	**680,521**	**709,373**	**750,884**
		(640,521) *	**(673,842) $**	
9. Revenue Deficit (4-1)	**80,222**	**71,478**	**63,488**	**55,184**
	(1.9)	**(1.5)**	**(1.4)**	**(1.0)**
10. Gross Fiscal Deficit	**142,573**	**150,948**	**143,653**	**133,287**
(8-(1+2ii+2iii))	**(3.5)**	**(3.3)**	**(3.1)**	**(2.5)**
			(142,431) $ #	
			(3.0)	
11. Gross Primary Deficit (10-6i)	**-7,699**	**-8,047**	**-28,318**	**-57,520**
	-(0.2)	**-(0.2)**	**-(0.6)**	**-(1.1)**
			-(29,540) $ #	
			-(0.6)	
12. Net RBI Credit to Centre (RBI Records)	**-3,024**	**0.0**	**-112,489**	**0.0**
			(2.4)	

.. : Not available
* : Excludes an amount of Rs.40,000 crore on account of transactions relating to transfer of RBI's stake in SBI to the Government.
\# : Net of transfer of profit from RBI to the Union Government amounting to Rs.34,309 crore.
$: Net of acquisition cost of RBI's stake in State Bank of India at Rs.35,351 crore.

Notes : 1) Figures in parentheses are percentages to GDP.
2) Capital Receipts are net of repayments.Receipts in respect of Market Stabilisation Scheme are also excluded.
3) Market borrowings include dated securities and 364 day Treasury Bills.

Source : Budget documents of Government of India, 2008-09.

Statement 1 : Budget at a Glance *(Concld.)*

(Rupees crore)

Items	Variation					
	Col. 4 over Col. 3		Col. 4 over Col. 2		Col. 5 over Col. 4	
	Amount	Per cent	Amount	Per cent	Amount	Per cent
1	6	7	8	9	10	11
1. Revenue Receipts (i+ii)	**38,676**	**8.0**	**90,711**	**20.9**	**77,837**	**14.8**
i) Tax Revenue (Net to Centre)	27,901	6.9	80,591	22.9	75,377	17.5
ii) Non-tax Revenue	10,775	13.1	10,120	12.2	2,460	2.6
of which: Interest Receipts	-1,844	-9.6	-5,060	-22.5	1,671	9.6
2. Capital Receipts	**-9,824**	**-5.1**	**35,275**	**23.7**	**-36,326**	**-19.7**
	-(4,133)	**-(2.7)**	**(966)**	**(0.6)**	**-(2,017)**	**-(1.3)**
of which:						
i) Market Borrowings	-100	-0.1	-4,074	-3.5	-11,727	-10.6
ii) Recoveries of Loans	2,997	199.8	-1,396	-23.7	0	0.0
iii) Disinvestment of equity in PSUs	-5,526	-13.3	35,591	6,665.0	-25,960	-71.9
	(165)	(10.0)	(1,282)	(240.1)	(8,349)	(459.7)
3. Total Receipts (1+2)	**28,852**	**4.2**	**125,986**	**21.6**	**41,511**	**5.9**
	(34,543)	**(5.4)**	**(91,677)**	**(15.7)**	**(75,820)**	**(11.2)**
4. Revenue Expenditure (i + ii)	**30,686**	**5.5**	**73,977**	**14.4**	**69,533**	**11.8**
i) Non-Plan	29,429	7.7	40,784	11.0	35,377	8.6
ii) Plan	1,257	0.7	33,193	23.3	34,156	19.4
5. Capital Expenditure (i + ii)	**-1,834**	**-1.5**	**52,009**	**75.6**	**-28,022**	**-23.2**
	(2,635)	**(3.2)**	**(16,478)**	**(24.0)**	**(7,509)**	**(8.8)**
i) Non-Plan	-3,001	-3.3	47,538	115.0	-29,728	-33.4
	(1,468)	(2.8)	(12,007)	(29.0)	(5,803)	(10.9)
ii) Plan	1,167	3.8	4,471	16.3	1,706	5.3
6. Total Non-Plan Expenditure (4i + 5i)	**26,428**	**5.6**	**88,322**	**21.4**	**5,649**	**1.1**
	(30,897)	**(7.1)**	**(52,791)**	**(12.8)**	**(41,180)**	**(8.8)**
of which:						
i) Interest Payments	12,976	8.2	21,699	14.4	18,836	11.0
ii) Defence	-3,500	-3.6	6,990	8.2	13,100	14.2
iii) Subsidies	15,412	28.4	12,617	22.1	1,689	2.4
7. Total Plan Expenditure (4ii + 5ii)	**2,424**	**1.2**	**37,664**	**22.2**	**35,862**	**17.3**
8. Total Expenditure (6+7=4+5)	**28,852**	**4.2**	**125,986**	**21.6**	**41,511**	**5.9**
	(33,321)	**(5.2)**	**(90,455)**	**(15.5)**	**(77,042)**	**(11.4)**
9. Revenue Deficit (4-1)	**-7,990**	**-11.2**	**-16,734**	**-20.9**	**-8,304**	**-13.1**
10. Gross Fiscal Deficit (8-(1+2ii+2iii))	**-7,295**	**-4.8**	**1,080**	**0.8**	**-10,366**	**-7.2**
	-(8,517)	**-(5.6)**	**-(142)**	**-(0.1)**	**-(9,144)**	**-(6.4)**
11. Gross Primary Deficit (10-6i)	**-20,271**	**251.9**	**-20,619**	**267.8**	**-29,202**	**103.1**
	-(21,493)	**(267.1)**	**-(21,841)**	**(283.7)**	**-(27,980)**	**(94.7)**
12. Net RBI Credit to Centre (RBI Records)	**-112,489**	**..**	**-109,465**	**3,619.9**	**112,489**	**..**

Statement 2: Transactions on Revenue Account

(Rupees crore)

Items	2006-07 (Accounts)	2007-08 (Budget Estimates)	2007-08 (Revised Estimates)	2008-09 (Budget Estimates)
1	2	3	4	5
I. Revenue Receipts (A+B)	**434,387**	**486,422**	**525,098**	**602,935**
A. Tax Revenue (Net to Centre) (a-b-c)	**351,182**	**403,872**	**431,773**	**507,150**
a) Gross Tax Revenue	473,512	548,122	585,410	687,715
of which :	(11.4)	(11.8)	(12.5)	(13.0)
1 Corporation Tax	144,318	168,401	186,125	226,361
2 Taxes on Income other than Corporation Tax	80,397 *	93,629 *	110,270 *	128,764 *
3 Customs Duty	86,327	98,770	100,766	118,930
4 Union Excise Duty	117,613	130,220	127,947	137,874
5 Service Tax	37,598	50,200	50,603	64,460
6 Securities Transaction Tax	4,646	4,500	7,500	9,000
7 Banking Cash Transaction Tax	507	645	550	550
8 Taxes of UTs (Net of Assignments to Local Bodies)	1,263	1,442	1,334	1,451
9 Other Taxes and Duties	843	315	315	325
b) States' Share	120,330	142,450	151,837	178,765
c) Surcharge transferred to NCCF#	2,000	1,800	1,800	1,800
B. Non-Tax Revenue	**83,205**	**82,550**	**93,325**	**95,785**
of which :				
1 Interest Receipts	22,524	19,308	17,464	19,135
2 Dividends and Profits	29,309	33,925	36,108	43,204
3 External Grants	2,530	2,135	2,091	1,795
4 Non-tax Receipts of UTs	756	711	820	815
II. Revenue Expenditure (A+B)	**514,609**	**557,900**	**588,586**	**658,119**
A. Non-Plan Expenditure	**372,191**	**383,546**	**412,975**	**448,352**
of which :				
1 Interest Payments	150,272	158,995	171,971	190,807
2 Defence Revenue Expenditure	51,682	54,078	54,795	57,593
3 Subsidies	57,125	54,330	69,742	71,431
4 Non-Plan Grants to States and UTs	35,734	38,403	36,432	43,294
B. Plan Expenditure (1+2)	**142,418**	**174,354**	**175,611**	**209,767**
1 Central Plan	102,550	128,727	124,042	151,417
2 Central Assistance for State and UT Plans	39,868	45,627	51,569	58,350
III. Revenue Deficit (-)/Surplus(+) [I-II]	**-80,222**	**-71,478**	**-63,488**	**-55,184**

: NCCF : National Calamity Contingency Fund.
* : Inclusive of Fringe Benefit Tax.
Note : Figures in parentheses are percentages to GDP.
Source : Budget Documents of the Government of India, 2008-09.

Statement 2: Transactions on Revenue Account *(Concld.)*

(Rupees crore)

Items	Variation					
	Col. 4 over Col. 3		Col. 4 over Col. 2		Col. 5 over Col. 4	
	Amount	Per cent	Amount	Per cent	Amount	Per cent
1	6	7	8	9	10	11
I. Revenue Receipts (A+B)	**38,676**	**8.0**	**90,711**	**20.9**	**77,837**	**14.8**
A. Tax Revenue (Net to Centre) (a-b-c)	**27,901**	**6.9**	**80,591**	**22.9**	**75,377**	**17.5**
a) Gross Tax Revenue	37,288	6.8	111,898	23.6	102,305	17.5
of which :						
1 Corporation Tax	17,724	10.5	41,807	29.0	40,236	21.6
2 Taxes on Income other than Corporation Tax	16,641	17.8	29,873	37.2	18,494	16.8
3 Customs Duty	1,996	2.0	14,439	16.7	18,164	18.0
4 Union Excise Duty	-2,273	-1.7	10,334	8.8	9,927	7.8
5 Service Tax	403	0.8	13,005	34.6	13,857	27.4
6 Securities Transaction Tax	3,000	66.7	2,854	61.4	1,500	20.0
7 Banking Cash Transaction Tax	-95	-14.7	43	8.5	0	0.0
8 Taxes of UTs (Net of Assignments to Local Bodies)	-108	-7.5	71	5.6	117	8.8
9 Other Taxes and Duties	0	0.0	-528	-62.6	10	3.2
b) States' Share	9,387	6.6	31,507	26.2	26,928	17.7
c) Surcharge transferred to NCCF#	0	0.0	-200	-10.0	0	0.0
B. Non-Tax Revenue	**10,775**	**13.1**	**10,120**	**12.2**	**2,460**	**2.6**
of which :						
1 Interest Receipts	-1,844	-9.6	-5,060	-22.5	1,671	9.6
2 Dividends and Profits	2,183	6.4	6,799	23.2	7,096	19.7
3 External Grants	-44	-2.1	-439	-17.4	-296	-14.2
4 Non-tax Receipts of UTs	109	15.3	64	8.5	-5	-0.6
II. Revenue Expenditure (A+B)	**30,686**	**5.5**	**73,977**	**14.4**	**69,533**	**11.8**
A. Non-Plan Expenditure	**29,429**	**7.7**	**40,784**	**11.0**	**35,377**	**8.6**
of which :						
1 Interest Payments	12,976	8.2	21,699	14.4	18,836	11.0
2 Defence Revenue Expenditure	717	1.3	3,113	6.0	2,798	5.1
3 Subsidies	15,412	28.4	12,617	22.1	1,689	2.4
4 Non-Plan Grants to States and UTs	-1,971	-5.1	698	2.0	6,862	18.8
B. Plan Expenditure (1+2)	**1,257**	**0.7**	**33,193**	**23.3**	**34,156**	**19.4**
1 Central Plan	-4,685	-3.6	21,492	21.0	27,375	22.1
2 Central Assistance for State and UT Plans	5,942	13.0	11,701	29.3	6,781	13.1
III. Revenue Deficit (-)/Surplus(+) [I-II]	**7,990**	**-11.2**	**16,734**	**-20.9**	**8,304**	**-13.1**

Statement 3: Transactions on Capital Account

(Rupees crore)

Items	2006-07 (Accounts)	2007-08 (Budget Estimates)	2007-08 (Revised Estimates)	2008-09 (Budget Estimates)
1	2	3	4	5
I. Capital Receipts (1 to 10)	**149,000**	**194,099 ***	**184,275**	**147,949**
		(154,099)	**(149,966) #**	
1. Market Borrowings @	114,801	110,827	110,727	99,000
2. Securities against Small Savings	-	10,510	- 1802	9,873
3. State Provident Funds	5,178	5,000	4,800	4,800
4. Special Deposits	-	-	-	-
5. Reserve Funds and Deposits	21,894	-1673	11,313	7,657
6. NSSF ^	-13,832	17,850	11,174	53
7. Recovery of Loans and Advances	5,893	1,500	4,497	4,497
8. Disinvestment of Equity Holding in Public Sector Enterprises	534	41,651 *	36,125	10,165
		(1,651)	(1,816) #	
9. External Borrowings	8,472	9,111	9,970	10,989
10. Others &	6,060	-677	-2,529	915
II. Capital Expenditure (1+2)	**68,778**	**122,621 ***	**120,787**	**92,765**
		(82,621)	**(85,256) $**	
1. Non Plan Expenditure	41,336	91,875 *	88,874	59,146
of which:		(51,875)	(53,343) $	
Defence Capital	33,828	41,922	37,705	48,007
2. Plan Expenditure (i+ii)	27,442	30,746	31,913	33,619
i) Central Plan	21,792	26,212	24,627	28,537
ii) Central Assistance for State and UT Plans	5,650	4,534	7,286	5,082
III. Capital Surplus(+)/Deficit(-) [I-II]	**+80,222**	**+71,478**	**+63,488**	**+55,184**
		+(71,478)	**+(64,710)**	

- : Not Available.
#, $: See Statement 1.
* : Includes an amount of Rs.40,000 crore on account of transaction relating to transfer of RBI's stake in SBI to the Government.
@ : Excluding the amount raised under Market Stabilisation Scheme (MSS).
^ : Represents net transactions in NSSF in the public accounts.
& : Inter alia includes relief bonds, savings bonds, payment to International Financial Institutions,Life Annuity Funds and draw down of cash balances.

Notes : 1) Capital Receipts are net of repayments.
2) Market borrowings include dated securities and 364-day Treasury Bills.

Source : Budget documents of Government of India, 2008-2009.

Statement 3: Transactions on Capital Account *(Concld.)*

(Rupees crore)

Items	Variation					
	Col. 4 over Col. 3		Col. 4 over Col. 2		Col. 5 over Col. 4	
	Amount	Per cent	Amount	Per cent	Amount	Per cent
1	6	7	8	9	10	11
I. Capital Receipts (1 to 10)	**-9,824**	**-5.1**	**35,275**	**23.7**	**-36,326**	**-19.7**
	-(4,133)	**-(2.7)**	**(966)**	**(0.6)**	**-(2,017)**	**-(1.3)**
1. Market Borrowings @	-100	-0.1	-4,074	-3.5	-11,727	-10.6
2. Securities against Small Savings	-12,312	-117.1	-	-	11,675	-647.9
3. State Provident Funds	-200	-4.0	-378	-7.3	0	0.0
4. Special Deposits	-	-	-	-	-	-
5. Reserve Funds and Deposits	12,986	-776.2	-10,581	-48.3	-3,656	-32.3
6. NSSF ^	-6,676	-37.4	25,006	-180.8	-11,121	-99.5
7. Recovery of Loans and Advances	2,997	199.8	-1,396	-23.7	0	0.0
8. Disinvestment of Equity Holding in Public Sector Enterprises	-5,526	-13.3	35,591	6,665.0	-25,960	-71.9
	(165)	(10.0)	(1282.0)	(240)	(8,349)	(459.7)
9. External Borrowings	859	9.4	1,498	17.7	1,019	10.2
10. Others &	-1,852	273.6	-8,589	-141.7	3,444	-136.2
II. Capital Expenditure (1+2)	**-1,834**	**-1.5**	**52,009**	**75.6**	**-28,022**	**-23.2**
	(2,635)	**(3.2)**	**(16,478)**	**(24.0)**	**(7,509)**	**(8.8)**
1. Non Plan Expenditure	-3,001	-3.3	47,538	115.0	-29,728	-33.4
of which:	(1,468)	(2.8)	(12,007)	(29.0)	(5,803)	(10.9)
Defence Capital	-4,217	-10.1	3,877	11.5	10,302	27.3
2. Plan Expenditure (i+ii)	1,167	3.8	4,471	16.3	1,706	5.3
i) Central Plan	-1,585	-6.0	2,835	13.0	3,910	15.9
ii) Central Assistance for State and UT Plans	2,752	60.7	1,636	29.0	-2,204	-30.2
III. Capital Surplus(+)/Deficit(-) [I-II]	**-7,990**	**-11.2**	**-16,734**	**-20.9**	**-8,304**	**-13.1**
	-(6,768)	**-(9.5)**	**-(15,512)**	**-(19.3)**	**-(9,526)**	**-(14.7)**

Statement 4: Financing of Gross Fiscal Deficit of the Central Government

(Rupees crore)

Year	Internal Finance				External Finance	Total Finance/ Gross Fiscal Deficit (5+6)
	Market Borrowings #	Other Borrowings @	Draw Down of Cash Balances *	Total (2+3+4)		
1	2	3	4	5	6	7
1990-91	8,001 (17.9)	22,103 (49.5)	11,347 (25.4)	41,451 (92.9)	3,181 (7.1)	**44,632** **(100.0)**
1991-92	7,510 (20.7)	16,539 (45.5)	6,855 (18.9)	30,904 (85.1)	5,421 (14.9)	**36,325** **(100.0)**
1992-93	3,676 (9.2)	18,866 (47.0)	12,312 (30.6)	34,854 (86.8)	5,319 (13.2)	**40,173** **(100.0)**
1993-94	28,928 (48.0)	15,295 (25.4)	10,960 (18.2)	55,183 (91.6)	5,074 (8.4)	**60,257** **(100.0)**
1994-95	20,326 (35.2)	32,834 (56.9)	961 (1.7)	54,121 (93.8)	3,582 (6.2)	**57,703** **(100.0)**
1995-96	34,001 (56.4)	16,117 (26.8)	9,807 (16.3)	59,925 (99.5)	318 (0.5)	**60,243** **(100.0)**
1996-97	19,093 (28.6)	31,469 (47.2)	13,184 (19.8)	63,746 (95.5)	2,987 (4.5)	**66,733** **(100.0)**
1997-98	32,499 (36.5)	56,257 (63.3)	-910 -(1.0)	87,846 (98.8)	1,091 (1.2)	**88,937** **(100.0)**
1998-99	68,988 (60.9)	42,650 (37.6)	-209 -(0.2)	111,429 (98.3)	1,920 (1.7)	**113,349** **(100.0)**
1999-2000	62,076 (59.3)	40,597 (38.8)	864 (0.8)	103,537 (98.9)	1,180 (1.1)	**104,717** **(100.0)**
2000-01	73,431 (61.8)	39,077 (32.9)	-1,197 -(1.0)	111,311 (93.7)	7,505 (6.3)	**118,816** **(100.0)**
2001-02	90,812 (64.4)	46,038 (32.7)	-1,496 -(1.1)	135,354 (96.0)	5,601 (4.0)	**140,955** **(100.0)**
2002-03	104,126 (71.8)	50,997 (35.2)	1,883 (1.3)	157,006 (108.2)	-11,934 -(8.2)	**145,072** **(100.0)**
2003-04	88,870 (72.1)	51,833 (42.0)	-3,942 -(3.2)	136,761 (110.9)	-13,488 -(10.9)	**123,273** **(100.0)**
2004-05	50,940 & (40.5)	68,231 (54.2)	-8,130 -(6.5)	111,041 (88.3)	14,753 (11.7)	**125,794** **(100.0)**
2005-06	106,241 & (72.6)	53,610 (36.6)	-20,888 -(14.3)	138,963 (94.9)	7,472 (5.1)	**146,435** **(100.0)**
2006-07	114,801 & (80.5)	14,782 (10.4)	4,518 (3.2)	134,101 (94.1)	8,472 (5.9)	**142,573** **(100.0)**
2007-08 (RE)	110,727 & (77.1)	41,140 (28.6)	-18,184 -(12.7)	133,683 (93.1)	9,970 (6.9)	**143,653** **(100.0)**
2008-09 (BE)	99,000 & (74.3)	16,073 (12.1)	7,225 (5.4)	122,298 (91.8)	10,989 (8.2)	**133,287** **(100.0)**

RE : Revised Estimates. BE : Budget Estimates.

: Includes dated securities and 364-days Treasury Bills.

@ : Other borrowings includes small savings, state provident funds, special deposits, reserve funds, etc. For the years 1999-2000 to 2001-02, small savings and public provident fund are represented by National Small Savings Fund (NSSF)'s investment in Central Government special securities and hence form part of Centre's internal debt.

* : Prior to 1997-98, represents variations in 91-day Treasury Bills issued net of changes in cash balances with the Reserve Bank.

& : Exclusive of amount raised under Market Stabilisation Scheme.

Note : Figures in parentheses represent percentages to total finance (gross fiscal deficit).

Source : Central Government Budget Documents.

Statement 5 : Central Plan Outlay by Heads of Development

(Rupees crore)

Items	2007-08 (Budget Estimates)	2007-08 (Revised Estimates)	2008-09 (Budget Estimates)	Variation			
				Col. 3 over Col. 2		Col. 4 over Col. 3	
				Amount	Per cent	Amount	Per cent
1	2	3	4	5	6	7	8
1. Agriculture	8,558	8,544	10,074	-14	-0.2	1,530	17.9
	(2.7)	(2.9)	(2.7)				
2. Rural Development*	20,342	21,147	23,831	805	4.0	2,684	12.7
	(6.4)	(7.2)	(6.3)				
3. Irrigation and Flood Control	507	454	411	-53	-10.5	-43	-9.5
	(0.2)	(0.2)	(0.1)				
4. Energy	79,158	72,230	93,815	-6,928	-8.8	21,585	29.9
of which :	(24.7)	(24.7)	(25.0)				
a) Power	37,782	34,354	45,238	-3,428	-9.1	10,884	31.7
	(11.8)	(11.8)	(12.0)				
b) Petroleum	36,364	33,174	42,450	-3,190	-8.8	9,276	28.0
	(11.4)	(11.3)	(11.3)				
5. Industry and Minerals	20,434	17,953	28,836	-2,481	-12.1	10,883	60.6
	(6.4)	(6.1)	(7.7)				
6. Transport **	71,589	68,930	84,177	-2,659	-3.7	15,247	22.1
	(22.4)	(23.6)	(22.4)				
7. Communications	25,812	16,599	21,937	-9,213	-35.7	5,338	32.2
	(8.1)	(5.7)	(5.8)				
8. Science, Technology and	8,816	7,742	9,283	-1,074	-12.2	1,541	19.9
Environment	(2.8)	(2.6)	(2.5)				
9. Social Services #	80,315	75,162	95,919	-5,153	-6.4	20,757	27.6
	(25.1)	(25.7)	(25.5)				
10. Others	4,461	3,576	7,202	-885	-19.8	3,626	101.4
	(1.4)	(1.2)	(1.9)				
Total (1 to 10)	**319,992**	**292,337**	**375,485**	**-27,655**	**-8.6**	**83,148**	**28.4**
	(100.0)	**(100.0)**	**(100.0)**				
To be financed by :							
1. Budgetary Support	154,939	148,669	179,954	-6,270	-4.0	31,285	21.0
	(48.4)	(50.9)	(47.9)				
2. Internal and Extra Budgetary	165,053	143,668	195,531	-21,385	-13.0	51,863	36.1
Resources (IEBR) of Public	(51.6)	(49.1)	(52.1)				
Social Enterprises, etc.							

* : Includes provision for rural housing but excludes provision for rural roads.
** : Includes provision for rural roads.
\# : Excludes provision for rural housing.
Note : Figures in parentheses represent percentage to total.
Source : Budget documents of Government of India, 2008-09.

Statement 6 : Resources Transferred to States and Union Territory Governments.

(Rupees crore)

Items	2007-08 (Budget Estimates)	2007-08 (Revised Estimates)	2008-09 (Budget Estimates)	Variation			
				Col. 3 over Col. 2		Col. 4 over Col. 3	
				Amount	Per cent	Amount	Per cent
1	2	3	4	5	6	7	8
A. State's Share in Central Taxes and Duties	**142,450**	**151,837**	**178,765**	**9,387**	**6.6**	**26,928**	**17.7**
B. Total Grants (i+ii)	**103,430**	**106,015**	**124,746**	**2,585**	**2.5**	**18,731**	**17.7**
i) Plan	65,027	69,584	81,452	4,557	7.0	11,868	17.1
ii) Non-Plan	38,403	36,431	43,294	-1,972	-5.1	6,863	18.8
C. Total Non-Plan Loans *	**95**	**89**	**89**	**-6**	**-6.3**	**0**	**0.0**
D. Plan Loans (i+ii)	**3,462**	**6,161**	**4,026**	**2,699**	**78.0**	**-2,135**	**-34.7**
i) Assistance for States & Union Territory Plans	3,287	5,986	3,868	2,699	82.1	-2,118	-35.4
ii) Assistance for Central & Centrally Sponsored Plan Schemes	175	175	158	0	0.0	-17	-9.7
E. Gross Transfers (A to D)	**249,437**	**264,102**	**307,626**	**14,665**	**5.9**	**43,524**	**16.5**
F. Recovery of Loans & Advances	**593**	**2,503**	**2,666**	**1,910**	**322.1**	**163**	**6.5**
G. Net Resources transferred to States & UT Governments (E-F)	**248,844**	**261,599**	**304,960**	**12,755**	**5.1**	**43,361**	**16.6**

* : Net of recovery of short-term loans and advances.

Source : Budget documents of Government of India,2008-09.

Statement 7 : Interest payments by the Central Government

(Rupees crore)

Item	1990-91 (Accounts)	1999-2000 (Accounts)	2000-2001 (Accounts)	2001-2002 (Accounts)	2002-2003 (Accounts)	2003-2004 (Accounts)
1	2	3	4	5	6	7
I. Interest Payments on Internal Debt	**9,814**	**49,280**	**57,605**	**66,035**	**75,176**	**82,620**
of which :						
i) On Market Loans*	6,366	38,106	46,214	55,024	62,559	68,765
ii) On Treasury Bills**	3,392	6,410	6,395	6,453	6,151	3,542
iii) On Marketable securities issued in conversion of special securities	–	2,399	2,399	2,399	3,067	6,263
II. Interest on External debt	**1,834**	**4,508**	**4,413**	**4,285**	**4,252**	**3,139**
III. Interest on Small Savings Deposits, Certificates and PPF @	**4,128**	**20,265**	**21,477**	**22,471**	**23,379**	**20,503**
IV. Interest on State Provident Funds	**885**	**3,567**	**3,879**	**3,794**	**3,913**	**3,733**
V. Interest on Special Deposits of Non-Government Provident Funds etc.	**3,876**	**13,520**	**12,575**	**14,259**	**13,625**	**13,161**
VI. Interest on Reserve Funds	**112**	**332**	**161**	**129**	**229**	**352**
VII. Interest on Other Obligations	**325**	**862**	**854**	**567**	**1,214**	**1,400**
VIII. Others #	**524**	**2,259**	**2,260**	**2,633**	**3,099**	**7,286**
Total Interest Payments (I to VIII)	**21,498**	**94,593**	**103,224**	**114,173**	**124,887**	**132,194**

* : Represents dated securities

** : Also includes special securities issued to RBI in conversion of Treasury Bills.

@ : Since 1999-2000, these payments form part of internal debt.

: Includes inter alia, interest on insurance and pension funds, bonus on field deposits and interest on other deposits and accounts.

Note : 1) The data are taken from Finance Accounts and Expenditure Budget volume 2 and the aggregate figures for interest payments may not tally for some years with the data produced elsewhere.

2) Since 1999-2000, interest on small savings represent interest on Central Government Special securities issued to the NSSF.

Source : Finance Accounts and Budget documents of the Government of India.

Statement 7 : Interest payments by the Central Government *(Concld.)*

(Rupees crore)

Item	2004-05 (Accounts)	2005-06 (Accounts)	2006-07 (Revised Estimates)	2007-08 (Revised Estimates)	2008-09 (Budget Estimates)
1	8	9	10	11	12
I. Interest Payments on Internal Debt	**86,380**	**85,533**	**98,917**	**121,068**	**135,135**
of which :					
i) On Market Loans*	69,852	66,500	76,730	92,022	99,137
ii) On Treasury Bills**	2,165	3,990	5,404	8,202	7,804
iii) On Marketable securities issued in conversion of special securities	7,753	7,066	6,609	6,198	5,533
II. Interest on External debt	**2,808**	**3,173**	**3,868**	**3,890**	**4,143**
III. Interest on Small Savings Deposits, Certificates and PPF @	**18,950**	**18,029**	**18,150**	**17,219**	**17,364**
IV. Interest on State Provident Funds	**4,425**	**4,950**	**5,059**	**5,591**	**5,834**
V. Interest on Special Deposits of Non-Government Provident Funds etc.	**12,892**	**12,874**	**12,802**	**12,481**	**11,222**
VI. Interest on Reserve Funds	**541**	**717**	**891**	**1197**	**1,361**
VII. Interest on Other Obligations	**1,592**	**1,345**	**2,457**	**5,754**	**8,067**
VIII. Others #	**654**	**3,411**	**4,048**	**4,771**	**7,681**
Total Interest Payments (I to VIII)	**130,958**	**130,032**	**146,192**	**171,971**	**190,807**

Statement 8: Outstanding Liabilities of Central Government

(Rupees crore)

Year (End March)	Internal Debt	Of which: Market Loans	Small Savings, Deposits & Provident Funds	Other Accounts +	Reserve Fund and Deposits ++	Total Domestic Liabilities (2+4+5+6)	External Liabilities*	Total Liabilities (7+8)
1	2	3	4	5	6	7	8	9
1990-91	154,004	70,520	61,771	45,336	21,922	283,033	31,525	314,558
	(27.0)	(12.4)	(10.8)	(8.0)	(3.8)	(49.7)	(5.5)	(55.2)
1991-92	172,750	78,023	69,682	51,818	23,464	317,714	36,948	354,662
	(26.4)	(11.9)	(10.6)	(7.9)	(3.6)	(48.5)	(5.6)	(54.2)
1992-93	199,100	81,693	77,005	59,797	23,753	359,655	42,269	401,924
	(26.5)	(10.9)	(10.2)	(7.9)	(3.2)	(47.8)	(5.6)	(53.4)
1993-94	245,712	110,611	87,877	72,477	24,556	430,623	47,345	477,968
	(28.4)	(12.8)	(10.1)	(8.4)	(2.8)	(49.7)	(5.5)	(55.2)
1994-95	266,467	130,908	106,435	85,787	28,993	487,682	50,929	538,611
	(26.2)	(12.9)	(10.5)	(8.4)	(2.9)	(48.0)	(5.0)	(53.0)
1995-96	307,869	163,986	121,425	92,010	33,680	554,983	51,249	606,232
	(25.8)	(13.8)	(10.2)	(7.7)	(2.8)	(46.6)	(4.3)	(50.9)
1996-97	344,476	184,100	138,955	100,088	37,919	621,437	54,239	675,676
	(25.0)	(13.4)	(10.1)	(7.3)	(2.8)	(45.1)	(3.9)	(49.0)
1997-98	388,998	216,598	167,780	124,087	42,097	722,962	55,332	778,294
	(25.5)	(14.2)	(11.0)	(8.1)	(2.8)	(47.3)	(3.6)	(51.0)
1998-99	459,696	285,585	206,458	126,802	41,595	834,552	57,254	891,806
	(26.3)	(16.3)	(11.8)	(7.2)	(2.4)	(47.7)	(3.3)	(50.9)
1999-2000	714,254 #	355,862	66,406 #	134,425	47,508	962,592	58,437	1,021,029
	(36.6)	(18.2)	(3.4)	(6.9)	(2.4)	(49.3)	(3.0)	(52.3)
2000-01	803,698	428,793	96,344	144,020	58,535	1,102,597	65,945	1,168,542
	(38.2)	(20.4)	(4.6)	(6.9)	(2.8)	(52.4)	(3.1)	(55.6)
2001-02	913,061	516,517	144,511	164,157	73,133	1,294,862	71,546	1,366,408
	(40.1)	(22.7)	(6.3)	(7.2)	(3.2)	(56.8)	(3.1)	(60.0)
2002-03	1,020,689	619,105	226,400	172,374	80,126	1,499,589	59,612	1,559,201
	(41.6)	(25.2)	(9.2)	(7.0)	(3.3)	(61.1)	(2.4)	(63.5)
2003-04	1,141,706	707,965	288,378	168,094	92,376	1,690,554	46,124	1,736,678
	(41.4)	(25.7)	(10.5)	(6.1)	(3.4)	(61.4)	(1.7)	(63.0)
2004-05	1,275,971 &	758,995	390,477	174,107	92,989	1,933,544	60,878	1,994,422
	(40.5)	(24.1)	(12.4)	(5.5)	(3.0)	(61.4)	(1.9)	(63.3)
2005-06	1,389,758 &	862,370	479,761	186,921	109,462	2,165,902	94,243	2,260,145
	(38.8)	(24.1)	(13.4)	(5.2)	(3.1)	(60.5)	(2.6)	(63.1)
2006-07	1,544,975 &	972,801	539,450	220,160	131,295	2,435,880	102,716	2,538,596
	(37.3)	(23.5)	(13.0)	(5.3)	(3.2)	(58.8)	(2.5)	(61.2)
2007-08 RE	1,844,110 &	1,092,472	564,052	241,380	134,810	2,784,352	112,686	2,897,038
	(39.3)	(23.3)	(12.0)	(5.1)	(2.9)	(59.3)	(2.4)	(61.7)
2008-09 BE	1,972,532 &	1,197,543	588,980	243,877	133,849	2,939,238	123,675	3,062,913
	(37.2)	(22.6)	(11.1)	(4.6)	(2.5)	(55.4)	(2.3)	(57.7)

RE : Revised Estimates BE : Budget Estimates

\+ : Include mainly Postal Insurance and Life Annuity Fund, borrowings under Compulsory Deposits and Income-Tax Annuity Deposits, Special Deposits of non-Government Provident Funds.

++ : Include Depreciation Reserve Fund of Railways and Dept. of Posts and Dept. of Telecommunications, Deposits of Local Funds, Departmental and Judicial Deposits, Civil Deposits, etc.

* : At historical exchange-rate.

: The sharp increase in internal debt and corresponding decline in small savings and provident funds in 1999-2000 is due to conversion of other liabilities(small savings, deposits and public provident funds) amounting to Rs. 1,80,273 crore into Central Government securities. Since 1999-2000, Small Savings represent liabilities under National Small Savings fund(NSSF) excluding NSSF investment in the Central Government's Special Securities.

& : Include amount raised under Market Stabilisation Scheme.

Note : Figures in parentheses are percentages to GDP.

Source : Budget Documents of the Government of India.

Statement 9 : Key Fiscal Indicators

(Rupees crore)

Item	1999-2000 (Accounts)	2000-2001 (Accounts)	2001-2002 (Accounts)	2002-2003 (Accounts)	2003-2004 (Accounts)	2004-05 (Accounts)
1	2	3	4	5	6	7
1. Gross Fiscal Deficit	104,716	118,816	140,955	145,072	123,273	125,794
	(5.4)	(5.7)	(6.2)	(5.9)	(4.5)	(4.0)
2. Revenue Deficit	67,596	85,234	100,162	107,879	98,261	78,338
	(3.5)	(4.1)	(4.4)	(4.4)	(3.6)	(2.5)
3. Net RBI Credit to Centre	-5,588	6,705	-5,150	-28,399	-76,065	-60,177
	-(0.3)	(0.3)	-(0.2)	-(1.2)	-(2.8)	-(1.9)
4. Gross Primary Deficit	14,467	19,502	33,495	27,268	-815	-1,140
	(0.7)	(0.9)	(1.5)	(1.1)	(0.0)	(0.0)
5. Subsidies	24,487	26,838	31,210	43,533	44,323	45,957
of which :	(1.3)	(1.3)	(1.4)	(1.8)	(1.6)	(1.5)
i) Food	9,434	12,060	17,499	24,176	25,181	25,798
	(0.5)	(0.6)	(0.8)	(1.0)	(0.9)	(0.8)
ii) Fertiliser	13,244	13,800	12,595	11,015	11,847	15,879
	(0.7)	(0.7)	(0.6)	(0.4)	(0.4)	(0.5)
iii) Petroleum	..	..	..	5,225	6,351	2,956
				(0.2)	(0.2)	(0.1)
6. Defence Expenditure	47,071	49,622	54,266	55,662	60,066	75,856
	(2.4)	(2.4)	(2.4)	(2.3)	(2.2)	(2.4)
7. Interest Payments	90,249	99,314	107,460	117,804	124,088	126,934
	(4.6)	(4.7)	(4.7)	(4.8)	(4.5)	(4.1)
8. Total Non-Plan Expenditure	221,871	242,923	261,116	301,778	348,923	365,960
	(11.4)	(11.6)	(11.4)	(12.3)	(12.6)	(11.7)
9. Budgetary Support to Public	9,103	10,493	13,488	15,232	15,982	17,005
Enterprises *	(0.5)	(0.5)	(0.6)	(0.6)	(0.6)	(0.5)
10. Interest Receipts	33,895	32,811	35,538	37,622	38,538	32,387
	(1.7)	(1.6)	(1.6)	(1.5)	(1.4)	(1.0)
11. Interest Payments as per cent of Revenue Receipts	49.7	51.6	53.4	51.0	47.0	41.5
12. Revenue Deficit as per cent of Gross Fiscal Deficit	64.6	71.7	71.1	74.4	79.7	62.3
13. Net RBI Credit to Centre as per cent of Gross Fiscal Deficit	-5.3	5.6	-3.7	-19.6	-61.7	-47.8

.. : Not available / applicable.

* : Figures relate to revised estimates for years prior to 2007-08.

Note : Figures in parentheses are per cent to GDP.

Source : Budget documents of the Government of India.

Statement 9 : Key Fiscal Indicators *(Concld.)*

(Rupees crore)

Item	2005-06 (Accounts)	2006-07 (Accounts)	2007-08 (Budget Estimates)	2007-08 (Revised Estimates)	2008-09 (Budget Estimates)
1	8	9	10	11	12
1. Gross Fiscal Deficit	146,435	142,573	150,948	143,653	133,287
	(4.1)	(3.4)	(3.2)	(3.1)	(2.5)
2. Revenue Deficit	92,299	80,222	71,478	63,488	55,184
	(2.6)	(1.9)	(1.5)	(1.4)	(1.0)
3. Net RBI Credit to Centre	28,417	-3,024	..	-112,489	..
	(0.8)	-(0.1)	..	-(2.4)	..
4. Gross Primary Deficit	13,805	-7,699	-8,047	-28,318	-57,520
	(0.4)	-(0.2)	-(0.2)	-(0.6)	-(1.1)
5. Subsidies	47,522	57,125	54,330	69,742	71,431
of which :	(1.3)	(1.4)	(1.2)	(1.5)	(1.3)
i) Food	23,077	24,014	25,696	31,546	32,667
	(0.6)	(0.6)	(0.5)	(0.7)	(0.6)
ii) Fertiliser	18,460	26,222	22,451	30,501	30,986
	(0.5)	(0.6)	(0.5)	(0.6)	(0.6)
iii) Petroleum	2,683	2,699	2,840	2,882	2,884
	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
6. Defence Expenditure	80,549	85,510	96,000	92,500	105,600
	(2.2)	(2.1)	(2.0)	(2.0)	(2.0)
7. Interest Payments	132,630	150,272	158,995	171,971	190,807
	(3.7)	(3.6)	(3.4)	(3.7)	(3.6)
8. Total Non-Plan Expenditure	365,100	413,527	475,421	501,849	507,498
	(10.2)	(10.0)	(10.1)	(10.7)	(9.6)
9. Budgetary Support to Public	17,362	20,635	19,331	19,636	19,440
Enterprises *	(0.5)	(0.5)	(0.4)	(0.4)	(0.4)
10. Interest Receipts	22,032	22,524	19,308	17,464	19,135
	(0.6)	(0.5)	(0.4)	(0.4)	(0.4)
11. Interest Payments as per cent of revenue receipts	38.2	34.6	32.7	32.8	31.6
12. Revenue Deficit as per cent of Gross Fiscal Deficit	63.0	56.3	47.4	44.2	41.4
13. Net RBI Credit to Centre as per cent of Gross Fiscal Deficit	19.4	-2.1	..	-78.3	..

Annex1: Detailed Tax Proposals

A. Income Tax

1. *Tax Structure and Rates*

(i) Personal Income Tax

Personal income tax rates and corporation income tax rates are proposed to be kept unchanged from those laid down in the Finance Act 2005. However, the basic exemption limit has been revised and the threshold limit of exemption in the case of all assesses has been increased. Hence the rates of income tax on total income would be as follows:

Income Slab	Income Tax Rates
Up to Rs.1,50,000/- (Up to Rs.1,80,000/- for women below the age of sixty five years and Rs.2,25,000/- for senior citizens)	Nil
Rs.1,50,001/- to Rs.3,00,000/- (Rs.1,80,001/- to Rs.3,00,000/- for women below the age of 65 years and Rs.2,25,001/- to Rs.3,00,000/- for senior citizens)	10 per cent
Rs.3,00,001/- to Rs.5,00,000/-	20 per cent
Above Rs.5,00,000/-	30 per cent

In the case of individuals, Hindu undivided families, association of persons and body of individuals having total income exceeding Rs.10 lakh, a surcharge at the rate of 10 per cent will continue to be levied. However, the total amount payable as income tax and surcharge shall not exceed the amount of income in excess of Rs.10 lakh.

Education cess of two per cent on the amount of tax payable, inclusive of surcharge will continue to be levied in all cases so as to fulfil the commitment of the Government to provide universalised quality education. Moreover, an additional surcharge, called the "Secondary and Higher Education Cess on Income Tax" is proposed to be levied in all cases at the rate of one per cent of income tax and surcharge (not including the "Education Cess on Income Tax").

(ii) Corporation Tax

The corporation income tax rate will continue at 30 per cent. The surcharge shall continue to be levied at the rate of 10 per cent of tax in the case of domestic companies and 2.5 per cent in the case of foreign companies. However, no surcharge shall be levied in case of firms having total income of Rs. one crore or less. Education cess of two per cent on the amount of tax payable inclusive of surcharge will continue to be levied in all cases. An additional surcharge is proposed to be levied in all cases at the rate of one per cent of income tax and surcharge (not including the "Education Cess on Income Tax").

(iii) Income Tax on Other Institutions

In the case of co-operative societies and local authorities, there will be no surcharge as at present. The education cess of 2 per cent and the new secondary and higher education cess of 1 per cent would, however, be applicable to co-operative societies and local authorities.

2. Measures to Widen the Income Tax Base

Sunset provision for deduction for refining of mineral oil under section 80-IB(9)

The deduction under this sub-section is available to an undertaking for a period of seven consecutive assessment years including the initial assessment year-

(i) In which the commercial production under a production sharing contract has first started; or

(ii) In which the refining of mineral oil has begun.

It is proposed to insert a new provision in sub-section (9) of section 80-IB so as to provide that no deduction under this sub-section shall be allowed to an undertaking engaged in refining of mineral oil if it begins refining on or after the 1st day of April,2009.

This amendment will take effect from the 1st day of April,2008.

Commodities Transaction Tax

A new tax called Commodities Transaction Tax (CTT) is proposed to be levied on taxable commodities transactions entered in a recognised association.

It is proposed to define 'Taxable commodities transaction' to mean a transaction of purcahse or sale in a recognised association of -

(i) Option in goods; or

(ii) Option in commodity derivative; or

(iii) Any other commodity derivative.

The tax is proposed to be levied at the rate, given in the table below, on taxable commodities transactions undertaken by the seller or the purchaser, as the case may be as indicated hereunder:-

Further, it is proposed to amend section 36 of the income-tax Act to

S. No.	Taxable commodities transaction	Rate	Payable by
1.	Sale of an option in goods or an option in Commodity derivative.	0.017 per cent on option premium	Seller
2.	Sale of an option in goods or an option in commodity derivative, where option is exercised.	0.125 per cent on the Settlement price of the option.	Purchaser
3.	Sale of any other commodity derivative	0.017 per cent of the price at which the commodity derivative is sold.	Seller

provide that any amount of commodities transaction tax paid by the assessee during the year in respect of taxable commodities transactions entered into in the course of business shall be allowed as deduction subject to the condition that such income from taxable commodities transactions is included under the head 'profits and gains of business or profession'.

3. Welfare Measures

Amendment to give effect to reverse mortgage scheme

It is proposed to insert a new clause (xa) in section 47 of the income-tax Act to provide that any transfer of a capital asset in a transaction of reverse mortgage under a scheme made and notified by the Central Government shall not be regarded as a transfer and therefore shall not attract capital gains tax.

It is proposed to amend section 10 of the income tax Act to provide that loan amounts, either in lump sum or in instalment, received under a reverse mortgage scheme will be exempt from income tax.

Consequent to these amendments, a borrower, under a reverse mortgage scheme will be liable to income tax (in the nature of tax on capital gains) only at the point of alienation of the mortgaged property by the mortgagee for the purposes of recovering the loan.

Enlargement of the scope of eligible saving instruments under section 80C

With a view to encourage small savings, it is proposed to enlarge the scope of eligible saving instruments by inserting two new clauses in sub-section (2) of section 80C. The following investments made by the assessee, during the previous year, shall be eligible for deduction under section 80C within the overall ceiling of rupees one lakh:-

(i) Five year time deposit in an account under Post Office Time Deposit Rules, 1981; and

(ii) Deposit in an account under the Senior Citizens Savings Scheme Rules, 2004.

Further, it is also proposed to provide that where any amount is withdrawn by the assessee from such account before the expiry of a period of 5 years from the date of its deposit, the amount so withdrawn shall be deemed to be income of the assessee of the previous year in which the amount is withdrawn. The amount so withdrawn, accordingly, shall be liable to tax in the assessment year relevant to such previous year. The amount liable to tax shall also include that part of the amount withdrawn which represents interest accrued on the deposit. However if any part of the amount so received or withdrawn (including the amount relating to interest) has suffered taxation in any of the earlier years, such amount shall not be taxed again.

The proposed amendment shall apply to investments, as above, made during the financial 2007-08 and subsequent years.

Additional deduction for health insurance premium paid for parents

Since health insurance cover for the elderly comes at a relatively higher price, it is necessary to encourage individual assessees to supplement the efforts of their parents in getting themselves medically insured. Accordingly, it is proposed to allow an additional deduction of up to fifteen thousand rupees to an assessee, being an individual, on any payment made to effect or keep in force an insurance on the health of his parent or parents. The existing condition of 'dependent' with respect to parents is being dispensed with. The deduction shall be in addition to the existing deduction available to the individual assessee on medical insurance for himself, his spouse and dependent children.

Further, it is proposed that if either of the individual assessee's parents, who has been medically insured, is a senior citizen, the deduction would be allowed up to twenty thousand rupees.

4. Rationalisation and Simplification Measures

Streamlining the definition of "charitable purpose"

With a view to limiting the scope of the phrase "advancement of any other object of general public utility", it is proposed to amend section 2 (15) so as to provide that "the advancement of any other object of general public utility" shall not be a charitable purpose if it involves the carrying on of -

(a) Any activity in the nature of trade, commerce or business or,

(b) Any activity of rendering of any service in relation to any trade, commerce or business,

For a fee or cess or any other consideration, irrespective of the nature of use or application of the income from such activity, or the retention of such income, by the concerned entity.

This amendment will take effect from the 1st day of April, 2009 and will accordingly apply in relation to the assessment year 2009-10 and subsequent assessment years.

Extending the provision of section 35D relating to amortisation of preliminary expenses to all undertakings

With a view to providing a level playing field to the services sector, it is necessary to extend to the service sector, the same benefit of amortisation of specified post-commencement preliminary expenses as is available to the manufacturing sector for the extension of an undertaking or the setting up of a new unit. Therefore, it is proposed to amend section 35D accordingly.

The amendment will take effect from the 1st day of April, 2009 and will accordingly apply in relation to assessment year 2009-10 and subsequent assessment years.

Amendment of provisions relating to dividend distribution tax

Accordingly, it has been proposed that the amount of dividend referred to in sub-section (1) will be reduced by the amount of dividend received by the domestic company from its subsidiary, if

(a) The subsidiary has paid tax under section 115-O on such dividend, and

(b) The domestic company is not a subsidiary of any other company.

It is also provided that the same amount of dividend shall not be taken into account for such reduction, more than once. For the purpose of the section, a company shall be a subsidiary of another company, if such other company holds more than half in nominal value of the equity share capital of the company.

This amendment will take effect from the 1st day of April, 2008.

5. Rationalisation of Provision of Tax Deduction and collection at Source

Enlargement of scope of TDS under section 194 C to cover association of persons and body of individuals

The amendment proposes to provide that any association of persons or body of individuals, whether incorporated or not shall be liable to deduct income-tax at source under sub-section (1) of section 194 C.

The amendment will take effect from 1st day of June,2008.

Provision for furnishing of information regarding deduction of tax at source under section 195

To monitor and track transactions in a timely manner, it is proposed to introduce the e-filing of the information in the certificate and undertaking. The amendment therefore, proposes to provide that the person responsible for deduction of income tax shall furnish the information relating to payment of any sum to the non-resident or to a foreign company in a form and manner to be prescribed by the Board.

This amendment will take effect from the 1st of April,2008.

Amendments to the provisions of Dematerialisation of TDS and TCS certificates

A scheme for dematerialisation of Tax Deducted at Source (TDS)/ Tax Collected at Source (TCS) was introduced through the Finance (No.2) Act,2004, with effect from 01-04-2005 for any deduction or collection of tax at source made on or after 01-04-2005. The commencement of this scheme was postponed to 1-4-2006 by the Finance Act, 2005 and later to 1-4-2008 by the Finance Act,2006. Since the national level information technology infrastructure of the Income-tax Department is not yet operational, it is proposed to extend the commencement of the scheme to 1-04-2010.

Removal of TDS on Corporate Bonds

Section 193 of the Income-tax Act provides for deduction of tax at source (TDS) on any income by way of interest on securities payable to a resident.

In order to facilitate development of the corporate bond market for improving the availability of finances for infrastructure development, it is proposed to remove TDS on any interest payable to a resident on any security issued by a company where such security is in dematerialised form and is listed on a recognised stock exchange in India in accordance with the Securities Contracts (Regulation) Act, 1956 (42 of 1956) and any rules made thereunder.

This amendment will take effect from the 1st day of June,2008.

B. Measures to Promote Scientific Research and Development

Weighted deduction for sum paid to a company to be used by such company for scientific research

With a view to encouraging outsourcing of scientific research, particularly by small companies which are handicapped in making lumpy investment for building in-house scientific facilities, it is proposed to insert a new clause (iia) in sub-section (1) of section 35 of the Income-tax Act to allow a weighted deduction of 125 per cent of the amount paid by a person to a company to be used for scientific research, if such company -

(i) Is registered in India;

(ii) Has as its main object the scientific research and development;

(iii) Is for the time being approved by the prescribed authority in the prescribed manner; and

(iv) Fulfils such other conditions as may be prescribed.

However, with a view to avoid multiple claims for deduction, it is also proposed to provide that a company approved under the provisions of section 35 (1) (iia) will not be entitled to claim weighted deduction of 150% under section 35(2AB). However, deduction to the extent of 100% of the sum spent as revenue expenditure on scientific research which is available under section 35(1)(i) will continue to be allowed.

These amendments will take effect from the 1st day of April, 2009 and will accordingly apply in relation to assessment year 2009-10 and subsequent assessment years.

C. Measures to Promote Socio-Economic Development

Widening the scope of "agricultural income"

With a view to giving finality to the issue, it is proposed to amend section 2(1A) so as to provide that any income derived from saplings or seedlings grown in a nursery shall be deemed to be agricultural income. Accordingly, irrespective of whether the basic operations have been carried out on land, such income will be treated as agricultural income, thus qualifying for exemption under section 10(1) of the Act.

This amendment will take effect from the 1st day of April, 2009 and will accordingly apply in relation to the assessment year 2009-10 and subsequent assessment years.

Exemption to a "Sikkimese" individual

Section 10 of Income-tax Act relates to incomes which do not form part of total income.

It is proposed to insert a new clause (26AAA) in section 10 to provide that the following income, which accrues or arises to a Sikkimese individual, shall be exempt from income tax-

(a) Income from any source in the State of Sikkim; or

(b) Income by way of dividend or interest on securities

It is also proposed to provide that this exemption will not be available to a Sikkimese woman who, on or after 1st April, 2008 marries a non-Sikkimese individual.

Exemption of Income of Coir Board

Section 10(29A) provides that any income of certain specified commodity boards and export development authorities shall be exempt from income tax. It is proposed to allow a similar exemption in respect of any income accruing or arising to the coir board established under the Coir Industry Act, 1953.

This amendment will take effect from 1st day of April, 2009 and will accordingly apply in relation to the assessment year 2009-10 and subsequent assessment years.

Extensions of Income Tax Exemption to Special Undertaking of Unit Trust of India (SUUTI)

This exemption has come to an end on 31st January,2008.

Since two schemes of SUUTI, namely, US 64 bonds and 6.6% ARS bonds, are still pending closure, it is proposed to amend section 13(1) so as to extend the exemption up to 31st March, 2009.

This amendment will take effect retrospectively from 1st February, 2008.

Five year tax holiday to hospitals located in certain areas

With a view to encouraging investment in hospitals in non-metro cities, it is proposed to extend the benefit of sub-section (11B) of section 80-IB to hospitals located anywhere in India, other than the excluded area. Hence, it is proposed to insert a new sub-section (11C) in the said section 80-IB. The proposed new sub-section, inter-alia, seeks to provide that:-

(i) The tax benefit shall be with respect to the profit derived from the business of operating and maintaining a hospital for a period of five consecutive assessment years, beginning from the initial assessment years;

(ii) The tax benefit will be available to hospital which is constructed and has started or start functioning at any time during the period beginning on the 1st day of April, 2008 and ending on the 31st day of March, 2013;

(iii) The excluded area shall mean an area comprising the urban agglomerations of Greater Mumbai, Delhi, Kolkata, Chennai, Hyderabad, Bangalore, and Ahmedabad, the districts of Faridabad, Gurgaon, Ghaziabad, Gautam Budh Nagar and Gandhinagar and the city of Secunderabad;

(iv) The area comprising an urban agglomeration shall be the area included in such urban agglomeration on the basis of the 2001 census.

Other existing conditions of sub-section (11B0 of section 80-IB) have also been incorporated in the proposed new sub-section.

This amendment will take effect from 1st April, 2009 and will accordingly apply in relation to assessment year 2009-10 and subsequent assessment years.

Five year tax holiday for hotels located in specified districts having a World Heritage Site

With a view to promoting tourism and to attract tourists to certain World Heritage Sites in India, it is proposed to extend the scope of tax benefits available in section 80-ID of the Income-tax Act also to new two-star, three-star or four-star category hotels located in specified districts having a World Heritage Site. Such hotels are required to be constructed and start functioning at any time during the period beginning on the 1st day of April, 2008 and ending on the 31st day of March, 2013. Specified districts having a World Heritage Site are proposed to be the districts of Agra, Jalgaon, Aurangabad, Kancheepuram, Puri, Bharatpur, Chhatarpur, Thanjavur, Bellary, South 24 Parganas (excluding areas falling within the Kolkata Urban Agglomeration on the basis of the 2001Census), Chamoli, Raisen, Gaya, Bhopal, Panchamahal, Kamrup, Goalpara, Nagaon, North Goa, South Goa, Darjeeling and Nilgiri.

Other conditions, already specified in this section, shall also be applicable to the new hotels.

This amendment will take effect from 1st April, 2009 and will accordingly apply in relation to assessment year 2009-10 and subsequent assessment years.

D. Measures for Additional Revenue Mobilisation

Increase in tax rates for Short Term Capital Gain

It is proposed to increase the rate of tax on such short-term capital gain to fifteen per cent.

These amendments will take effect from the 1st day of April, 2009 and will accordingly apply in relation to assessment year 2009-10 and subsequent assessment years.

E. Measures to Plug Revenue Leakages

Amendment to the provisions of section 40A(3) of the Income-tax Act.

Section 40A (3) is an anti-tax evasion. To overcome the splitting of payments to the same person made during a day and circumvent provisions of this section, the section is amended to substitute the present provision to provide that where a payment or aggregate of payments made to a person in a day, otherwise than by an account payee cheque drawn on a bank or account payee bank draft, exceeds twenty thousand rupees, the disallowance of such expenditure shall be made under the proposed sub-section (3) of section 40A or the payment shall be deemed to be the profits and gains of business or profession under the proposed sub-section (3A) of section 40A, as the case may be.

F. Rationalisation and Simplification of Administrative and Compliance Procedures

Correction of arithmetical mistakes and adjustment of incorrect claim under section 143(1) through Centralised Processing of Returns

With an objective to reduce revenue loss, it is proposed to amend section 143(1) of the Income-tax Act. It is proposed to provide that the total income of an assessee shall be computed under section 143 (1) after making the following adjustments to the total income in the return:

(a) Any arithmetical error in the return; or

(b) An incorrect claim, if such incorrect claim is apparent from any information in the return.

Capital gains on transfer in the context of foreign currency exchangeable bonds

With a view to providing a level playing field to foreign currency exchangeable bonds (FCEBs), it is proposed to provide that the conversion of FCEBs into shares or debentures of any company shall not be treated as a 'transfer' within the meaning of Income-tax Act. Further it is also proposed to substitute sub-section (2A) of section 49 to provide that the cost of acquisition of the shares received upon conversion of the bond shall be the price at which the corresponding bond was acquired.

These amendments will take effect retrospectively from 1st April, 2008, and will accordingly apply in relation to assessment year 2008-09 and subsequent assessment years.

G. Fringe Benefit Tax

Rationalisation of the provision of the Fringe Benefit Tax

With a view to rationalising the provisions of Fringe Benefit Tax, the following amendments to sub-section (2) of section 115WB of the Income-tax Act are proposed-

(i) Any expenditure on or payment through pre-paid electronic meal card shall also be excluded from the hospitality expenditure for calculation of the value of fringe benefit. Such electronic meal card should not be transferable, should be usable only at eating joints or outlets and should fulfill such other conditions, as may be prescribed.

(ii) Explanation to clause (E) is proposed to be amended to provide that any expenditure incurred or payment made to -

- Provide crèche facility for the children of the employee; or
- Sponsor a sportsman, being an employee; or
- Organise sports events for employee,

Shall not be considered as expenditure for employees' welfare for the purpose of calculation of the value of fringe benefits.

(iii) Clause (K) is proposed to be omitted. Hence any expenditure on or payment made for maintenance of any accommodation in the nature of guest house shall not be included for valuation of fringe benefits.

Further, clause (c) and clause (d) of sub-section (1) of section 115WC is proposed to be amended so as to provide that the value of fringe benefits on account of expenditure on festival celebration shall be twenty per cent as against the existing rate of fifty per cent.

These amendments shall take effect from 1st April, 2009 and shall accordingly apply in relation to assessment year 2009- and subsequent years.

It is proposed to insert a new section 115WKB to provide that where fringe benefit tax (with respect to allotment or transfer of specified security or sweat equity shares) has been paid by the employer and subsequently recovered from the employee, the recovery of fringe benefit tax shall be deemed to be the tax paid by such employee in relation to value of fringe benefits provided to him. The deeming provision shall apply only to the extent to which the amount of recovery relates to the value of the fringe benefits provided to such employee.

H. Securities Transaction Tax

Rationalisation of provision of Securities Transaction Tax

Section 98 of Chapter VII of Finance (No.2) Act, 2004, provides for charge of securities transaction tax (STT). It is provided that in the case of sale of a derivative, where the transaction of such sale is entered into in a recognised stock exchange, the securities transaction tax will be at the rate of 0.017 per cent and will be payable by the seller.

It is proposed to amend section 98 and 99 so as to provide that,

(i) In case of sale of an option in securities, STT shall be levied at the rate of 0.017 per cent of the option premium and shall be paid by the seller;

(ii) In case of sale of an option in securities, where option is exercised, STT shall be levied at the rate of 0.125 per cent of settlement price and shall be paid by the purchaser; and

(iii) In case of sale of a futures in securities, STT shall be levied at 0.017 per cent and shall be payable by the seller.

This amendment will take effect from 1st June, 2008.

At present, the amount of STT paid is allowed as rebate under section 88-E of the Income-tax Act. This rebate is allowed when the income from taxable securities transactions is included under the head 'profits and gains of business or profession'.

It is proposed to discontinue the rebate available to such assessee under section 88-E of the Income-tax Act. Hence, no rebate under section 88E shall be allowed to the assessee in, or after, the assessment year beginning on the 1st day of April, 2009.

This amendment will take effect from 1st April, 2008.

Further, it is proposed that any amount of securities transaction tax paid by the assessee during the year in respect of taxable securities transactions entered into in the course of business shall be allowed as deduction under section 36 of the Income-tax Act subject to the condition that such income from taxable securities transactions is included under the head 'profits and gains of business or profession'.

This amendment will take effect from 1st April, 2009 and will accordingly apply in relation to assessment year 2009-10 and subsequent assessment years.

I. Banking Cash Transaction Tax

Discontinuation of Banking Cash Transaction Tax

It is proposed to introduce a sunset clause by inserting a new sub-section (3) in section 95 of the Finance Act, 2005. The proposed new sub-section provides that no BCTT shall be charged in respect of any taxable banking transaction after the 31st day of March, 2009.

This amendment will take effect from 1st April, 2009.

J. Customs Duty

Major proposals about customs duties are the following:

a. Project Imports

Customs duty on project imports attracting 7.5 per cent has been reduced to 5 per cent.

b. Chemicals and Petrochemicals

(i) Customs duty on crude and unrefined sulphur has been reduced from 5 per cent to 2 per cent.

(ii) Customs duty on phosphoric acid has been unified at 5 per cent irrespective of its use.

(iii) Customs duty exemption presently available on naphtha for manufacture of specified polymers has been withdrawn.

c. Export Promotion

1) Customs duty on unworked or simply prepared corals has been reduced from 10 per cent to 5 per cent.

2) Customs duty on rough cubic zirconia has been reduced from 5 per cent to Nil.

3) Customs duty on cubic zirconia (polished) has been reduced from 10 per cent to 5 per cent.

4) Customs duty on tuna bait has been reduced from 30 per cent to Nil.

5) Customs duty on specified machinery for manufacture of sports goods has been reduced from 7.5 per cent to 5 per cent.

6) Customs duty on specified raw materials for manufacture of sports goods for export has been reduced from 10 per cent to Nil, up to 3 per cent of FOB value of exports in the preceding year.

d. Dairy/Poultry

1) Customs duty on bactofuges has been reduced from 7.5 per cent to Nil.

2) Customs duty on feed additives/ pre-mixes has been reduced from 30 per cent to 20 per cent.

e. Information Technology/Electronic Industry

1) Customs duty on specified convergence products has been reduced from 10 per cent to 5 per cent.

2) Customs duty on specified raw materials and inputs for use in IT/ electronic hardware industry has been reduced from 10per cent/7.5 per cent to Nil, on end-use basis.

3) Customs duty on specified parts of set-top boxes has been reduced from 7.5 per cent to Nil on end-use basis.

f. Drug and Kits

1) Customs duty on six specified drugs/kits, and bulk drugs for their manufacture, has been reduced from 10% to 5% with Nil. CVD by way of excise duty exemption. These drugs are used in the treatment of cancer/ diabetes/asthma/Hepatitis B etc.

2) Customs duty on specified raw materials for manufacture of ELISA kits has been reduced from 10%/7.5% to 5%.

g. Metals

1) Customs duty on iron or steel melting scrap has been reduced from 5 per cent to Nil.

2) Customs duty on aluminium scrap has been reduced from 5 per cent to Nil.

h. National Calamity Contingency Fund

National Calamity Contingent duty of 1 per cent currently leviable on Polyester filament yam has been withdrawn.

i. Other relief measures:

1) Customs duty on specified raw materials for tyre industry has been reduced from 10 per cent to 5 per cent.

2) Customs duty on helicopter simulators has been reduced from 10 per cent to Nil.

j. Tobacco Products

Customs duty on cigars, cheroots and cigarillos has been increased from 30% to 60%.

Additional Duty of Customs

Exemption from additional duty of customs of 4 per cent levied under section 3(5) of Customs Tariff Act, 1975 has been withdrawn from power generation projects (other than mega power projects), transmission, sub-transmission and distribution projects, and goods for high voltage transmission projects.

Export Duty

Export duty rate on chromium ores and concentrates, all sorts, has been increased from Rs.2000 PMT to Rs.3000 PMT.

Miscellaneous:

1) The period for re-export of leased equipment and machinery, imported for temporary use in contracts, has been increased from 12 months to 18 months. The slab rates of duty applicable on such imports have now been provided on a quarterly basis, as against half-yearly basis provided earlier. The rates have also been aligned with the rates of drawback admissible under section 74(2) of the Customs Act, 1962, depending on the period of retention of the goods in India. No drawback, however, will be admissible when such leased goods are re-exported.

2) The rates of drawback, in respect of goods which have been used after importation, have been aligned with the rates prescribed for duty payable on leased equipment and machinery, imported for temporary use in contracts, depending on the period of retention in India. The maximum period of retention of such goods, for admissibility of drawback, has been reduced from 36 months to 18 months.

3) Concessional customs duty of 5 per cent provided on polymer long rod insulators has been restricted to polymer long rod insulators of 765 KV rating only.

4) Customs duty and CVD on 0.177 calibre airguns have been exempted. Consequently, 4 per cent additional duty of customs shall also be exempted on these airguns.

5) Tariff rate of Rs.2000 per 1000 Kwh has been prescribed on 'electrical energy'. However, the effective rate will continue to be Nil.

K. Central Excise

a. General CENVAT Rate

General rate of excise duty (CENVAT) has been reduced from 16 per cent to 14 per cent. The other ad valorem rates of 24per cent, 12 per cent and 8 per cent remain unchanged.

b. Sector Specific Relief Measures

1. Drugs and Pharmaceuticals

(a) Excise duty has been reduced from 16 per cent to 8 per cent on all drugs (formulations).

(b) Excise duty has been reduced from 16 per cent to 8 per cent on:

(i) Instant sterile dressing pads, burn therapy pads, corn removers etc.

(ii) Sterile surgical catgut, sterile absorbable surgical and sterile tissue adhesive for wounds closure etc.

(iii) First aid boxes and kits, blood grouping reagents etc.

(c) Excise duty has been fully exempted on Anti-AIDS drug ATAZANAVIR, and bulk drugs for its manufacture.

2. Auto Sector:

Excise duty has been reduced on:

(a) Small cars from 16 per cent to 12 per cent.

(b) Hybrid cars from 24 per cent to 14 per cent.

(c) Electric cars from 8 per cent to nil.

(d) Specified parts of electric cars from 16 per cent to nil on end-use basis.

(e) Buses and other vehicle for transport of more than 13 persons from 16 per cent to 12 per cent, and on the chassis of such vehicles from '16 per cent + Rs.10,000/- to '12 per cent + Rs.10,000/-.

(f) Two-wheelers and passenger three-wheelers (up to 7 persons) from 16 per cent to 12 per cent.

3. Food Processing Sector

(i) Excise duty has been fully exempted on:

(a) Packaged tender Coconut water

(b) Paws, mudi (puffed rice) and the like

(c) Milk containing edible nuts

(d) Tea/coffee pre-mixes

(ii) Excise duty has been fully exempted on specified refrigeration equipment for the installation of a cold storage, cold room or refrigerated vehicle, on end-use basis.

(iii) Excise duty has been reduced from 16 per cent to 8 per cent on

(a) Muesli, corn flakes & similar breakfast cereals

(b) Sharbats

(c) Packaging material viz.,

- Open Top Sanitary (OTS) cans
- Aseptic packaging paper
- Aseptic bags

4. Information Technology & Communication Sector

(a) Excise duty has been fully exempted on Wireless data modern cards. Consequently, CVD shall also be exempted on imported cards; 4% additional duty of customs will, however, be applicable.

(b) Excise duty has been reduced from 16 per cent to 8 per cent on specified convergence products.

(c) Excise duty has been increased from 8 per cent to 12 per cent on packaged software.

5. Paper and Paper products

a) Excise duty on writing paper, printing paper and packing paper has been reduced from 12 per cent to 8 per cent.

b) Excise duty has been fully exempted on paper and paper products, manufactured from non-conventional raw materials, up to clearance of 3500 metric tonne in a year from a unit.

c) Excise duty on paper and paper products, manufactured from non-conventional raw materials, beyond clearance of 3500 metric tonne per year from a unit (not having an attached bamboo/wood pulp plant) has been reduced from 12 per cent to 8 per cent.

c. *Other Concessions*

1) Excise duty has been fully exempted on:

   (i) Composting machines

   (ii) Menthol/Menthol Flakes

2) Excise duty has been reduced from 16 per cent to 8 per cent on:

   (i) Water filtration and purification devices

   (ii) Veneers & Flush doors

   (iii) Heat resistant rubber tension tape.

3) Excise duty on pan masala, not containing tobacco, with betel nut content not more than 15%, has been reduced from 16% to 8%. It has also been exempted from National Calamity Contingent Duty.

d. *Cement*

1) Excise duty has been REVISED ON Bulk cement from "Rs.400 per tonne" to "14% or Rs.400 per tonne, whichever is higher"

2) Excise duty has been increased on Cement clinkers from Rs.350 per tonne to Rs.450 per tonne.

e. *Cigarettes*

At present, cigarettes attract duty at varying rates depending upon whether they are filter or non-filter and their length, Excise duty rates on non-filter cigarettes have been enhanced to bring them at par with filter cigarettes of corresponding length. The revised rates of excise duty (lbasic + NCCD + health cess) on non-filter cigarettes are as under:

S. No.	Description	From (Rs. Per 1000)	To
	Non-filter cigarettes		
1.	**Not exceeding 60 mm in length**	**168**	819
2.	**Exceeding 60 mm but not exceeding 70 mm in length**	**546**	1323

f. *Petroleum*

The duty rates on MS/HSD sold without a brand name have been converted from 'ad valorem + specific rate' to pure 'specific rate' as under:

S. No.	Description	From (Rs. Per 1000)	To
1.	**Motor Spirit**	**6% + Rs.13 per litre**	Rs.14.35 per litre
2.	**HSD**	**6% + Rs.3.25 litre**	Rs.4.60 per litre

The duty rates on branded fuels would continue to attract the present ad valorem cum specific rates i.e. as under:

a) Motor Spirit : 6% + Rs.13 per litre

b) HSD : 6% + Rs.3.25 per litre

g. *National Calamity Contingency Fund*

1) National Calamity Contingent duty (NCCD) at the rate of 1 per cent has been imposed on mobile phones. On imported mobile phones, this duty shall be levied as additional duty of Customs under section 3(1) of the Customs Tariff Act, 1975.

2) National Calamity Contingent duty of 1 per cent currently leviable on Polyester filament yam has been withdrawn.

h. Miscellaneous

1) General SSI exemption has been extended on HDPE/PP tapes consumed captively in the manufacture of sacks/bags. The change will come into effect from 1st April, 2008.

2) The rate of duty applicable to clearance of goods to domestic tariff area from export oriented units, software technology parks, electronic hardware technology parks etc., has been revised from '25 per cent of the basic customs duty + excise duty payable on like goods' to 50 per cent of the basic customs duty + excise duty payable on like goods'.

3) Excise duty exemption on "shuttle-less looms" has been withdrawn. These goods will not attract 8 per cent excise duty/CVD.

4) Consequent upon reduction of excise duty rates on specified goods leviable to excise duty on retain sale price basis, abatement rates for such goods have been revised suitably.

L. Service Tax

(I) Following Services are Individually Specified as Taxable Service

1) Services provided in relation to information technology software for use in the course, or furtherance, of business or commerce;

2) Services provided in relation to management of investment, under unit linked insurance business, commonly known as Unit Linked Insurance Plan (ULIP) scheme;

3) Services provided by a recognised stock exchange in relation to securities;

4) Services provided by a recognised association or a registered association (commodity exchange) in relation to sale or purchase of any goods or forward contracts;

5) Services provided by a processing and clearing house in relation to processing, clearing and settlement of transactions in securities, goods or forward contracts;

6) Services provided in relation to supply of tangible goods, without transferring rights of possession and effective control of the tangible goods;

7) Services provided in relation to internet telecommunication. Consequently, reference to services provided in relation to internet telephoney, being covered as part of internet telecommunication, shall be omitted.

The above changes will come into effect from a date to be notified after the enactment of the Finance Bill, 2008.

(II) Scope of Specified Taxable Services is being amended as follows

1) To include,-

(i) Purchase or sale of foreign currency, including money changing, by an authorised dealer or an authorised money changer, under banking and other financial service;

(ii) Purchase or sale of foreign currency, including money changing, by an authorised dealer or authorized money changer, under foreign exchange broker services provided by individual;

(iii) Packing together with transportation of cargo or goods, with or without one or more other services like loading, unloading, unpacking, under cargo handling service;

(iv) Testing or analysis of information technology software under technical testing and analysis service;

(v) Inspection, examination and certification of information technology software under technical inspection and certification service;

(vi) Services provided in relation to a journey from one place to another in a contract carriage vehicle, under tour operator service. However, such services provided for use by an educational body, other than a commercial training or coaching centre, imparting skill or knowledge or lessons on any subject or field shall be excluded. Services provided in relation to a journey from one place to another in a tourist vehicle is already leviable to service tax under tour operator service;

2) To omit,-

(i) From business auxiliary service, reference to information technology service consequent upon notifying information technology software service as a separate taxable service;

(ii) From consulting engineer service, exclusion of computer software engineering consultancy consequent upon notifying information technology software service as a separate taxable service;

(iii) From 39 specified taxable service, reference to service recipient as "client" or "customer" and replace with the words "any person";

The above changes will come into effect from a date to be notified after the enactment of the Finance Bill, 2008.

3) To clarify that services provided by a consulting engineer in relation to advice, consultancy or technical assistance in the disciplines of both computer hardware engineering and

computer software engineering shall also be classifiable under consulting engineer service;

4) To clarify by way of removal of doubt that,-

   (i) "service in relation to promotion or marketing of service providing by the client" under business auxiliary service includes any service provided in relation to promotion or marketing of games of chance, organised, conducted or promoted by the client;

   (ii) Renting of immovable property service includes allowing or permitting the use of space in an immovable property.

   (iii) "properties" referred to in management, maintenance or repair service includes information technology software.

(III) Exemption from Service Tax

1) The annual threshold limit of service tax exemption for small service providers is being increased from the present level of Rs.8 lakh to Rs.10 lakh;

2) Exemption from service tax is being provided to,-

   (i) The taxable service provided by a person located outside India for a customer located outside India, and received by a hotel located in India, in relation to booking of an accommodation in the said hotel located in India;

   (ii) 75% of the gross amount charged as freight for services provided in relation to transport of goods by road in a goods carriage by a goods transport agency (GTA), unconditionally. Consequently, 75 per cent abatement provided under notification No.1/20006-Service tax, dated the 1st March, 2006 is withdrawn.

Exemption specified in,-

(a) 2(i) and 2(ii) will come into effect from 1st March, 2008, and

(b) (1) will come into effect from 1st April, 2008.

*Railway Budget 2008-09: Review and Assessment**

The article presents an analytical overview of the Railway Budget for 2008-09 and a review of performance of the Railways during 2007-08. The Railway Budget 2008-09 continued with the competitive pricing strategy to improve passenger earnings. The Budget underscored the importance of passengers and freight in revenue maximisation and therefore focussed on twin objectives for these two segments, viz., 'commitment and comfort' and 'commitment and connectivity', respectively. Accordingly, the Budget undertook various policy initiatives in respect of new projects for expanding connectivity and passenger amenities to improve customer service. The Budget continued to accord priority to technological upgradation and safety measures. It also came out with Information Technology Vision 2012 and Railway Vision 2025 documents in order to make radical changes in Railway technology systems and set the targets for operational performance and quality of service, respectively in the coming years. The Budget proposed a new wagon leasing policy to develop the wagon leasing market. The investments strategy continued to be guided by the enhancement of route-wise throughput on high density network. In view of the scarcity of funds, the Budget proposed to continue with the policy of public-private- partnership in the expansion of the network through open competitive bidding process. Passenger fares were reduced while providing incentives in the freight segment. The financial performance of the Railways continued to show improvement during 2007-08 although there was some slackening owing

* Prepared in the Division of Central Finances of the Department of Economic Analysis and Policy. This article is based on the Railway Budget 2008-09, presented to the Parliament on February 27, 2008. The article on Railway Budget 2007-08 had appeared in the May 2007 issue of the RBI Bulletin.

to deceleration in gross traffic receipts reflecting rationalisation of freight and passenger fares coupled with rise in working expenses' provision for salary and pension for implementation of the Sixth Pay Commission's recommendations.

Overview

The Railway Budget 2008-09 envisages sustaining the momentum in the growth of gross traffic receipts by the continuance of a competitive pricing policy and creation of capacity, both in passenger and freight segment, while at the same time ensuring better quality in delivery of services. Towards this end, the Budget for 2008-09 emphasised the twin objectives of 'commitment and convenience' and 'commitment and connectivity' for passenger and freight services, respectively. Thus, the Budget accords priority to technological up-gradation in the Railways. The increase in passenger earnings would be brought about by adopting a competitive pricing strategy. In order to expand the revenue from freight, the Budget proposed to focus on port-rail connectivity for meeting demand from core sectors like steel, cement and container business through a transparent policy. Given the envisaged large investment, the Budget accorded high priority to public and public-private partnerships for funding of investment projects.

The revenue targets set out in the Railway Budget 2008-09[1] were based on the continued buoyancy in freight loading, with revenue earning originating freight traffic expected to increase by 60 million tonnes to 850 million tonnes (by 7.6 per cent) from 790 million tonnes in 2007-08. The originating passenger traffic is estimated to go up by about 5.5 per cent. However, with some rationalisation of the freight and tariff structure, the projected growth of 12.6 per cent in gross traffic receipts in 2008-09 would be lower than 16.0 per cent a year ago. On the other hand, the working expenses would rise significantly by 20.0 per cent (13.0 per cent a year ago) owing to provision made for the expected hike in salary and pension from the implementation of the Sixth Pay Commission's recommendations. Consequently, the operating ratio, *i.e.,* the ratio of total working expenses to gross traffic earnings, is estimated to go up to around 81.4 per cent during 2008-09, a reversal of the trend observed since 2000-01.

With the Railway's output expanding to its peak level during the first three quarters of 2007-08 due to substantial increase in freight loading, the revised estimates have placed the gross traffic receipts in 2007-08 at Rs.72,755 crore, higher than the budget estimates of Rs.71,318 crore. However, owing to containment of net ordinary working expenses around the budgeted levels and also some decline in appropriation to pension fund and depreciation reserve fund, the total working expenses in 2007-08 are placed at Rs.55,421 crore, which are lower by 2.5 per cent than the budget estimates of Rs.56,866 crore. Consequently, the operating ratio in 2007-08 improved to 76.3 per cent from

[1] In this note, all references to the fiscal 2008-09 relate to budget estimates and all comparisons are with respect to the revised estimates for 2007-08, unless stated otherwise

the budgeted level of 79.6 per cent and also led to significant improvement in internal resource generation.

The reminder of the note is organised into four sections: Section I sets out the major policy initiatives announced in the Budget. Sections II and III discuss the budget estimates for 2008-09 and the revised estimates for 2007-08, respectively. The note concludes with an overall assessment of the Railway Budget 2008-09.

Section I
Major Policy Initiatives

The Railway Budget 2008-09 proposed to further carry forward the process of improving the quality of passenger services, modernisation, technological upgradation, greater application of information technology and enhancement of safety measures. Over the medium term, it envisaged augmenting goods traffic capacity in the high density network, which accounted for 75 per cent of total goods traffic of railways, as the traffic in these routes was fully saturated and there was overutilisation of capacity. Towards achieving this end, a number of schemes were announced to increase the freight business.

Technological Upgradation and Modernisation

In order to meet the increasing demand for traffic, the Budget proposed to increase the production of new generation diesel and electric locomotives. The Budget also envisaged a new policy to promote the induction of wagons with modern and new designs in the Railways with a view to facilitating continuous upgradation in the wagon technology.

New Wagon Leasing Policy

In order to develop the wagon leasing market, the Budget proposed a new wagon leasing policy under which, rail customers and container operators would be able to take wagons on lease. The wagon leasing companies should have a minimum net worth of Rs. 250 crore and will have to deposit Rs.5 crore for registration under the scheme and the registration would be valid for 20 years and renewable for another 10 years on rendering satisfactory services.

Investment Strategy

With the investment plan for improving the railway infrastructure and modernisation in the next five years set at about Rs.2,50,000 crore, the Budget proposed to continue with the policy of public- private- partnership (PPP) model through open competitive bidding process.

The works of Eastern and Western Dedicated Freight Corridor would commence in 2008-09. Detailed feasibility studies for the North-South, East-West, East-South and South-South Dedicated Freight Corridors are being carried out and action would be taken to expedite sanction for construction of these corridors in 2008-09 (Box 1).

Box 1: Policy Initiatives/Proposed New Projects

- In the next two years, the number of UTS (Unreserved ticketing system) counters would be increased from 3,000 to 15,000 and automatic ticket vending machines from 250 to 6,000. The Jansadharan Ticket Booking Seva would be extended to all Zonal Railways.
- Hitherto, e-tickets were issued only against confirmed reservation. In line with the demand of passengers it was decided to extend the facility of e-ticket to waitlisted passengers as well. With this the number of passengers travelling on e-tickets was expected to increase from 100,000 to 300,000 in the next one year.
- Railways would set up a fully computerised enquiry call centre. This enquiry service is available in the entire country on Telephone no. 139 which could be accessed at local call charge through all mobile and fixed line telephones.
- Information boards displaying on-line information about train arrival-departure and platform berthing would be installed at railway stations, parking plots and entrance gates. High picture quality coloured LED Display Boards would be installed at 100 A & B category stations by March 2009.
- Railways would put an end to the problem of discharge from train toilets by providing Green toilets in all 36,000 coaches by the end of the 11th Plan period at a cost of Rs. 4,000 crore.
- Presently, 4 Shatabdi and 4 Rajdhani trains are running with LHB design coaches. These coaches are equipped with all modern facilities for ensuring comfort in travel. Therefore, it was decided that all Rajdhani trains would be provided with LHB coaches by March 2010 and balance Shatabdi trains would be equipped with these coaches by March 2011.
- On-board cleaning on all Rajdhani, Shatabdi and super-fast Mail and Express trains would be carried out through trained manpower of professional agencies using modern machines and material.
- Railways would upgrade all low and medium level platforms at the 135 'B' Category stations to high level. Low level platforms at 281 stations would be upgraded to medium level and medium level platforms at 203 stations would be upgraded to high level.
- Foot-over-bridges would be provided at all 195 stations of 'B' and 'D' category having high level platforms.
- The length of platforms at 560 stations would be extended for running longer passenger trains.
- Railways would provide lifts and escalators at 50 major stations.
- Railways would install microprocessor controlled LED destination display boards to enable change of information on the destination boards through remote control which would facilitate clear visibility even during night-time.
- More than 75 per cent of Railways' goods traffic moves on about 20,000 km. of the railways' high density network, coal and iron ore routes and port connectivity railway lines. Many of these lines have been fully saturated and capacity utilisation exceeds 100 per cent. Railways would invest about Rs.75,000 crore over the next seven years to augment line capacity on these routes.
- New guidelines have been issued for completion of throughput enhancement projects on a fast track basis.
- Railways has implemented expansion of automatic signalling system on various sections. After the completion of these works, there would be a quantum jump in the existing line capacity along with considerable improvement in railway safety.
- The Golden Quadrilateral is the busiest and most important part of the high density network. Works on Eastern freight corridor from Ludhiana to Dankuni, situated near Kolkata and the Western corridor from Delhi to JNPT were sanctioned. Detailed feasibility studies for the North-South, East-West, East-South and South-South Dedicated Freight Corridors are being carried out. Action would be taken to expedite sanction for construction of these corridors in 2008-09.
- At present, 60 container depots are operational including three constructed by private parties.

Box 1: Policy Initiatives/Proposed New Projects *(Contd.)*

It is expected that eight container depots by Container Corporation and 40 by other operators would be developed in the coming years.

- In order to develop the wagon leasing market, Railways prepared a new wagon leasing policy under which rail container operators would be able to take wagons on lease.
- A new policy for development of bulk handling terminals would be put in place. Under this policy, construction of bulk handling terminals for cement, fly ash, food grains and fertilisers would be permissible by the producers of these commodities or by their authorised agencies. These terminals would be equipped with all modern handling facilities with round the clock working.
- Railways would set up a strategic business unit in Railway Board for coal, cement, steel, and container traffic to facilitate timely settlement of all problems of clients through a single window system.
- In order to make improvements in operational efficiency, bring transparency in working and provide better services to the customers, Railways would be trying to bring about radical changes in Railway technology systems and processes. For achieving these objectives, attention is being focused on I.T. applications in three core areas viz. freight service management, passenger service management and general management.
- Railways plan to invest Rs.2,50,000 crore within the next five years. It would be difficult to finance such a large investment programme solely from Railways' own resources; therefore, Railways would start many Public Private Partnership (PPP) schemes for attracting investment of Rs.1,00,000 crore over the next five years. Under PPP, Railways would provide several value added services including modern handling facilities, warehousing and multi-modal logistic parks.
- An integrated security plan would be drawn up to strengthen railway security through installation of close circuit TVs at important stations, deployment of metal detectors, baggage screening system and explosive' detection and disposal system for screening passengers and their luggage. These systems would be installed at vulnerable stations through railway funds or public private partnership.
- A multi-pronged scheme to reduce human failure would be prepared envisaging provision of automatic safety devices like anti-collision device, acoustic bearing detectors, EOTT (End of Train Telemeter) device, digital ultrasonic flaw detecting machine, ultrasonic rail testing car, track monitoring car etc. to strengthen rail safety.
- A pilot project on anti-collision device to stop head on collision and collision from the rear between trains had been started in North-East Frontier Railway. This had yielded encouraging results. This system would be extended in a phased manner over the entire railway network.
- A master plan would be prepared by railways to install acoustic bearing detectors and wheel impact load detectors at important locations for on-line monitoring of rolling stock by investing Rs.250 crore on 65 instruments.
- At present information on defects on track is gathered through analog based SRT (Single Rail Tester) and DRT (Double Rail Tester) machines. In order to improve reliability, a plan is envisaged to install over the next five years 300 digital SRT and 200 digital DRT machines by replacing the present analog based machines. Automatic Ultrasonic Rail Testing Cars, Bridge Testing Equipment and Track monitoring Cars would be provided at a cost of Rs.140 crore under a comprehensive plan during the next five years.
- A comprehensive smoke and fire detection system to give an early warning system in case of smoke and fire is proposed to be installed in one rake on a pilot basis.
- Railways would man all the busy unmanned level crossings on a fast track basis.

Information Technology Vision 2012

The Budget proposed to bring about radical changes in Railway technology systems and processes with a view to making improvement in operational efficiency, bringing transparency in working and providing better services to the customers. In order to achieve these objectives, attention was focused on application of information technology in three core areas, *viz.,* freight service management, passenger service management and general management. The Railways' nationwide communication infrastructure would provide the foundation for a common delivery network and platform. The Vision for IT would be implemented over the next 5 years.

Vision 2025

In order to make the turnaround in Railways durable, a Vision 2025 Document would be prepared within the coming six months. The document would set forth the targets for the coming 17 years in the field of operational performance and quality of service and also contain details of customer-centric modern passenger services and various freight schemes to sharpen the competitive edge of Railways.

Railway Safety

Several measures were announced in the budget to further improve the railway safety. Towards this end, the work of replacing 16,538 kms of overage track and overage signals at 2,359 stations and rehabilitation of 2,251 bridges utilising Special Railway Safety Fund was expected to be completed by the end of 2007-08. A multi-pronged scheme to strengthen railway safety, including provision of automatic safety, Anti Collision Device, Acoustic Bearing Detectors, EOTT device, Digital Ultrasonic Flaw Detecting Machine, Ultrasonic rail testing car and track monitoring car has been prepared. Other measures proposed include using of fire resistant material in coaches and manning of unmanned level crossings on a fast track basis.

Improving Freight Business

The budget targeted to increase freight volume by 60 MT to 850 MT in 2008-09 and increase it substantially in the next four to five years. A blue print prepared for high density network would be executed in the next seven years at a cost of about Rs.75,000 crore. The identified projects in the blue print include capacity augmentation through dedicated freight corridors, doubling, third and fourth lines, and construction of bye passes, flyovers and automatic signaling works. The budget accorded priority to increasing the freight on some of the routes which accounts for bulk of railway freight. These are coal and iron ore routes and port connectivity lines accounting for more than 75 per cent of Railways' goods traffic.

Proposed Projects

In order to widen the rail networks across the country, the Railway Budget proposed introduction of 53 new trains, extension of 16 trains and increase in frequency of 11 trains in 2008-09. It also proposed to introduce 10 new Garib Raths. It was decided to fix a target of 350 kilometres for construction of new lines in 2008-09. A target of completion of gauge conversion of about 2,150 kilometres has also been fixed for 2008-09. A target of electrification of 3,500 route kilometres was fixed for 11th Five Year Plan. Mumbai Urban Transport Services Phase I was expected to be completed by December 2009 and Phase II was proposed to be completed during the 11th Five Year Plan.

Passenger Amenities

Various measures to improve the passenger amenities were proposed in the Budget. For termination of queues at ticket counters in 2 years time, substantial increase was announced in UTS counters and ATVM, ticket booking on mobile phones and extension of e-ticket facility to waitlisted passengers, issuing of season ticket and platform ticket on Smart Card through PPP. The budget has also announced several other measures such as provision of discharge-free green toilets in all coaches in the XI Plan period, increase in height of platforms, provision of platform shelters, foot-over bridges, up-gradation of coaches with stainless steel bogies in mail/express trains and provision for electronic display board for specific information.

Passenger Fares and Freight

The Budget proposed to continue the passenger friendly and optimum freight pricing policies for maximisation of revenue of Railways as well as the welfare of passengers (Box 2).

Section II

Revised Estimates - 2007-08[2]

In view of the trend in originating passenger traffic, the targeted passenger earnings for 2007-08 in the revised estimates were retained at the budget estimates level of Rs.20,075 crores. According to the revised estimates for 2007-08, the operations of the Railways showed a higher surplus of Rs.13,534 crore as against Rs.11,449 crore projected in the budget estimates. While the gross traffic receipts were anticipated to increase by Rs.1,437 crore over the budget estimates, the total working expenses were expected to decline by Rs.1,446 crore, resulting in a significant increase in the internal generation of resources during 2007-08. Appropriation to capital fund increased to Rs11,175 crore from Rs 8,750 crore. As a result, there was improvement in the operating ratio to 76.3 per cent in the revised estimates from 79.6 per cent in the budget estimates and the net return on capital investment increased by 2.9 percentage points in the revised estimates to 20.9 per cent from 18.0 per cent in the budget estimates. The improvement in the financial ratios was facilitated by an increase of 2.0 per cent in gross traffic receipts and a decline of 2.5 per cent in total working expenses. The decline in total working expenses

[2] In this section, all comparisons are with respect to the budget estimates for 2007-08 unless stated otherwise.

Box 2: Passenger Fare and Freight Proposals

Passenger Fares

- ***Pricing policy in passenger segment:***

1. Reduction in passenger fares

a. AC First Class: 7 per cent reduction (this reduction would be only 50 per cent for popular trains during peak period).

b. AC 2 Tier Class: 4 per cent reduction (this reduction would be only 50 per cent for popular trains during peak period).

c. Fares of second class in non-suburban mail/express and ordinary passenger would be reduced by one rupee per passenger for the third time.

d. Second-class fares of all mail/express and ordinary trains would be reduced by 5 per cent for the tickets costing more than Rs 50.

2. In case of newly designed high-capacity reserved coaches:

a. AC-3 tier and AC chair car rates in the newly designed coaches would be reduced by 2 per cent.

b. Sleeper Class fares of newly designed coaches would be reduced by a further 2 per cent.

- **Other concessions**

a. Free monthly season tickets for second class travel between school and home would be provided to girl students up to graduation and boy students up to 12th standard. Earlier it was up to 12th standard and 10th standard, respectively.

b. For lady senior citizens, concession would be increased from 30 per cent to 50 per cent of passenger fares of all classes.

c. The facility of travelling in Rajdhani and Shatabadhi Trains would be extended on card passes issued to Ashok Chakra Awardees, besides Param Vir Chakra, Mahavir Chakra and Vir Chakra awardees.

d. 50 per cent concession in second class passenger fares for rail travel would be extended to AIDS patients for visit to nominated ART centres for treatment.

Freight Rates

a. There was no across the board increase in freight rates.

b. Classification of petrol and diesel was to be reduced further to 200 from 210 resulting in reduction of freight rates for petrol and diesel by 5 per cent.

c. In order to increase the share of railway in fly ash transportation, its freight rate would be reduced by 14 per cent.

d. Besides 6 per cent discount in freight rates for some traffic originating from North Eastern States to other States, it was proposed to provide 6 per cent discount for traffic originating from other States for North Eastern States.

e. In order to overcome the problem of empty running of wagons, the rate of discount was increased from 30 per cent to 40 per cent to loading of incremental traffic in empty flow direction from private sidings. For traffic loaded from goods' sheds, 30 per cent discount would be given on the entire traffic, rather than on incremental traffic.

f. General Managers have been empowered to grant discounts up to 50 per cent on incremental traffic loaded from sidings and up to 40 per cent on entire traffic loaded from goods sheds.

g. At present, if a commodity has not been covered in the goods tariff, its freight is charged at the highest class. With a view to attract multi-commodity traffic, it was proposed that such commodities would be charged at a composite rate depending upon the type of wagon used for loading.

was on account of a decline in appropriation to the pension fund by 5.0 per cent and decline in appropriation to depreciation reserve fund by 1.0 per cent. The total working expenses amounted to Rs.55,421 crore as against the budget estimates of Rs.56,866 crore (Statement 1).

The freight loading target for the end of the 11th Five year plan is 1,100 million tonnes. Target for loading is fixed at 850 million tonnes in 2008-09. The revised freight earnings for 2007-08 were higher at Rs.47,743 crore than the budget estimates of Rs.46,943 crore. The improved freight performance was due to better utilisation of rolling stock and fixed infrastructure besides induction of additional locomotives, coaches and wagons. The improvement also reflected a positive market response to the competitive pricing policy and other innovative measures.

Earnings from other coaching (including parcel and luggage) were estimated to be lower by 22.0 per cent. As a result the gross traffic receipts in 2007-08 were estimated at Rs. 72,755 crore, registering an increase of 2.0 per cent over the budgeted level.

Section III

Budget Estimates - 2008-09[3]

The major thrust of the Annual Plan for 2008-09 relates to capacity enhancement of high density network routes and increase in efficiency of movement through the improvement and expansion of traffic facility and network etc. Furthermore, with the aim of achieving freight loading target of 1,100 million tonnes by the end of the 11th Five Year Plan, various measures were proposed to create the required carrying capacity of an additional 310 million tonnes over the next four years.

Gross Traffic Receipts

The gross traffic receipts for 2008-09 are budgeted at Rs. 81,901 crore, showing an increase of Rs.9,146 crore (12.6 per cent) over the revised estimates for 2007-08. The freight earning at Rs.52,700 crore was estimated to show an increase of Rs.4,957 crore (10.4 per cent) over that of 2007-08. This was expected to be realised primarily on account of growth in revenue originating freight traffic by 60 million tonnes. The originating passenger traffic was estimated to increase by 368 million and was expected to result in an increase in earnings by 8.0 per cent in 2008-09 over the previous year (Statement 1). 'Other Coaching' earnings which comprise of revenue generated from parcels and luggage services are budgeted to increase by Rs.474 crore (27.5 per cent) in 2008-09. 'Sundry Other Earnings' are budgeted to show an increase of 89.6 per cent to Rs. 2,363 crore in 2008-09 on top of an increase of 54 per cent in 2007-08.

Working Expenses

Total working expenses for 2008-09 placed at Rs.66,590 crore would increase by 20.0 per cent (13.0 per cent in 2007-

[3] In this Section, all references to the fiscal 2008-09 relate to budget estimates and all comparisons are with respect to the revised estimates for 2007-08, unless stated otherwise.

08), primarily due to provision for salary and pension for implementation of the Sixth Pay Commission's recommendations (Rs.5,000 crore) (Chart 1). Ordinary working expenses were budgeted at Rs.50,000 crore showing a growth of 20 per cent over 2007-08 (Statement 2). Appropriation to pension fund and depreciation reserve fund for 2008-09 was placed at Rs. 9,590 crore and Rs.7,000 crore, respectively, which are around 16.0 per cent and 28.0 per cent higher than the revised estimates of 2007-08. The allocation for repairs and maintenance was estimated to be 32.0 per cent of the total net ordinary working expenses for 2008-09.

Net Financial Results

Reflecting the above trend in gross traffic and working expenses, the net railway revenue (total receipt minus total expenditure) of the railways was budgeted to decline by 10.8 per cent during 2008-09 as against growth of 27.4 per cent in 2007-08. It would decline to Rs. 16,422 crore from Rs. 18,416 crore in 2007-08. The ratio of the net ordinary working expenses and appropriation to pension to the gross traffic receipts was expected to be around 72.7 per cent in 2008-09 as compared with 68.7 per cent in 2007-08. The operating ratio was also budgeted to be higher at 81.4 per cent in 2008-09 as compared with 76.3 per cent in 2007-08, reversing the trend witnessed since 2001-02. The total dividend payment was budgeted to decline by 5.0 per cent in 2008-09 to Rs.4,636 crore from Rs.4,882 crore in the previous year. The net surplus (net revenue less total dividend payable) for 2008-09 was budgeted at Rs.11,787 crore, about 13.0 per cent lower than that of 2007-08. The return on capital (*i.e.,* ratio of net revenue to Capital-at-Charge and Investment from Capital Fund) was budgeted at 15.8 per cent, lower than 20.9 per cent in 2007-08 (Table 1).

Chart 1: Railways' Revenue, Expenditure and Surplus

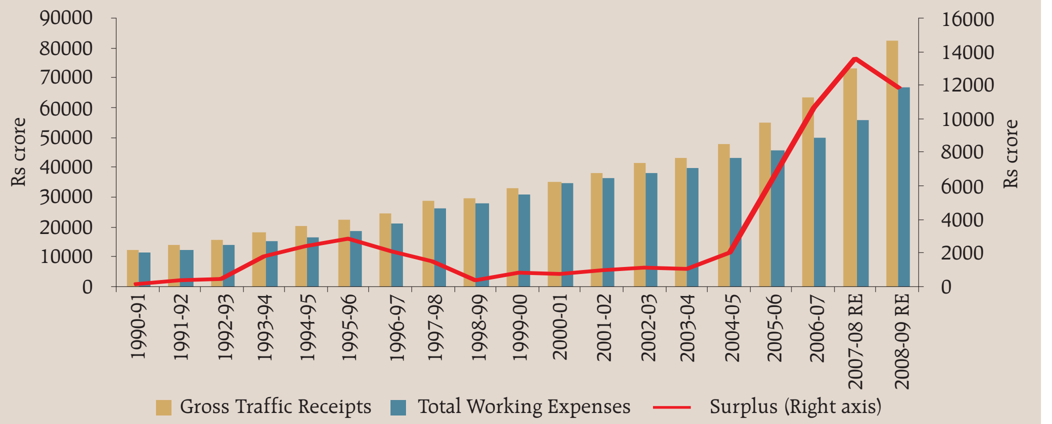


Table 1: Major Financial Ratios

(Per Cent)

Items	Operating Ratio	Net Railway Revenue as percentage of Capital -at-Charge
1	2	3
1995-96	82.5	14.9
1996-97	86.2	11.7
1997-98	90.9	8.9
1998-99	93.3	5.8
1999-00	93.3	6.9
2000-01	98.3	2.5
2001-02	96.0	5.0
2002-03	92.3	7.5
2003-04	92.1	8.0
2004-05	91.0	8.9
2005-06	83.2	15.4
2006-07	78.7	19.6
2007-08 RE	76.3	20.9
2008-09 BE	81.4	15.8

Note: Due to changed accounting of lease charges from 2005-06 RE onwards only the interest portion has been charged to Ordinary Working Expenses and the principal portion to Plan Expenditure. The Operating Ratios for 2005-06 and 2006-07 reflect this change.

Plan Outlay

The Annual Plan outlay at Rs.37,500 crore for 2008-09 was the largest ever for the Indian railways and was higher by 21.0 per cent than the previous year. Of the total outlay, 56.0 per cent (Rs.21,126 crore) would be financed through internal generation of resources and the budgetary support would finance 21.0 per cent (Rs.7,874 crore). Extra budgetary resources would include Rs.8,500 crore. Thus, internal and external budgetary resources would constitute 79.0 per cent of the annual plan. The outlays for doubling works, guage conversion and for new lines have been increased to Rs.2,500 crore, Rs.2,489 crore and Rs.1,730 crore, respectively. On safety related plan heads, provision has been made for Rs.3,600 crore for track renewals and Rs.1,520 crore for signal and telecommunication works.

Section IV

Overall Assessment

The financial performance of the Railways during 2008-09 indicated some slackening of the turnaround process witnessed since 2002-03. The operating ratio is estimated to rise markedly while the return on capital is expected to decline. This would follow from marginal deceleration in gross traffic receipts following rationalisation of freight rates and passenger fares combined with significant rise in the working expenses on account of salary and pension provision for implementation of the Sixth Pay Commission recommendations. The Railway Budget 2008-09 emphasised the role of passengers and freight in revenue maximisation and the twin objectives for these two segments are 'commitment and comfort' and 'commitment and connectivity', respectively. The competitive pricing policy in the freight segments facilitated enhancement of the revenue earnings for the Railways and raised the internal resource generation substantially. This had enabled a 21.0 per cent growth in the Annual Plan outlay for 2008-09, with the internal resources contributing 56.0 per cent as compared with 51.0 per cent in the preceding year. The Budget proposes to enhance investment through public private partnership during the Eleventh Plan in order to meet the growing demand for transportation. The Budget proposes to accord priority to port-rail connectivity for tapping the opportunities from core sectors like cement and steel as well as container business. The Budget emphasised application of information technology in three core areas, *viz.*, freight service management, passenger service management and general management with a view to making improvement in operational efficiency, bringing transparency in working and providing better services to the customers.

Statement 1: Financial Results of Railways

(Rs. crore)

Items	2006-07 (Actuals)	2007-08 (Budget Estimates)	2007-08 (Revised Estimates)	2008-09 (Budget Estimates)
1	2	3	4	5
1. Gross Traffic Receipts (a to e)	**62,732**	**71,318**	**72,755**	**81,901**
(a) Passenger Earnings	17,225	20,075	20,075	21,681
(b) Freight (Goods) Earnings	41,717	46,943	47,743	52,700
(c) Sundry Other Earnings	1,712	2,000	2,637	5,000
(d) Other Coaching	1,718	2,200	2,200	2,420
(e) Suspense	361	100	100	100
2. Total Miscellaneous Receipts (a to d)	**2,054**	**2,124**	**1,609**	**1,796**
a) Interest on Fund Balances	0	820	0	0
b) Receipts from Safety Surcharge on Passengers Fares	818	0	0	0
c) Subsidy from General Revenues towards dividend relief & other concessions	1,152	1,276	1,526	1,708
d) Other Miscellaneous Receipts	84	28	84	88
3. Total Receipts (1+2)	**64,786**	**73,442**	**74,364**	**83,697**
4. Net Ordinary Working Expenses	**37,433**	**42,687**	**41,721**	**50,000**
5. Appropriation to Pension Fund	7,416	8,683	8,250	9,590
6. Appropriation to Depreciation Reserve Fund	4,198	5,496	5,450	7,000
7. Total Working Expenses {4+5+6}	**49,047**	**56,866**	**55,421**	**66,590**
8. Total Miscellaneous Expenditure	1,286	554	527	684
a) Appropriation to Special Railway Fund	818	0	0	0
b) O.L.W.R. (Open Line Works Revenue)	51	60	60	60
c) Other Miscellaneous Expenditure	417	494	467	624
9. Total Expenditure (7+8)	**50,333**	**57,420**	**55,948**	**67,274**
10. Net Revenue (3-9)	**14,453**	**16,022**	**18,416**	**16,423**
11. a) Dividend Payable to General Revenue	3,584	3,909	4,218	4,636
b) Payment of Deferred Dividend	663	664	664	0
c) Total Dividend Payment (a+b)	4,247	4,573	4,882	4,636
12. Surplus [10-11(c)]	**10,206**	**11,449**	**13,534**	**11,787**
13. Appropriation to Development Fund	1,880	2,647	2,359	947
14. Appropriation to Capital Fund	8,326	8,750	11,175	10,840
15. Appropriation to Railway Safety Fund	0	0	0	0
16. Appropriation to Special Railway Safety Fund	818	53	0	0
17. Operating Ratio	**78.7**	**79.6**	**76.3**	**81.4**
18. Ratio of Net Revenue to Capital-at-Charge and Investment from Capital Fund	**19.0**	**18.0**	**20.9**	**15.8**

Source : Explanatory Memorandum on the Railway Budget, 2008-09.

Statement 1: Financial Results of Railways *(Concld.)*

(Rs. crore)

Items	Variations					
	Col.4 over Col. 3		Col.4 over Col. 2		Col.5 over Col. 4	
	Amount	Per cent	Amount	Per cent	Amount	Per cent
1	6	7	8	9	10	11
1. Gross Traffic Receipts(a to e)	**1,437**	**2.0**	**10,023**	**16.0**	**9,146**	**12.6**
(a) Passenger Earnings	0.0	0.0	2,850	16.5	1,606	8.0
(b) Freight (Goods) Earnings	800	1.7	6,026	14.4	4,957	10.4
(c) Sundry Other Earnings	637	31.9	925	54.0	2,363	89.6
(d) Other Coaching	0	0.0	482	28.1	220	10.0
(e) Suspense	0	0.0	-261	-72.3	0	0.0
2. Total Miscellaneous Receipts (a to d)	**-515**	**-24.2**	**-445**	**-21.7**	**187**	**11.6**
a) Interest on Fund Balances	-820	-100.0	0	-	0	-
b) Receipts from Safety Surcharge on Passengers Fares	0	-	-818	-100.0	0	-
c) Subsidy from General Revenues towards dividend relief & other concessions	249	19.5	374	32.4	183	12.0
d) Other Miscellaneous Receipts	55	200.0	0	0.0	4	4.8
3. Total Receipts (1+2)	**922**	**1.3**	**9,578**	**14.8**	**9,333**	**12.6**
4. Net Ordinary Working Expenses	**-966**	**-2.3**	**4,288**	**11.5**	**8,279**	**19.8**
5. Appropriation to Pension Fund	-433	-5.0	834	11.2	1,340	16.2
6. Appropriation to Depreciation Reserve Fund	-46	-0.8	1,252	29.8	1,550	28.4
7. Total Working Expenses {4+5+6}	**-1,445**	**-2.5**	**6,374**	**13.0**	**11,169**	**20.2**
8. Total Miscellaneous Expenditure	-27	-4.9	-759	-59.0	157	29.8
a) Appropriation to Special Railway Fund	0	-	-818	-100.0	0	-
b) O.L.W.R. (Open Line Works Revenue)	0	0.0	9	17.6	0	0.0
c) Other Miscellaneous Expenditure	-27	-5.5	50	12.0	157	33.6
9. Total Expenditure (7+8)	**-1,472**	**-2.6**	**5,615**	**11.2**	**11,326**	**20.2**
10. Net Revenue (3-9)	**2,394**	**14.9**	**3,963**	**27.4**	**-1,993**	**-10.8**
11. a) Dividend Payable to General Revenue	309	7.9	634	17.7	418	9.9
b) Payment of Deferred Dividend	0	0.0	1	0.2	-664	-100.0
c) Total Dividend Payment (a+b)	309	6.8	635	15.0	-246	-5.0
12. Surplus [10-11(c)]	**2,085**	**18.2**	**3,328**	**32.6**	**-1,747**	**-12.9**
13. Appropriation to Development Fund	-288	-10.9	479	25.5	-1,412	-59.9
14. Appropriation to Capital Fund	2,425	27.7	2,849	34.2	-335	-3.0
15. Appropriation to Railway Safety Fund	0	-	0	-	0	-
16. Appropriation to Special Railway Safety Fund	-53	-100.0	-818	-100.0	0	-
17. Operating Ratio	**-3**	**-4.1**	**-2**	**-3.0**	**5**	**6.7**
18. Ratio of Net Revenue to Capital-at-Charge and Investment from Capital Fund	**3**	**16.1**	**2**	**10.0**	**-5**	**-24.4**

Statement 2 : Freight And Passenger Traffic of Railways

(Rs. crore)

Items	2006-07 (Actuals)	2007-08 (Budget Estimates)	2007-08 (Revised Estimates)	2008-09 (Budget Estimates)	Variations					
					Col. 4 over Col. 3		Col. 4 over Col. 2		Col. 5 over Col.4	
					Amount	Per cent	Amount	Per cent	Amount	Per cent
1	2	3	4	5	6	7	8	9	10	11
I. Freight Traffic (Million Tonnes)										
1. Coal	313	338	338	355	0	0.0	25	8.0	17	5.0
	(43.0)	(43.1)	(42.8)	(41.8)						
2. Raw Materials to Steel Plants	53	57	11	13	-46	-80.7	-42	-79.2	2	18.2
	(7.3)	(7.3)	(1.4)	(1.5)						
3. Pig Iron and Finished Steel for Steel Plants	21	23	27	30	4	17.4	6	28.6	3	11.1
	(2.9)	(2.9)	(3.4)	(3.5)						
4. Iron ore for Exports	39	43	136	151	93	216.3	97	248.7	15	11.0
	(5.4)	(5.5)	(17.2)	(17.8)						
5. Cement	73	82	78	82	-4	-4.9	5	6.8	4	5.1
	(10.0)	(10.4)	(09.9)	(09.6)						
6. Food Grains	42	44	35	36	-9	-20.5	-7	-16.7	1	2.9
	(05.8)	(05.6)	(04.4)	(04.2)						
7. Fertilizers	34	38	38	42	0	0.0	4	11.8	4	10.5
	(04.7)	(04.8)	(04.8)	(04.9)						
8. Others	153	160	127	141	-33	-20.6	-26	-17.0	14	11.0
	(21.0)	(20.4)	(16.1)	(16.6)						
Total (1 to 8)	**728**	**785**	**790**	**850**	**5**	**0.6**	**62**	**8.5**	**60**	**7.6**
II. No. of Passengers (Million)										
1. Suburban *	3,629	3,829	3,816	3,879	-13	-0.3	187	5.2	63	1.7
	(57.3)	(58.0)	(57.1)	(55.0)						
2. Non-Suburban	2,705	2,777	2,872	3,177	95	3.4	167	6.2	305	10.6
	(42.7)	(42.0)	(42.9)	(45.0)						
Total (1 + 2)	**6,334**	**6,606**	**6,688**	**7,056**	**82**	**1.2**	**354**	**5.6**	**368**	**5.5**

* Includes passengers on Metro Railway, Kolkata

Note : Figures in brackets represent percentages to total.

Source : Explanatory Memorandum on the Railway Budget, 2008-09.

Statement 3: Ordinary Working Expenses of Railways

(Rs. crore)

Items	2006-07 (Actuals)	2007-08 (Budget Esti-mates)	2007-08 (Revised Esti-mates)	2008-09 (Budget Esti-mates)	Variations					
					Col. 4 over Col. 3		Col. 4 over Col. 2		Col. 5 over Col.4	
					Amount	Per cent	Amount	Per cent	Amount	Per cent
1	2	3	4	5	6	7	8	9	10	11
Net Ordinary Working Expenses (a to h)	**37,433 (100.0)**	**42,687 (100.0)**	**41,721 (100.0)**	**50,000 (100.0)**	**-966**	**-2.3**	**4,288**	**11.5**	**8,279**	**19.8**
a) General Superintendence and Services	2,080 (5.6)	2,477 (5.8)	2,370 (5.7)	3,141 (6.3)	-107	-4.3	290	13.9	771	32.5
b) Repairs and Maintenance	12,078 (32.3)	14,152 (33.2)	13,247 (31.8)	16,172 (32.3)	-905	-6.4	1,169	9.7	2,925	22.1
c) Operating Expenses (Traffic)	6,087 (16.3)	6,938 (16.3)	6,833 (16.4)	8,509 (17.0)	-105	-1.5	746	12.3	1,676	24.5
d) Operating Expenses (Fuel)	11,284 (30.1)	12,239 (28.7)	12,196 (29.2)	13,618 (27.2)	-43	-0.4	912	8.1	1,422	11.7
e) Operating Expenses (Rolling Stock and Equipment)	2,979 (8.0)	3,374 (7.9)	3,256 (7.8)	3,914 (7.8)	-118	-3.5	277	9.3	658	20.2
f) Staff Welfare and Amenities	1,668 (4.5)	1,927 (4.5)	1,885 (4.5)	2,313 (4.6)	-42	-2.2	217	13.0	428	22.7
g) Suspense	-25.0 (-0.1)	-26.0 (-0.1)	3.4 (0.0)	-35.0 (-0.1)	29	-113.1	28	-113.6	-38	-1,129.4
h) Others*	1,282 (3.4)	1,606 (3.8)	1,931 (4.6)	2,368 (4.7)	325	20.2	649	50.6	437	22.7

* Includes miscellaneous working expenses, Provident Fund, Pension and Other Retirement Benefits.

Note : Figures in brackets represent percentage to total.

Source : Explanatory Memorandum on the Railway Budget, 2008-09.

Statement 4: Developmental Expenditure of Railways

(Rs. crore)

Items	2006-07 (Actuals)	2007-08 (Budget Estimates)	2007-08 (Revised Estimates)	2008-09 (Budget Estimates)	Variations					
					Col. 4 over Col. 3		Col. 4 over Col. 2		Col. 5 over Col.4	
					Amount	Per cent	Amount	Per cent	Amount	Per cent
1	2	3	4	5	6	7	8	9	10	11
Total @	**26,367**	**32,165**	**31,783**	**37,500**	**-382**	**-1.2**	**5,416**	**20.5**	**5,717**	**18.0**
of which:										
a) Track Renewals	4,618 (17.5)	4,360 (13.6)	4,400 (13.8)	4,700 (12.5)	40	0.9	-218	-4.7	300	6.8
b) Rolling Stock	6,578 (24.9)	9,219 (28.7)	8,698 (27.4)	11,545 (30.8)	-521	-5.7	2,120	32.2	2,847	32.7
c) Electrification Projects	242 (0.9)	302 (0.9)	455 (1.4)	628 (1.7)	153	50.7	213	88.0	173	38.0
d) Workshop including Production Units	360 (1.4)	649 (2.0)	608 (1.9)	1,762 (4.7)	-41	-6.3	248	68.9	1,154	189.8
e) New Lines	2,501 (9.5)	1,570 (4.9)	2,681 (8.4)	1,701 (4.5)	1,111	70.8	180	7.2	-980	-36.6
f) Lines Doubling	1,204 (4.6)	2,002 (6.2)	1,745 (5.5)	2,524 (6.7)	-257	-12.8	541	44.9	779	44.6
g) Traffic Facilities	549 (2.1)	805 (2.5)	917 (2.9)	989 (2.6)	112	13.9	368	67.0	72	7.9
h) Signalling and Telecommunication works	1,182 (4.5)	1,608 (5.0)	1,557 (4.9)	1,530 (4.1)	-51	-3.2	375	31.7	-27	-1.7

@ : Includes Sum of Rs.4,160.92 Crore (Actuals,2006-07) and Rs.5,000 Crore (Budget Estimates,2007-08), Rs.4,750 Crore (R E 2007-08) and Rs.6,907 Crore (Budget Estimates,2008-09) to be raised through borrowings by Indian Railway Finance Corporation for financing Railway Plan , Rs.450 Crore (Actuals,2006-07), Rs.240 Crore (Budget Estimates 2007-08 and Rs.240 Crore Revised Estimates ,2007-08) andRs.293 Crore (Budget Estimates,2008-09) raised by Rail Vbikas Nigam Limited for investment in various Railway projects.Rs.244 crore (Actuals 2006-07), Rs.500 Crore (Budget Estimates 2007-08), Rs.219.6 Crore (Revised Estimates,2007-08), Rs.500 Crore (Budget Estimates 2008-09) as investment through 'Wagon Investment Scheme' (WIS). Rs.800 Crore (Budget Estimates 2008-09) as funding through 'Public Private Partnership'. It also includes Rs.198.43 Crore (Actuals 2006-07), Rs.200 Crore (Budget Estimates 2007-08),RS. 179 Crore (Revised Estimates 2007-08) and Rs.190 Crore (Budget Estimates 2008-09) as loan given to Konkan Railway Corporation(KRC)also includes Rs.1,050 Crore (Actuals 2006-07) and Rs.1,235 Crore (Revised Estimates 2007-08) as dividend free grant under capital for New Lines and Gauge Conversion Plan heads aimed at progressing execution of certain projects under these planheads identified as National Projects.

Note : Figures in brackets represent percentages to total.

Source: Explanatory Memorandum on the Railway Budget, 2007-08 and Part I of Railway Minister's Budget Speech.

Statement 5: Indian Railways - Selected Performance Indicators (A Statistical Profile)

Items	Unit	1990-91	1996-97	1997-98	1998-99	1999-2000
1	2	3	4	5	6	7
1. Capital-at Charge & investment from Capital Fund *	Rs. crore	16,126	30,912	33,846	36,829	39,772
2. Route Kilometres-Total	Kilometres	62,367	62,725	62,495	62,809	62,759
of which:						
Electrified	Kilometres	9,968	13,018	13,490	13,765	14,261
3. Number of Stations		7,100	6,984	6,929	6,896	6,867
4. Employees (As on 31 March)	Thousands	1,652	1,584	1,579	1,578	1,577
5. Wage Bill	Rs. crore	5,166	10,515	14,141	15,611	16,289
6. Number of Passengers Originating	Millions	3,858	4,153	4,348	4,411	4,585
7. Passengers Kilometres	Millions	295,644	357,013	379,897	403,884	430,666
8. Average Lead of Passenger Traffic	Kilometres	77	86	87	92	94
9. Average Rate per Passenger Kilometre	Paise	11	19	20	21	22
10. Originating Revenue-Earning Freight Traffic	Million Tonnes	318	409	429	421	456
11. Revenue-Earning Freight Traffic-Net Tonne Kilometres	Millions	235,785	277,567	284,249	281,513	305,201
12. Average Lead of Revenue-Earning Freight Traffic	Kilometres	711	661	644	644	644
13. Average Rate Per Tonne Kilometre	Paise	35	59	69	70	71
14. Revenue-Gross Receipts**	Rs. crore	12,452	24,801	29,134	30,234	33,856
15. Operating Ratio	Per cent	92.0	86.2	90.9	93.3	93.3
16. Surplus(+)/Deficit(-)	Rs. crore	176	2,117	1,535	399	846

* : Capital-at-charge excludes Capital Outlay on Metropolitan Transport Projects and Circular Railway(Eastern Railway).and disinvestmemts

** : Includes Total Miscellaneous Receipts.

Note : 1. Capital-at-charge means capital contributed by General Revenues for investment in Railways.
2. Operating Ratio means ratio of total working expenses to gross traffic receipts.

Source : 1. Indian Railways Year Books.
2. Indian Railways Annual Report and Accounts.

Statement 5: Indian Railways - Selected Performance Indicators *(Concld.)*
(A Statistical Profile)

Items	Unit	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
1	2	8	9	10	11	12	13	14
1. Capital-at Charge & investment from Capital Fund *	Rs. crore	43,052	47,147	51,099	56,062	59,347	65,878	76,031
2. Route Kilometres-Total	Kilometres	63,028	63,140	63,122	63,221	63,465	63,332	63,327
of which: Electrified	Kilometres	14,856	15,994	16,272	16,776	17,495	17,907	17,786
3. Number of Stations		6,843	6,856	6,906	7,031	7,146	6,974	6,909
4. Employees (As on 31 March)	Thousands	1,545	1,511	1,472	1,442	1,424	1,412	1,406
5. Wage Bill	Rs. crore	18,841	19,037	19,915	20,929	22,553	23,920	24,355
6. Number of Passengers Originating	Millions	4,833	5,093	4,971	5,112	5,378	5,725	6,219
7. Passengers Kilometres	Millions	4,57,022	4,93,488	5,15,044	5,41,208	5,75,702	6,15,614	6,94,764
8. Average Lead of Passenger Traffic	Kilometres	95	97	104	106	107	108	118
9. Average Rate per Passenger Kilometre	Paise	23	23	24	25	24	25	25
10. Originating Revenue-Earning Freight Traffic	Million Tonnes	474	493	519	557	602	667	728
11. Revenue-Earning Freight Traffic-Net Tonne Kilometres	Millions	3,12,371	3,33,228	3,53,194	3,81,241	4,07,398	4,39,596	4,80,993
12. Average Lead of Revenue-Earning Freight Traffic	Kilometres	626	644	656	661	657	647	649
13. Average Rate Per Tonne Kilometre	Paise	74	74	74	72	75	81	85
14. Revenue-Gross Receipts**	Rs. crore	36,011	39,358	42,741	44,911	49,047	56,316	64,786
15. Operating Ratio	Per cent	98.3	96.0	92.3	92.1	91.0	83.7	78.7
16. Surplus(+)/Deficit(-)	Rs. crore	764	1,000	1,115	1,091	2,074	4,338	10,206

*Finances of Foreign Direct Investment Companies: 2005-06 **

This article assesses the financial performance of 501 non-Government non-financial foreign direct investment (FDI) companies for the year 2005-06 based on their audited annual accounts closed during the period April 2005 to March 2006. The data are presented at the aggregate level for all select companies and also for major country of origin and industry group. The analysis of the annual accounts of companies continued upward growth in sales and value of production, during 2005-06. The profitability ratios like profit margin, return on net worth increased during the year under review.

The financial performance of 501 foreign direct investment (FDI) companies for the year 2005-06 is presented in this article based on the audited annual accounts closed during April 2005 to March 2006[1]. The select 501 companies were constituted by 378 public limited companies and 123 private limited companies included in the regular studies on finances of non-Government non-financial public/ private limited companies for the year 2005-06. The select companies are classified into 9 major country-groups and 10 major industry-groups. A company is classified into a country-group depending upon the country of origin of the largest FDI share holding in the company. The industry-group of the company is determined on the basis of the industry from which the company has

* Prepared in the Company Finances Division of the Department of Statistical Analysis and Computer Services. The previous study relates to finances of 518 companies during 2004-05 published in May 2007 issue of the Reserve Bank of India Bulletin. In the present study, 135 new companies have been covered in addition to 366 companies common with the previous study.

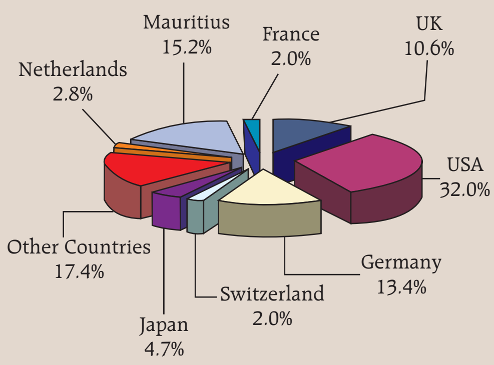
[1] In the case of companies, which either extended or shortened their accounting year, income, expenditure and appropriation account figures have been annualized. The balance sheet data, however, have been retained as presented in the annual accounts of the companies and, hence, correspond to varying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

reported more than 50 per cent earning of its total income.

As observed from Table 1, distribution of the select 501 companies across major countries and major industries, 'Chemicals and Chemical products' and 'Machinery and Machine tools' with 78 and 74 companies, respectively, were the most preferred industries for FDI. Of the select FDI companies, USA has the highest number (102), followed by Mauritius (74), UK (73), and Germany (49). In the case of 'Tea plantations' industry, all 5 companies had FDI from UK.

Country-wise composition of amount of foreign direct investment of select companies is presented in chart 1. It may be observed that USA, Mauritius, UK and Germany contributed major shares of FDI during 2005-06. The select 501 companies under study, as a sample have some limitations. Companies under study had a share of 4.3 per cent of total FDI inflow to India[2] and attracted 47.2 per cent of FDI from top two countries *viz.* USA and Mauritius.

Chart 1: Country-wise Composition of FDI Amount, 2005-06



Overall Performance

The select 501 FDI companies showed continued good performance as revealed from the growth rates of sales and value of production during 2005-06, though the

Table 1: Industry and Country-wise Distribution of the Select FDI Companies, 2005-06

(Number of Companies)

Industry / Country	UK	USA	Germany	Switzerland	Japan	France	Netherlands	Mauritius	Others	Total
1	2	3	4	5	6	7	8	9	10	11
1. Tea plantations	5	–	–	–	–	–	–	–	–	5
2. Food products and Beverages	4	4	–	1	–	1	1	1	4	16
3. Chemicals and Chemical products	14	15	9	2	5	2	1	9	21	78
4. Rubber and Plastic products	–	2	6	–	1	1	1	6	5	22
5. Machinery and Machine tools	9	20	12	6	6	–	6	5	10	74
6. Electrical Machinery and Apparatus	4	4	4	4	6	2	1	3	3	31
7. Motor Vehicles and other Transport Equipments	6	8	6	–	14	–	1	–	–	35
8. Wholesale and Retail trade	1	6	1	1	–	–	1	4	4	18
9. Computer and related Activities	5	9	–	–	–	1	3	9	3	30
10. Other Industries	25	34	11	5	12	4	7	37	57	192
Total	**73**	**102**	**49**	**19**	**44**	**11**	**22**	**74**	**107**	**501**

[2] Ref. Share of top investing countries FDI inflows as published by Ministry of Commerce and Industry, Department of Industrial Policy and Promotion.

growth rates of these variables were lower than in 2004-05. The Gross profits, pre-tax profits and post-tax profits recorded higher growth rates during the year, as compared to the respective growth rates in the previous year. The profit margin (gross profits as a percentage of sales) as well as the return on net worth (profits after tax to net worth) increased during the period under review. Retention ratio (Profits retained to Profits after tax) also increased during the year under review.

Total funds raised by the companies increased during 2005-06. There was a notable shift from internal sources (own sources) to External sources (other than own sources) of funds for financing. 'Fixed assets formation' and 'Loans and advances and other debtor balances' were the major uses of funds during 2005-06. The share of incremental bank borrowings in total sources of funds increased in 2005-06.

Among the select industry-groups, 'Electrical Machinery and apparatus', 'Wholesale and Retail trade' and 'Computer and related activities' recorded high growth in sales during 2005-06 (Table 2) 'Motor vehicles and other transport equipments' recorded decline in profit after tax as well as in return on equity. Switzerland and Japan appeared to be investing in companies yielding high return on equity whereas France and Netherlands happened to be invested in lowest return on equity.

Operational Results

The sales of the select companies registered a growth of 17.5 per cent in

Table 2: Growth Rates of Sales, Gross Profits and Profits After Tax of the Select FDI Companies

(Number of Companies)

Industry/ Country	Number of Companies	Sales		Gross Profits		Profits After Tax	
		2004-05	2005-06	2004-05	2005-06	2004-05	2005-06
Industry							
1. Tea plantations	5	5.8	5.4	&	#	&	#
2. Food products and Beverages	16	7.0	10.1	6.1	25.6	1.4	22.4
3. Chemicals and Chemical products	78	8.3	12.7	-5.5	13.5	1.6	21.8
4. Rubber and Plastic products	22	17.9	13.2	-1.6	25.4	-12.5	112.2
5. Machinery and Machine tools	74	21.3	22.3	27.3	55.4	29.4	52.4
6. Electrical machinery and apparatus	31	28.9	28.8	28.1	50.7	22.6	49.3
7. Motor vehicles and other transport equipments	35	21.5	14.5	34.9	22.4	36.4	21.4
8. Wholesale and Retail trade	18	26.9	45.9	-15.2	79.4	-37.4	54.3
9. Computer and related activities	30	28.6	29.1	13.8	24.9	11.5	13.4
Country							
1. UK	73	11.5	13.5	-15.9	22.3	-1.8	20.8
2. USA	102	18.2	12.9	16.7	10.2	20.6	8.7
3. Germany	52	18.8	17.9	47.6	6.0	66.9	4.6
4. Switzerland	22	27.6	22.0	21.2	29.7	3.4	48.8
5. Japan	47	20.6	10.2	38.3	27.8	35.9	31.8
6. France	16	35.1	34.9	152.2	70.7	74.2	73.9
7. Netherlands	20	25.6	15.4	-6.5	93.7	-29.5	110.4
8. Mauritius	52	19.8	30.8	16.8	27.8	36.6	48.7
All Companies	**501**	**19.3**	**17.5**	**15.9**	**19.2**	**21.1**	**27.8**

* : Numerator is negative or nil or negligible. #: Denominator is negative or nil or negligible.

& : Both numerator and denominator are negative or nil.

2005-06 as compared to 19.3 per cent recorded in the preceding year (Statement 1) On the expenditure side, manufacturing expenses reduced to a lower rate of 20.2 per cent in 2005-06 as compared to 23.3 per cent in 2004-05. Depreciation provision witnessed higher growth of 5.9 per cent in 2005-06 as compared to 4.1 per cent in the previous year. The gross profits recorded growth of 19.2 per cent during 2005-06 as compared with 15.9 per cent recorded in 2004-05. The interest payments declined by 11.8 per cent during 2005-06 on the top of a decline of 7.1 per cent in 2004-05.

The pre-tax profits went up by 24.8 per cent in 2005-06 as against 20.2 per cent in 2004-05. The tax provision remained same at 18.5 per cent in 2005-06. The selected companies registered a growth of 27.8 per cent in their net profits during the year, on top of the 21.1 per cent growth recorded in the previous year, indicating their continued good performance. Dividend payments growth was higher at 21.0 per cent in 2005-06 as against 1.3 per cent growth witnessed in the previous year.

The profit margin of the select FDI companies decreased to 12.4 per cent in 2005-06 compared to 12.3 per cent in 2004-05 (Table 3 and Statement 2). The return on net worth of the select FDI companies increased to 17.7 per cent in 2005-06 compared to 16.6 per cent in 2004-05. The effective tax rate decreased to 30.7 per cent in 2005-06 (32.3 per cent in 2004-05). The dividend rate (ordinary dividends as percentage of ordinary paid-up capital) of these companies increased marginally from 43.1 per cent in 2004-05 to 49.6 per cent in 2005-06. The profit margin of the companies having major portion of FDI from UK, Switzerland, Japan, France and Netherlands was higher in 2005-06 compared with their margins in the previous year. Industry- wise, 'Machinery and Machine tools' and 'Motor vehicles and other transport equipment' recorded high growth in profit margin of 12.6 per cent and 13.2 per cent in 2005-06 (9.9 per cent and 12.3 per cent in the previous year), respectively.

Chart 2: Growth Rates of Select Items of FDI Companies

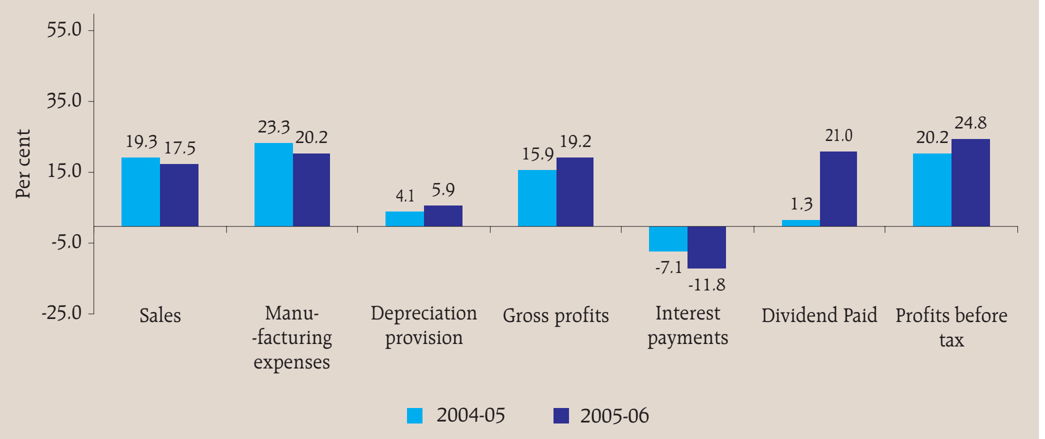


Table 3: Select Ratios of Profitability and Effective Tax Rate of the Select FDI Companies

(Per cent)

	Profit Margin		Return on Equity		Effective Tax Rate	
	2004-05	2005-06	2004-05	2005-06	2004-05	2005-06
Industry						
1. Tea plantations	*	*	*	*	#	#
2. Food products and Beverages	12.9	14.7	23.0	26.0	39.9	37.3
3. Chemicals and Chemical products	13.6	13.7	23.4	25.4	31.6	29.6
4. Rubber and Plastic products	8.0	8.9	7.9	16.7	29.7	20.3
5. Machinery and Machine tools	9.9	12.6	15.9	20.0	36.1	35.4
6. Electrical machinery and apparatus	9.3	10.9	16.1	20.5	31.7	31.6
7. Motor vehicles and other transport equipments	12.3	13.2	25.8	25.2	36.9	34.1
8. Wholesale and Retail trade	2.5	3.1	10.2	10.9	38.7	39.1
9. Computer and related activities	19.4	18.8	14.0	12.4	16.2	19.6
Country						
1. UK	11.3	12.2	23.1	23.8	30.6	29.9
2. USA	14.3	13.9	14.4	12.9	34.1	33.6
3. Germany	16.3	14.7	21.2	18.9	38.4	38.5
4. Switzerland	12.6	13.4	22.2	28.2	40.4	35.4
5. Japan	11.3	13.1	23.6	25.5	38.2	35.0
6. France	5.9	7.5	10.1	15.5	37.5	39.4
7. Netherlands	4.5	7.7	6.8	12.9	40.3	31.6
8. Mauritius	12.0	11.7	10.9	13.2	20.5	20.0
All Companies	**12.3**	**12.4**	**16.6**	**17.7**	**32.3**	**30.7**

*: Numerator is negative or nil or negligible # : Denominator is negative or nil or negligible

Foreign Business

The select FDI companies recorded a net outflow of Rs. 8,845 crore in foreign currencies during 2005-06 as compared to a net outflow of Rs. 7,317 crore during 2004-05 (Statement 6). The total earnings in foreign currencies increased by 27.6 per cent in 2005-06 as compared with 22.5 per cent in the previous year. The total foreign currency expenditure by these companies also increased by 26.1 per cent in 2005-06 as against 32.1 per cent recorded in 2004-05.

Exports of the select companies increased by 25.7 per cent during 2005-06 as compared to 19.1 per cent rise recorded in the previous year. The export intensity of sales (exports to sales) was recorded at 11.9 per cent in 2005-06 (11.1 per cent in 2004-05). Among the industry-groups, export intensity of sales was highest for 'Rubber and Plastic products' (15.5 per cent) followed by 'Machinery and Machine tools' (14.1 per cent) and 'Electrical Machinery and apparatus' (12.8 per cent) during 2005-06.

Imports of the select companies increased by 26.2 per cent in 2005-06. The imports to exports ratio for these companies worked out to 150.5 per cent in 2005-06. Imports were higher than exports in respect of a few industries like 'Chemicals and Chemical products', 'Machinery and machine tools', 'Electrical machinery and apparatus', 'Motor vehicles and other transport equipments', etc.

Dividend Remittances

Dividend remittances in foreign currencies of the select companies increased from Rs. 1,941 crore in 2004-05

Table 4: Growth in Exports and Imports of the Select FDI Companies

(Per cent)

	Growth in Exports		Growth in Imports		Imports to Exports		Export Intensity of Sales	
	2004-05	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05	2005-06
Industry								
1. Tea plantations	5.1	-46.9	-34.3	37.7	2.1	4.0	12.6	6.3
2. Food products and Beverages	-0.2	12.6	24.1	37.3	52.7	64.2	5.2	5.3
3. Chemicals and Chemical products	11.3	11.1	15.9	16.4	158.1	165.6	12.3	12.1
4. Rubber and Plastic products	42.7	12.7	12.3	44.3	77.4	99.1	15.6	15.5
5. Machinery and Machine tools	29.6	26.5	46.3	20.3	125.2	119.1	13.7	14.1
6. Electrical machinery and apparatus	-2.5	29.4	51.7	18.8	154.5	141.8	12.8	12.8
7. Motor vehicles and other transport equipments	29.9	-9.8	34.2	9.3	131.9	160.0	8.5	6.7
8. Wholesale and Retail trade	1.4	-60.5	22.5	29.1	#	#	1.6	0.4
9. Computer and related activities	#	141.7	31.8	54.0	#	#	0.4	0.7
Country								
1. UK	18.7	1.0	24.2	13.36	85.3	95.7	10.3	9.2
2. USA	16.1	21.7	91.6	-5.81	173.1	133.9	10.7	11.5
3. Germany	26.3	16.2	43.2	33.50	189.2	217.2	12.8	12.6
4. Switzerland	6.6	29.7	64.4	22.99	173.5	164.5	10.3	10.9
5. Japan	14.5	-15.5	30.3	5.20	208.8	260.2	6.7	5.1
6. France	14.0	43.9	38.6	26.09	152.3	133.6	11.5	12.3
7. Netherlands	40.8	28.9	71.6	-17.35	181.9	116.8	5.8	6.5
8. Mauritius	20.0	70.1	35.7	73.65	133.2	135.9	17.7	23.1
All Companies	**19.1**	**25.7**	**35.7**	**26.2**	**145.7**	**150.5**	**11.1**	**11.9**

to Rs. 2,332 crore in 2005-06. They formed 5.5 per cent of total expenditure in foreign currencies in 2005-06 (5.8 per cent in 2004-05).

Sources and Uses of funds

The total funds raised by the select companies during 2005-06 were higher by 18.3 per cent at Rs. 29,274 crore during 2005-06 as against Rs. 24,736 crore raised during 2004-05.

The composition of sources and uses of funds showed some variations during 2005-06 as compared to the previous year (Table 5). The internal sources of funds declined from 53.1 per cent during 2004-05 to 45.4 per cent during 2005-06 on account of decline in 'Provisions'. The external sources of funds increased from 46.9 per cent during 2004-05 to 54.6 per cent during 2005-06 on account of increase in 'Trade dues and other current liabilities' and 'Borrowing'. The external sources exceeded internal sources of fund to have major share in the total sources of funds during 2005-06. Among external sources, 'Borrowings' and 'Trade dues and other current liabilities' formed 13.8 per cent and 19.9 per cent of total funds raised during 2005-06, respectively. The

Table 5: Composition of Sources and Uses of funds of Select FDI Companies

(Per cent)

Sources of funds	2004-05	2005-06	Uses of funds	2004-05	2005-06
Internal Sources	**53.1**	**45.4**	Gross Fixed Assets	27.9	38.0
Paid-up Capital	1.0	1.7	Inventories	11.9	11.3
Reserves and Surplus	27.6	27.8	Loans and Advances and other debtor balances	14.3	31.3
Provisions	24.5	15.9			
of which: Depreciation	18.1	11.4	Investment	26.6	5.5
External sources	**46.9**	**54.6**	Cash and Bank Balances	18.8	13.4
Paid-up Capital	24.3	20.8			
Borrowings	10.8	13.8			
of which: from Banks	14.6	21.2			
from: Others+	-0.1	-1.3			
Trade Dues and other Current Liabilities	11.8	19.9			
Other liabilities	0.1	0.2	Other Assets	0.5	0.6
Total	**100.0**	**100.0**	**Total**	**100.0**	**100.0**

+ : Negative indicates net repayment of borrowings/decrease in other assets during the year.

incremental borrowings from 'Banks' significantly increased to Rs. 6,199 crore in 2005-06 from Rs. 3,621 crore in 2004-05. Funds raised during the year 2005-06 were mainly deployed in 'Gross fixed assets formation' (38.0 per cent), loans & advances and other debtor balances (31.3 per cent), cash and bank balances (13.4 per cent). Investments declined from 26.6 per cent to 5.5 per cent during the period under review.

Capital and Assets Structure

The total liabilities / assets of the selected companies increased by 16.3 per cent to Rs.1,83,718 crore in 2005-06 (Statement 4). It may be observed that the composition of liabilities as well as that of assets in 2005-06 remained broadly the same as in the previous year. Reserves and surplus accounted for the major share at 40.2 per cent of total liabilities followed by borrowings at 23.4 per cent of total liabilities in 2005-06. The share of net fixed assets in total assets decreased from 35.0 per cent in 2004-05 to 34.3 per cent in 2005-06. Loans and advances and other debtor balances and investment formed 24.8 per cent and 16.8 per cent of total assets respectively in 2005-06. 'Inventories' and 'Cash and bank balances' constituted 13.0 per cent and

Table 6: Composition of Liabilities and Assets of the Select FDI Companies

(Per cent)

Liabilities	2004-05	2005-06	Assets	2004-05	2005-06
Share capital	7.8	7.2	Net Fixed Assets	35.0	34.3
Reserves and Surplus	38.1	40.2	Inventories	13.0	13.0
Borrowing	24.6	23.4	Loans & advances and other debtor Balances	23.0	24.8
From Banks	11.7	13.4			
Trade dues and other Current liabilities	22.4	22.4	Investment	18.5	16.8
			Cash & Bank balances	9.5	10.3
Other liabilities	7.1	6.8	Other assets	1.0	0.8
Total	**100.0**	**100.0**	**Total**	**100.0**	**100.0**

Table 7: Debt to equity of the Select FDI Companies

(Per cent)

Industry / Country	Debt to Equity		
	2003-04	2004-05	2005-06
Industry			
1. Tea plantations	3.7	9.6	16.2
2. Food products and Beverages	6.0	4.7	6.5
3. Chemicals and Chemical products	27.3	26.1	14.1
4. Rubber and Plastic products	82.2	73.3	97.5
5. Machinery and Machine tools	13.7	9.6	10.6
6. Electrical machinery and apparatus	22.1	26.2	30.3
7. Motor vehicles and other transport equipments	16.2	19.3	14.3
8. Wholesale and Retail trade	52.2	57.5	42.4
9. Computer and related activities	0.8	2.8	3.9
Country			
1. UK	29.0	30.4	17.2
2. USA	47.3	46.9	41.0
3. Germany	9.6	8.7	5.8
4. Switzerland	14.2	11.3	13.0
5. Japan	22.7	19.7	18.7
6. France	6.7	4.5	1.9
7. Netherlands	8.3	10.4	17.5
8. Mauritius	48.0	34.1	31.8
All Companies	**41.2**	**35.0**	**30.2**

10.3 per cent of total assets in 2005-06 as compared to 13.0 per cent and 9.5 per cent respectively, in 2004-05.

Debt to Equity

Debt to equity ratio of the select FDI companies declined from 41.2 per cent in 2003-04 to 30.2 per cent in 2005-06. The debt-equity ratio was substantially low for 'Computer and related activities' during the period under review.

Performance of FDI companies - Public Limited Companies vs. Private Limited Companies

The comparative performance of FDI companies classified into public limited and private limited companies measured through select growth rates and financial ratios may be seen from Table 8 (also Statements 9 and 12).

The private limited FDI companies experienced lower growth rates in sales,

Table 8: Performance of FDI Companies classified into Public and Private Limited Companies

(Per cent)

Select Items	Public Limited Companies (378)		Private Limited Companies (123)		All Companies (501)	
	2004-05	2005-06	2004-05	2005-06	2004-05	2005-06
Growth rate						
1. Sales	19.1	17.5	23.7	16.7	19.3	17.5
2. Gross Profits	15.3	20.1	29.2	2.8	15.9	19.2
3. Profits after Tax	20.7	28.8	28.9	10.1	21.1	27.8
Financial Ratio						
1. Profit Margin	12.2	12.4	14.1	12.4	12.3	12.4
2. Effective Tax Rate	32.3	30.7	33.4	30.4	32.3	30.7
3. Return on Share Holders' Equity	16.8	17.9	14.5	14.0	16.6	17.7

gross profits and profits after tax compared to those of public limited FDI companies during 2005-06 though these ratios for private limited FDI companies were higher during 2004-05. Profit margin of private limited FDI companies was same as that of public limited FDI companies at 12.4 per cent in 2005-06. The return on shareholders' equity was higher for public limited FDI companies as compared with private limited FDI companies in both 2004-05 and 2005-06.

Statement 1: Growth Rates Of Select Items - Select Foreign Direct Investment Companies - 2004-05 And 2005-06

(Per cent)

Item	All Companies (501)	
	2004-05	2005-06
1	2	3
1. Sales +	19.3	17.5
2. Value of production	19.3	18.0
3. Total Income	18.9	18.4
4. Manufacturing expenses	23.3	20.2
5. Remuneration to employees	13.3	17.9
6. Depreciation provision	4.1	5.9
7. Gross profits	15.9	19.2
8. Interest	-7.1	-11.8
9. Operating profits	20.3	23.8
10. Non-operating surplus/deficit	19.0	37.5
11. Profits before tax	20.2	24.8
12. Tax provision	18.5	18.5
13. Profits after tax	21.1	27.8
14. Dividend paid	1.3	21.0
15. Profits retained	39.0	31.7
16. Gross saving	21.5	20.5
17. (a) Gross value added	12.7	15.9
(b) Net value added	14.3	17.6
18. Net worth @	21.9	20.3
19. Total borrowings @	7.3	10.3
of which: from banks @	24.4	33.6
20. Trade dues and other current liabilities @	8.9	16.4
21. (a) Gross fixed assets @	7.7	11.5
(b) Net fixed assets @	4.5	14.0
22. Inventories @	16.7	16.1
23. (a) Gross physical assets @	9.2	12.3
(b) Net physical assets @	7.6	14.6
24. (a) Total gross assets @	14.2	14.7
(b) Total net assets @	14.7	16.4
25. Total earnings in foreign currencies	22.5	27.6
of which: Exports	19.1	25.7
26. Total expenditure in foreign currencies	32.1	26.1
of which: Imports	35.7	26.2

\+ : Net of 'rebates and discounts' and `excise duty and cess'
@ : Adjusted for revaluation, etc.
* : Numerator is negative or nil or negligible.
# : Denominator is negative or nil or negligible.
& : Both numerator and denominator are negative or nil.
– : Nil or Negligible
Note : 1. Figures in brackets represents the number of companies.
2. Rates of growth of all the items are adjusted for changes due to amalgation of companies

Statement 2: Selected Financial Ratios - Select Foreign Direct Investment Companies, 2003-2004 to 2005-06

(Per cent)

Select Financial Ratios	All Companies (501)		
	2003-04	2004-05	2005-06
1	2	3	4
A. Capital structure ratios			
1. Net fixed assets to total net assets	38.4	35.0	34.3
2. Net worth to total net assets	43.2	45.9	47.4
3. Debt to equity	41.2	35.0	30.2
4. Debt to equity (equity adjusted for revaluation reserve)	42.9	36.0	30.8
5. Short term bank borrowings to inventories	46.7	46.2	57.6
6. Total outside liabilities to net worth	131.3	117.7	110.8
B. Liquidity ratios			
7. Current assets to current liabilities +	1.2	1.3	1.3
8. Quick assets to current liabilities	62.0	70.7	73.6
9. Current assets to total net assets	46.4	47.9	51.1
10. Sundry creditors to current assets	31.0	29.9	27.5
11. Sundry creditors to net working capital	178.2	130.4	105.0
C. Assets utilization and turnover ratios			
12. Sales to total net assets	94.1	97.9	98.9
13. Sales to gross fixed assets	145.5	160.9	169.4
14. Inventories to sales	13.6	13.3	13.1
15. Sundry debtors to sales	14.8	14.5	14.5
16. Exports to sales	11.1	11.1	11.9
17. Gross value added to gross fixed assets	37.7	39.4	40.9
18. Raw materials consumed to value of production	48.9	51.4	52.4
D. Sources and uses of funds ratios @			
19. Gross fixed assets formation to total uses of funds		27.8	37.9
20. Gross capital formation to total uses of funds		39.8	49.2
21. External sources of funds to total sources of funds		46.9	54.6
22. Increase in bank borrowings to total external sources		31.1	38.7
23. Gross savings to gross capital formation		130.1	107.1
E. Profitability and profit allocation ratios			
24. Gross profits to total net assets	11.9	12.0	12.3
25. Gross profits to sales	12.6	12.3	12.4
26. Profits after tax to net worth	16.7	16.6	17.7
27. Tax provision to profits before tax	32.8	32.3	30.7
28. Profits retained to profits after tax	52.4	60.2	62.0
29. Dividends to net worth	8.2	6.8	6.8
30. Ordinary dividends to ordinary paid-up capital	46.7	43.1	49.6

+ : Item B.7 is the actual ratio of current assets to current liabilities
@ : Adjusted for revaluation, etc.
* : Numerator is negative or nil or negligible.
# : Denominator is negative or nil or negligible.
& : Both numerator and denominator are negative or nil.
– : Nil or Negligible
Note : Figures in brackets represents the number of companies.

Statement 3: Combined Income, Expenditure And Appropriation Accounts - Select Foreign Direct Investment Companies, 2003-2004 to 2005-06

(Rs. crore)

Item	All Companies (501)		
	2003-04	2004-05	2005-06
1	2	3	4
Income and Value of Production			
1. Sales +	1,29,659	1,54,706	1,81,853
2. Increase(+) or decrease(-) in stock	758	979	1,978
3. Value of production (1+2)	1,30,418	1,55,683	1,83,831
4. Other income	3,340	3,445	4,370
Of which: (a) Dividends	519	492	530
(b) Interest	957	1,048	1,149
(c) Rent	76	94	102
5. Non-operating surplus(+)/ deficit(-)	11,13	1,324	1,821
6. TOTAL (3+4+5)	**1,34,873**	**1,60,454**	**1,90,023**
Expenditure And Appropriations			
7. Raw materials, components, etc., consumed	63,815	80,091	96,457
8. Stores and spares consumed	4,259	5,098	5,447
9. Power and fuel	5,085	5,611	8,050
10. Other manufacturing expenses	5,765	6,563	7,130
11. Salaries, wages and bonus	9,261	10,810	13,103
12. Provident fund	889	934	999
13. Employees' welfare expenses	1,491	1,430	1,445
14. Managerial remuneration	462	402	437
15. Royalty	482	702	938
16. Repairs to buildings	249	327	353
17. Repairs to machinery	812	940	1,094
18. Bad debts	348	431	408
19. Selling commission	1,300	1,429	1,545
20. Rent	1,323	1,345	1,132
21. Rates and taxes	737	760	802
22. Advertisement	3,306	3,286	3,707
23. Insurance	394	439	485
24. Research and development	371	453	522
25. Other expenses	11,361	13,038	15,359
26. Depreciation provision	5,301	5,520	5,845
27. Other provisions (other than tax and depreciation)	247	369	125
28. Gross profits	16,415	19,034	22,696
29. Less: Interest	2,643	2,454	2,164
30. Operating profits	13,772	16,579	20,531
31. Non-operating surplus(+)/ deficit(-)	1,113	1,324	1,821
32. Profits before tax	14,885	17,904	22,353
33. Less: Tax provision	4,888	5,794	6,870
34. Profits after tax	9,997	12,109	15,483
35. Dividends	4,888	4,953	5,996
(a) Ordinary	4,874	4,946	5,972
(b) Preference	13	6	23
36. Profits retained	5,245	7,291	9,607
TOTAL (7 to 28 + 31)	**1,34,873**	**1,60,454**	**1,90,023**

\+ : Net of 'rebets and discounts' and 'excise duty and cess'

Note : Figure in bracket represents the number of companies

Statement 4: Combined Balance Sheet - Select Foreign Direct Investment Companies, 2003-2004 to 2005-06

(Rs. crore)

Capital and liabilities	All Companies (501)		
	2003-04	2004-05	2005-06
1	2	3	4
A. Share capital	**11,264**	**12,343**	**13,295**
1. Paid-up capital	11,244	12,323	13,276
(a) Ordinary	10,431	11,466	12,031
Of which: bonus	1,953	2,103	2,253
(b) Preference	813	857	1,245
2. Forfeited shares	19	19	19
B. Reserves and surplus	**48,277**	**60,216**	**73,842**
3. Capital reserve	16,290	21,071	25,558
Of which: premium on shares	12,999	17,977	22,686
4. Investment allowance reserve	65	11	20
5. Sinking funds	693	613	513
6. Other reserves	31,228	38,519	47,749
C. Borrowings	**36,235**	**38,911**	**42,939**
7. Debentures @	5,043	4,753	2,847
8. Loans and advances	27,262	30,652	37,243
(a) From banks	14,821	18,442	24,640
Of which: short-term borrowings	8,241	9,519	13,764
(b) From other Indian financial institutions	6,384	5,479	5,700
(c) From foreign institutional agencies	921	1,335	2,153
(d) From government and semi-government bodies	1,349	1,494	1,850
(e) From companies	1,214	1,345	723
(f) From others	2,569	2,554	2,174
9. Deferred payments	3,273	2,908	2,347
10. Public deposits	656	596	500
of total borrowings, debt	24,584	25,426	26,391
D. Trade dues and other current liabilities	**32,387**	**35,300**	**41,116**
11. Sundry creditors	19,866	22,676	25,859
12. Acceptances	2,743	2,706	3,482
13. Liabilities to companies	260	313	493
14. Advances/ deposits from customers, agents, *etc.*	2,507	3,221	4,644
15. Interest accrued on loans	3,163	1,305	1,135
16. Others	3,846	5,075	5,501
E. Provisions	**9,610**	**11,198**	**12,524**
17. Taxation (net of advance of income-tax)	3,025	3,489	4,014
18. Dividends	3,020	3,553	4,185
19. Other current provisions	2,904	2,617	3,634
20. Non-current provisions	659	1,537	690
F. Miscellaneous non-current liabilities	**–**	**–**	**–**
Total	**1,37,775**	**1,57,970**	**1,83,718**

@ : Includes privately placed debentures.

\- : Nil or Negligible.

Note : Figure in bracket represents the number of companies.

Statement 4: Combined Balance Sheet - Select Foreign Direct Investment Companies, 2003-2004 to 2005-06 *(Concld.)*

(Rs. crore)

Capital and liabilities	All Companies (501)		
	2003-04	2004-05	2005-06
1	2	3	4
G. Gross fixed assets	**89,112**	**96,105**	**1,07,329**
23. Land	2,163	2,477	3,179
24. Buildings	10,178	10,656	11,530
25. Plant and machinery	61,454	65,191	69,899
26. Capital work-in-progress	9,267	10,568	14,982
27. Furniture, fixtures and office equipments	3,471	4,048	4,481
28. Others	2,576	3,162	3,255
H. 29. Depreciation	**36,167**	**40,806**	**44,268**
I. 30. Net fixed assets	**52,945**	**55,299**	**63,060**
J. Inventories	**17,636**	**20,589**	**23,892**
31. Raw materials, components, etc	5,684	7,278	8,285
32. Finished goods	6,145	6,599	7,550
33. Work-in-progress	2,904	3,787	4,730
34. Stores and spares	2,106	2,382	2,649
35. Others	796	540	676
K. Loans and advances and other debtor balances	**32,792**	**36,318**	**45,465**
36. Sundry debtors	19,210	22,429	26,444
37. Loans and advances	10,487	10,077	13,787
a) To subsidiaries and companies under the same management	1,429	1,113	1,921
b) Others	9,058	8,963	11,866
38. Interest accrued on loans and advances	289	283	297
39. Deposits/ balances with government/ others	2,095	2,367	3,051
40. Others	709	1,160	1,883
L. Investments	**22,616**	**29,193**	**30,812**
(*of which:* quoted investments)	3,209	3,747	5,671
41. Foreign	1,012	885	1,824
42. Indian	21,604	28,307	28,987
a) Government/ semi-government securities	972	845	581
b) Securities of Financial Institutions	10,475	13,245	12,051
c) Industrial securities	4,878	3,896	4,981
d) Shares and debentures of subsidiaries	5,145	8,758	10,631
e) Others	131	1,562	742
M. 43. Advance of income-tax (net of tax provision)	**–**	**–**	**–**
N. Other assets	**1,382**	**1,511**	**1,507**
44. Immovable property	-	24	3
45. Intangible assets	1,380	1,487	1,503
46. Miscellaneous non-current assets	–	–	–
O. Cash and bank balances	**10,402**	**15,058**	**18,980**
47. Fixed deposits with banks	6,973	11,048	12,685
48. Other bank balances	2,912	3,499	5,785
49. Cash in hand	516	510	510
Total	**1,37,775**	**1,57,970**	**1,83,718**

Statement 5: Sources And Uses Of Funds - Select Foreign Direct Investment Companies, 2003-2004 to 2005-06

(Rs. Crore)

Sources of Funds	All Companies (501)	
	2004-05	2005-06
1	2	3
Internal Sources	**13,126**	**13,282**
A 1. Paid-up capital	**245**	**498**
B. Reserves and Surplus	**6,821**	**8,127**
2. Capital reserve	-304	-1009
3. Investment allowance reserve	-53	8
4. Sinking funds	-80	-100
5. Other reserves	7,257	9,227
C. Provisions	**6,061**	**4,657**
6. Depreciation	4,472	3,331
7. Taxation (net of advance of income tax)	464	524
8. Dividends	533	632
9. Other current provisions	-287	1017
10. Non-current provisions	878	-847
External Sources	**11,609**	**15,993**
D. Paid-up capital	**6,001**	**6,101**
11. Net issues	880	458
12. Premium on shares	5,121	5,643
E. 13. Capital receipts	**20**	**48**
F. Borrowings	**2,676**	**4,028**
14. Debentures	-289	-1906
15. Loans and advances	3,390	6,592
(a) From banks	3,621	6,199
(b) From other Indian financial institutions	-905	221
(c) From foreign institutional agencies	413	818
(d) From government and semi-government bodies	145	356
(e) From companies	131	-622
(f) From others	-15	-380
16. Deferred payments	-365	-561
17. Public deposits	-60	-96
G. Trade dues and other current liabilities	**2,913**	**5,816**
18. Sundry creditors	2,810	3,183
19. Acceptances	-37	776
20. Liabilities to companies	53	180
21. Advances/ deposits from customers, agents, *etc.*	714	1,423
22. Interest accrued on loans	-1,857	-171
23. Others	1,229	425
H. Miscellaneous non-current liabilities	**–**	**–**
Total	**24,736**	**29,274**

@ : Includes privately placed debentures

– : Nil or negligible

Note : 1. This statement is derived from statement 4.

2. Figures have been adjusted for revaluation, *etc,* wherever necessary.

Statement 5: Sources And Uses Of Funds - Select Foreign Direct Investment Companies, 2003-2004 to 2005-06 ***(Concld.)***

(Rs. Crore)

Uses of Funds	All Companies (501)	
	2004-05	2005-06
1	2	3
I. Gross fixed assets	**6,895**	**11,109**
26. Land	296	669
27. Buildings	470	862
28. Plant and machinery	3,667	4,638
29. Capital work-in-progress	1,301	4,414
30. Furniture, fixtures and office equipments	577	433
31. Others	586	93
J. Inventories	**2,952**	**3,317**
32. Raw materials, components, etc.	1,595	1,007
33. Finished goods	454	951
34. Work-in-progress	883	943
35. Stores and spares	276	267
36. Others	-255	149
K. Loans and advances and other debtor balances	**3,526**	**9,147**
37. Sundry debtors	3,219	4,015
38. Loans and advances	-410	3710
a) To subsidiaries and companies under the same management	-315	808
b) Others	-95	2903
39. Interest accrued on loans and advances	-6	14
40. Deposits/ balances with government/ others	271	684
41. Others	452	723
L. 42. Investments	**6,577**	**1,619**
M. 43. Other assets	**129**	**161**
N. 44. Cash and bank balances	**4,657**	**3,922**
Total	**24,736**	**29,274**

Statement 6: Raw Materials, Stores And Spares Consumed, Earnings/Expenditure in Foreign Currencies - Selelct Foreign Investment Companies, 2003-04 to 2005-06

(Rs. crore)

Item	All Companies (501)		
	2003-04	2004-05	2005-06
1	2	3	4
Raw Materials, Stores And Spares Consumed			
A. 1. Raw materials, components, etc. consumed	**63,815**	**80,091**	**96,457**
(a) Imported	15,820	20,062	25,589
(b) Indigenous	47,994	60,029	70,867
B. 2. Stores and spares consumed	**4,259**	**5,098**	**5,447**
(a) Imported	305	306	595
(b) Indigenous	3,954	4,791	4,852
Earnings/ Expenditure In Foreign Currencies			
C. Earnings in foreign currencies (3+4)	**21,512**	**26,365**	**33,650**
3. Exports	14,448	17,211	21,635
4. Other than exports	7,063	9,154	12,014
of which: (a) Interest	11	29	44
(b) Commission	413	184	1,273
D. Expenditure in foreign currencies (5+6)	**25,490**	**33,682**	**42,495**
5. Imports	19,007	25,802	32,565
(a) Raw materials, components, *etc.*	14,907	19,479	25,048
(b) Capital goods	1,548	3,159	3,528
(c) Stores and spares	1,303	1,500	1,739
(d) Others	1,248	1,661	2,249
6. Other than Imports	6,483	7,880	9,930
(a) Dividend	1,929	1,941	2,332
(b) Interest	232	257	263
(c) Travelling expenses	516	567	713
(d) Royalty	427	618	778
(e) Technical fees	160	119	187
(f) Professional and consultation fees	170	201	176
(g) Others	3,045	4,173	5,478
E. 7. Net inflow(+)/ outflow(-) of foreign currencies (C-D)	**-3,978**	**-7,317**	**-8,845**

Note : 1. This statement is prepared on the basis of information available in the notes to the accounts in the annual reports of companies, whenever available.
2. All the exports are on f.o.b. Basis and all the imports are on c.i.f. basis.
3. Figure in bracket represents the number of companies.

Statement 7: Growth Rates Of Select Items - Select Foreign Direct Investment Companies, Country-Wise, 2004-05 and 2005-06

(Per cent)

Item	UK (73)		USA (102)		GERMANY (49)	
	2004-05	2005-06	2004-05	2005-06	2004-05	2005-06
1	2	3	4	5	6	7
1. Sales +	11.5	13.5	18.2	12.9	18.8	17.9
2. Value of production	11.1	14.9	20.2	11.6	20.8	18.1
3. Total Income	11.2	13.9	20.7	10.8	20.7	17.7
4. Manufacturing expenses	16.0	16.5	24.6	8.9	21.7	26.1
5. Remuneration to employees	13.5	7.3	17.1	18.3	-0.4	8.8
6. Depreciation provision	13.9	4.1	8.5	14.7	0.0	37.1
7. Gross profits	-15.9	22.3	16.7	10.2	47.6	6.0
8. Interest	-4.8	-23.9	-12.5	-0.2	-23.8	20.1
9. Operating profits	-17.0	27.7	20.4	11.2	53.1	5.4
10. Non-operating surplus/deficit	137.0	-31.4	164.2	-22.8	36.1	-0.9
11. Profits before tax	-9.0	19.7	27.3	7.8	51.0	4.7
12. Tax provision	-22.0	17.1	42.8	6.0	31.0	4.9
13. Profits after tax	-1.8	20.8	20.6	8.7	66.9	4.6
14. Dividend paid	-23.0	10.1	22.1	34.6	25.2	1.5
15. Profits retained	93.4	40.1	20.4	-4.3	56.6	5.7
16. Gross saving	45.7	23.2	15.8	2.5	34.4	14.9
17. (a) Gross value added	-2.1	14.3	14.4	14.9	21.2	10.0
(b) Net value added	-3.8	15.6	15.4	14.9	24.9	6.3
18. Net worth @	10.9	17.7	19.9	20.5	26.9	17.5
19. Total borrowings @	6.4	-30.6	16.4	9.1	3.1	5.7
Of which: from banks @	-5.9	2.4	84.9	24.0	-6.3	14.0
20. Trade dues and other current liabilities @	9.1	17.7	-19.5	15.7	27.6	13.5
21. (a) Gross fixed assets @	8.7	7.7	3.8	10.6	8.0	13.2
(b) Net fixed assets @	6.0	6.8	0.8	10.0	10.4	17.5
22. Inventories @	15.9	16.9	25.3	9.0	25.4	22.2
23. (a) Gross physical assets @	10.4	10.1	6.2	10.4	11.6	15.3
(b) Net physical assets @	9.4	10.6	4.5	9.8	16.7	19.6
24. (a) Total gross assets @	10.4	8.1	9.7	13.8	18.5	14.5
(b) Total net assets @	9.9	7.9	9.6	14.2	23.5	15.8
25. Total earnings in foreign currencies	38.8	4.6	9.7	28.7	22.1	20.1
Of which: Exports	18.7	1.0	16.1	21.7	26.3	16.2
26. Total expenditure in foreign currencies	26.8	4.6	59.4	2.9	40.0	39.9
Of which: Imports	24.1	13.3	91.5	-5.8	43.1	33.5

For footnotes, please refer to Statement 1.

Statement 7: Growth Rates Of Select Items - Select Foreign Direct Investment Companies, Country-Wise, 2004-05 and 2005-06 *(Contd.)*

(Per cent)

Item	SWITZERLAND (19)		JAPAN (44)		FRANCE (11)	
	2004-05	2005-06	2004-05	2005-06	2004-05	2005-06
1	8	9	10	11	12	13
1. Sales +	27.6	22.0	20.6	10.2	35.1	34.9
2. Value of production	29.3	22.2	19.1	12.2	38.7	34.1
3. Total Income	27.3	22.9	18.4	12.5	35.9	33.8
4. Manufacturing expenses	39.3	21.7	21.2	12.6	43.7	37.5
5. Remuneration to employees	9.8	17.6	0.1	21.3	17.4	3.6
6. Depreciation provision	15.2	28.7	-2.4	-15.9	1.2	6.5
7. Gross profits	21.2	29.7	38.3	27.8	152.2	70.7
8. Interest	-44.4	-21.7	-6.0	8.6	-32.7	-1.9
9. Operating profits	26.6	31.6	44.0	29.4	211.0	75.7
10. Non-operating surplus/deficit	*	&	-7.2	-38.3	-82.7	179.5
11. Profits before tax	14.6	37.2	39.4	25.4	95.1	79.3
12. Tax provision	36.4	20.1	45.5	15.0	143.7	88.3
13. Profits after tax	3.4	48.8	35.9	31.8	74.2	73.9
14. Dividend paid	26.3	22.7	9.4	11.9	33.2	60.1
15. Profits retained	-19.3	89.6	53.2	40.9	91.6	78.0
16. Gross saving	-3.2	55.9	24.2	17.7	33.8	43.4
17. (a) Gross value added	17.7	25.4	20.7	16.9	35.7	24.3
(b) Net value added	18.1	24.8	27.3	24.0	42.7	26.9
18. Net worth @	9.5	17.3	19.1	22.0	22.8	13.0
19. Total borrowings @	-37.0	24.8	14.0	15.8	-24.5	7.1
Of which: from banks @	-73.5	56.7	8.7	59.5	-18.0	19.7
20. Trade dues and other current liabilities @	25.5	45.8	3.3	18.4	39.1	39.9
21. (a) Gross fixed assets @	8.9	15.0	12.4	10.2	4.8	9.9
(b) Net fixed assets @	7.0	21.4	10.4	13.7	2.6	15.7
22. Inventories @	28.1	16.0	8.7	20.0	46.2	34.0
23. (a) Gross physical assets @	12.5	15.2	11.8	11.8	14.4	17.0
(b) Net physical assets @	14.0	19.4	9.9	15.6	20.9	24.9
24. (a) Total gross assets @	11.3	23.5	14.1	15.4	19.9	19.5
(b) Total net assets @	11.5	28.5	14.1	18.5	24.3	23.3
25. Total earnings in foreign currencies	9.0	22.0	15.0	-15.7	10.4	31.0
Of which: Exports	6.6	29.7	14.5	-15.5	14.0	43.9
26. Total expenditure in foreign currencies	48.7	21.1	28.5	10.0	32.0	27.0
Of which: Imports	64.3	22.9	30.2	5.2	38.2	26.2

Statement 7: Growth Rates Of Select Items - Select Foreign Direct Companies, Country-Wise, 2004-05 and 2005-06 *(Concld.)*

(Per cent)

Item	NETHERLANDS (22)		MARITIUS (74)	
	2004-05	2005-06	2004-05	2005-06
1	14	15	16	17
1. Sales +	25.6	15.4	19.8	30.8
2. Value of production	24.4	15.7	19.5	31.2
3. Total Income	23.0	16.0	19.8	32.0
4. Manufacturing expenses	33.4	14.3	23.4	35.0
5. Remuneration to employees	2.9	11.7	22.4	33.7
6. Depreciation provision	4.6	7.8	0.3	12.2
7. Gross profits	-6.5	93.7	16.8	27.8
8. Interest	-17.5	22.4	-3.6	-0.5
9. Operating profits	-3.7	109.0	26.3	37.8
10. Non-operating surplus/deficit	-39.8	-8.5	#.	#
11. Profits before tax	-14.7	83.6	31.6	47.8
12. Tax provision	23.5	44.0	15.3	44.4
13. Profits after tax	-29.5	110.4	36.6	48.7
14. Dividend paid	21.1	-9.4	29.1	46.5
15. Profits retained	-70.3	#	41.6	51.0
16. Gross saving	-30.0	105.2	18.3	32.5
17. (a) Gross value added	1.1	28.8	14.5	28.3
(b) Net value added	0.5	32.5	17.7	31.3
18. Net worth @	0.6	11.3	28.3	24.4
19. Total borrowings @	36.9	21.3	5.9	6.9
Of which: from banks @	64.3	19.0	17.4	6.6
20. Trade dues and other current liabilities @	19.6	19.8	22.7	8.9
21. (a) Gross fixed assets @	8.9	6.1	11.1	12.4
(b) Net fixed assets @	8.5	6.3	9.9	12.5
22. Inventories @	7.0	-4.8	15.3	24.4
23. (a) Gross physical assets @	8.5	3.6	11.7	14.3
(b) Net physical assets @	8.0	2.2	11.1	15.2
24. (a) Total gross assets @	10.1	12.5	18.0	16.0
(b) Total net assets @	10.4	14.9	19.0	16.8
25. Total earnings in foreign currencies	20.6	9.2	24.2	53.0
Of which: Exports	40.8	28.9	20.0	70.1
26. Total expenditure in foreign currencies	67.1	-19.5	39.2	60.6
Of which: Imports	71.2	-17.4	35.6	73.6

Statement 8: Growth Rates Of Select Items - Select Foreign Direct Investment Companies, Industry-Wise, 2004-05 and 2005-06

(Per cent)

Item	Tea Plantations (5)		Food Products and Beverages (16)		Chemical and Chemical Products (78)	
	2004-05	2005-06	2004-05	2005-06	2004-05	2005-06
1	2	3	4	5	6	7
1. Sales +	5.8	5.4	7.0	10.1	8.3	12.7
2. Value of production	14.5	3.7	6.0	11.7	7.7	13.2
3. Total Income	11.7	4.6	5.1	10.5	8.2	13.2
4. Manufacturing expenses	36.4	2.4	9.7	10.0	11.1	15.7
5. Remuneration to employees	-2.7	5.4	0.8	9.5	4.0	1.5
6. Depreciation provision	5.2	5.8	-4.3	12.0	-0.2	8.9
7. Gross profits	&	&	6.1	25.6	-5.5	13.5
8. Interest	-8.1	51.9	-5.4	-3.9	13.9	-26.0
9. Operating profits	&	&	6.7	26.8	-7.4	18.2
10. Non-operating surplus/deficit	-64.5	#	-28.5	-92.5	45.6	19.6
11. Profits before tax	&	&	2.6	17.1	-3.2	18.4
12. Tax provision	37.7	138.5	4.4	9.3	-12.3	11.0
13. Profits after tax	&	&	1.4	22.4	1.6	21.8
14. Dividend paid	160.0	33.8	19.4	4.7	-12.1	10.0
15. Profits retained	&	&	-19.8	53.4	44.5	42.3
16. Gross saving	&	&	-13.2	34.0	22.9	29.1
17. (a) Gross value added	10.6	0.4	3.3	18.6	-1.6	10.7
(b) Net value added	11.0	0.1	4.4	19.5	-1.7	10.8
18. Net worth @	-4.5	-6.3	3.4	8.2	13.2	12.5
19. Total borrowings @	26.7	69.7	-10.7	23.5	-0.6	-10.3
Of which: from banks @	57.7	140.4	-10.4	38.6	-0.7	26.9
20. Trade dues and other current liabilities @	-8.5	-0.6	15.8	13.9	12.9	8.2
21. (a) Gross fixed assets @	1.6	3.0	6.7	10.7	12.9	7.5
(b) Net fixed assets @	-1.8	1.9	2.5	10.5	16.4	9.6
22. Inventories @	34.0	17.9	-0.6	22.1	9.1	7.8
23. (a) Gross physical assets @	3.9	4.4	5.1	13.0	11.8	7.6
(b) Net physical assets @	2.2	4.3	1.5	14.2	13.3	8.9
24. (a) Total gross assets @	1.2	6.7	9.8	9.5	9.5	6.4
(b) Total net assets @	-1.0	7.6	9.0	9.0	9.8	6.8
25. Total earnings in foreign currencies	5.1	-42.9	9.7	3.9	11.2	14.2
Of which: Exports	5.1	-46.9	-0.2	12.6	11.3	11.1
26. Total expenditure in foreign currencies	-2.6	18.9	9.1	34.2	12.6	14.4
Of which: Imports	-34.3	37.7	24.1	37.3	15.9	16.4

For footnotes, please refer to Statement 1.

Statement 8: Growth Rates Of Select Items - Select Foreign Direct Investment Companies, Industry-Wise, 2004-05 and 2005-06 *(Contd.)*

(Per cent)

Item	Rubber and Plastic Products (22)		Machinery and Machine Tools (74)		Electrical Machinery and Apparatus (31)	
	2004-05	2005-06	2004-05	2005-06	2004-05	2005-06
1	8	9	10	11	12	13
1. Sales +	17.9	13.2	21.3	22.3	28.9	28.8
2. Value of production	19.4	11.3	25.2	21.2	29.6	29.6
3. Total Income	17.0	14.4	24.5	21.1	28.0	29.3
4. Manufacturing expenses	24.8	13.5	31.6	19.4	35.3	29.9
5. Remuneration to employees	7.9	12.2	6.3	9.8	6.0	17.2
6. Depreciation provision	3.1	9.0	3.9	11.0	5.4	11.9
7. Gross profits	-1.6	25.4	27.3	55.4	28.1	50.7
8. Interest	-9.7	-5.9	-26.8	1.7	-16.7	61.7
9. Operating profits	7.4	55.1	36.4	60.2	34.2	49.8
10. Non-operating surplus/deficit	-73.3	#	35.1	-22.3	-77.7	-5.3
11. Profits before tax	-22.1	87.1	36.3	50.7	24.1	48.9
12. Tax provision	-38.2	27.6	50.3	47.7	27.5	48.0
13. Profits after tax	-12.5	112.2	29.4	52.4	22.6	49.3
14. Dividend paid	9.5	116.8	7.0	20.7	0.2	18.6
15. Profits retained	-25.0	101.1	47.7	69.5	35.4	62.4
16. Gross saving	-7.1	36.1	25.2	44.5	21.8	42.7
17. (a) Gross value added	3.5	16.3	14.4	29.3	15.9	32.5
(b) Net value added	3.7	19.0	16.3	32.3	17.8	35.8
18. Net worth @	10.6	13.3	11.9	21.2	14.6	17.9
19. Total borrowings @	7.2	23.5	1.5	-2.3	23.7	21.8
of which: from banks @	28.4	8.9	21.2	4.0	4.6	27.4
20. Trade dues and other current liabilities @	17.4	-5.2	22.3	25.0	14.6	35.7
21. (a) Gross fixed assets @	3.4	9.7	5.5	9.0	11.1	9.2
(b) Net fixed assets @	-1.0	10.6	3.8	12.1	13.3	7.9
22. Inventories @	31.6	-5.3	30.1	7.6	14.4	22.2
23. (a) Gross physical assets @	5.7	8.2	11.0	8.6	11.9	12.1
(b) Net physical assets @	3.5	7.7	14.2	10.1	13.7	13.0
24. (a) Total gross assets @	10.3	11.8	11.9	15.8	14.0	21.8
(b) Total net assets @	11.0	13.0	13.7	18.9	15.4	24.7
25. Total earnings in foreign currencies	43.2	13.0	25.5	22.5	-1.4	23.0
of which: Exports	42.7	12.7	29.6	26.5	-2.5	29.4
26. Total expenditure in foreign currencies	17.5	41.4	40.1	24.0	51.4	13.2
of which: Imports	12.3	44.3	46.3	20.3	51.7	18.8

Statement 8: Growth Rates Of Select Items - Select Foreign Direct Investment Companies, Industry-Wise, 2004-05 and 2005-06 *(Concld.)*

(Per cent)

Item	Motor Vehicles and Transport Equipment (35)		Wholesale and Retail Trade (18)		Computer and Related Activities (30)	
	2004-05	2005-06	2004-05	2005-06	2004-05	2005-06
1	8	9	10	11	12	13
1. Sales +	21.5	14.5	26.9	45.9	28.6	29.1
2. Value of production	22.0	15.7	17.0	55.1	28.7	29.2
3. Total Income	21.8	15.5	18.2	55.3	28.8	26.6
4. Manufacturing expenses	24.8	17.1	18.3	55.5	84.9	44.9
5. Remuneration to employees	3.6	17.4	54.0	29.9	31.5	33.6
6. Depreciation provision	2.2	0.5	37.0	53.3	29.3	27.0
7. Gross profits	34.9	22.4	-15.2	79.4	13.8	24.9
8. Interest	-20.2	13.6	120.7	92.8	87.3	73.3
9. Operating profits	38.6	22.7	-42.1	69.3	13.2	24.2
10. Non-operating surplus/deficit	44.3	-54.5	#.	-75.8	7.8	-43.6
11. Profits before tax	39.1	16.4	-34.8	55.4	12.7	18.2
12. Tax provision	43.9	7.9	-30.3	57.2	19.2	43.1
13. Profits after tax	36.4	21.4	-37.4	54.3	11.5	13.4
14. Dividend paid	11.7	13.9	&	&	95.6	77.3
15. Profits retained	49.4	24.5	-37.3	54.2	-13.4	-39.0
16. Gross saving	28.9	16.2	-23.5	53.9	-3.0	-17.7
17. (a) Gross value added	21.2	16.4	-5.4	54.4	24.9	32.1
(b) Net value added	25.5	19.3	-9.0	54.5	24.6	32.5
18. Net worth @	22.5	24.5	18.8	44.4	19.8	28.3
19. Total borrowings @	25.9	-7.4	48.8	19.5	96.8	55.2
of which: from banks @	-14.4	16.6	53.7	21.2	#	6.2
20. Trade dues and other current liabilities @	16.5	18.4	15.0	39.7	88.2	20.6
21. (a) Gross fixed assets @	12.7	9.6	61.5	15.6	30.3	31.5
(b) Net fixed assets @	12.2	12.3	69.4	11.8	30.7	33.1
22. Inventories @	30.0	27.4	-13.9	92.0	-31.9	#
23. (a) Gross physical assets @	15.3	12.6	17.8	47.8	30.2	31.6
(b) Net physical assets @	17.4	17.2	16.8	49.0	30.6	33.2
24. (a) Total gross assets @	20.2	14.6	21.3	36.4	31.2	28.6
(b) Total net assets @	23.1	17.2	20.9	36.4	31.4	28.5
25. Total earnings in foreign currencies	31.0	-9.2	0.2	-59.8	29.4	28.1
of which: Exports	29.9	-9.8	1.4	-60.5	#.	141.7
26. Total expenditure in foreign currencies	31.6	18.8	23.1	32.6	22.5	22.4
of which: Imports	34.2	9.3	22.5	29.1	31.8	54.0

Statement 9: Growth Rates Of Select Items - Select Foreign Direct Investment Companies, Type-Wise, 2004-05 and 2005-06

(Per cent)

Item	Public (378)		Private (123)	
	2004-05	2005-06	2004-05	2005-06
1	2	3	2	3
1. Sales +	19.1	17.5	23.7	16.7
2. Value of production	19.1	18.1	25.0	17.0
3. Total Income	18.7	18.4	23.7	18.5
4. Manufacturing expenses	23.3	20.2	23.3	21.6
5. Remuneration to employees	12.6	17.2	22.9	27.2
6. Depreciation provision	3.8	5.8	8.7	7.5
7. Gross profits	15.3	20.1	29.2	2.8
8. Interest	-7.2	-12.1	-2.0	-2.1
9. Operating profits	19.7	25.0	32.6	3.2
10. Non-operating surplus/deficit	20.8	36.4	-52.0	144.9
11. Profits before tax	19.8	25.9	29.2	5.3
12. Tax provision	17.9	19.8	29.8	-4.1
13. Profits after tax	20.7	28.8	28.9	10.1
14. Dividend paid	4.0	21.7	-47.6	-4.6
15. Profits retained	35.5	32.9	121.9	14.3
16. Gross saving	19.7	21.1	57.2	11.3
17. (a) Gross value added	12.0	16.0	23.5	13.4
(b) Net value added	13.6	17.8	26.2	14.3
18. Net worth @	22.5	20.7	14.0	14.4
19. Total borrowings @	7.4	10.5	4.4	1.5
of which: from banks @	23.9	33.8	43.1	25.9
20. Trade dues and other current liabilities @	8.2	16.3	26.4	19.9
21. (a) Gross fixed assets @	7.7	11.6	8.1	9.5
(b) Net fixed assets @	4.7	14.4	1.2	3.9
22. Inventories @	16.2	15.4	29.0	29.6
23. (a) Gross physical assets @	9.1	12.3	11.6	13.4
(b) Net physical assets @	7.5	14.7	8.4	11.8
24. (a) Total gross assets @	14.2	14.7	13.9	13.3
(b) Total net assets @	14.7	16.6	13.0	12.6
25. Total earnings in foreign currencies	22.6	28.6	22.0	16.2
of which: Exports	19.6	26.5	13.4	17.1
26. Total expenditure in foreign currencies	32.1	27.4	31.5	2.3
of which: Imports	36.1	27.4	28.4	0.9

For footnotes, please refer to Statement 1.

Statement 10: Select Financial Ratios - Select Foreign Direct Investment Companies, Country-Wise - 2003-2004 to 2005-06

(Per cent)

Select Financial Ratios	UK (73)			USA (102)		
	2003-04	2004-05	2005-06	2003-04	2004-05	2005-06
1	2	3	4	5	6	7
A. Capital Structure Ratios						
1. Net fixed assets to total net assets	31.3	30.1	29.7	46.9	43.3	41.8
2. Net worth to total net assets	43.3	43.6	47.5	43.9	48.2	50.9
3. Debt to equity	29.0	30.4	17.2	47.3	46.9	41.0
4. Debt to equity (equity adjusted for revaluation reserve)	30.6	31.9	17.8	48.3	47.7	41.6
5. Short term bank borrowings to inventories	36.3	26.1	21.6	49.0	39.6	52.1
6. Total outside liabilities to net worth	130.8	129.1	110.3	127.3	107.3	96.2
B. Liquidity Ratios						
7. Current assets to current liabilities +	1.1	1.2	1.3	1.2	1.7	1.7
8. Quick assets to current liabilities	55.4	58.6	67.5	66.3	104.5	101.5
9. Current assets to total net assets	51.2	51.3	58.2	42.9	48.5	48.8
10. Sundry creditors to current assets	38.9	39.7	38.2	27.6	22.6	21.1
11. Sundry creditors to net working capital	262.6	228.3	154.4	145.8	51.4	48.7
C. Assets Utilisation and Turnover Ratios						
12. Sales to total net assets	121.9	123.9	130.5	67.4	72.5	71.5
13. Sales to gross fixed assets	230.0	235.9	248.6	97.9	111.1	113.1
14. Inventories to sales	13.8	14.4	14.8	12.6	13.3	12.9
15. Sundry debtors to sales	10.1	10.7	10.6	17.2	16.4	15.3
16. Exports to sales	9.7	10.3	9.2	10.9	10.7	11.5
17. Gross value added to gross fixed assets	62.6	56.3	59.8	30.2	33.2	34.4
18. Raw materials consumed to value of production	46.0	48.6	50.2	39.6	42.8	41.2
D. Sources and Uses of Funds Ratios @						
19. Gross fixed assets formation to total uses of funds		36.6	40.9		22.1	41.0
20. Gross capital formation to total uses of funds		57.9	71.3		40.3	46.2
21. External sources of funds to total sources of funds		39.7	21.9		32.9	64.9
22. Increase in bank borrowings to total external sources		-10.9	8.8		177.8	30.2
23. Gross savings to gross capital formation		107.0	123.7		173.8	99.6
E. Profitability and Profit Allocation Ratios						
24. Gross profits to total net assets	18.3	14.0	15.9	9.7	10.4	10.0
25. Gross profits to sales	15.0	11.3	12.2	14.5	14.3	13.9
26. Profits after tax to net worth	26.1	23.1	23.8	14.4	14.4	12.9
27. Tax provision to profits before tax	35.7	30.6	29.9	30.5	34.1	33.6
28. Profits retained to profits after tax	19.0	37.5	43.5	69.1	69.0	60.7
29. Dividends to net worth	21.2	14.8	13.8	4.6	4.7	5.2
30. Ordinary dividends to ordinary paid-up capital	150.5	111.0	117.6	27.2	26.5	33.2

For footnotes, please refer to Statement 2.

Statement 10: Select Financial Ratios - Select Foreign Direct Investment Companies, Country-Wise-2003-2004 to 2005-06 *(Contd.)*

(Per cent)

Select Financial Ratios	Germany (49)			Switzerland (19)		
	2003-04	2004-05	2005-06	2003-04	2004-05	2005-06
1	8	9	10	11	12	13
A. Capital Structure Ratios						
1. Net fixed assets to total net assets	23.6	21.1	21.4	31.2	29.9	28.3
2. Net worth to total net assets	54.9	56.4	57.2	46.3	45.4	41.5
3. Debt to equity	9.6	8.7	5.8	14.2	11.3	13.0
4. Debt to equity (equity adjusted for revaluation reserve)	9.7	8.8	5.9	14.9	11.7	13.3
5. Short term bank borrowings to inventories	33.2	23.4	24.2	27.0	5.1	5.4
6. Total outside liabilities to net worth	82.0	77.1	74.5	115.8	119.8	140.8
B. Liquidity Ratios						
7. Current assets to current liabilities +	1.7	1.8	1.7	1.3	1.4	1.2
8. Quick assets to current liabilities	109.2	109.2	103.1	77.4	81.9	74.0
9. Current assets to total net assets	66.5	64.4	65.2	61.0	62.8	66.1
10. Sundry creditors to current assets	23.9	24.9	24.6	32.7	35.9	37.9
11. Sundry creditors to net working capital	55.7	55.5	56.0	124.6	117.4	189.9
C. Assets utilisation and Turnover Ratios						
12. Sales to total net assets	114.6	110.2	112.2	127.2	145.5	138.2
13. Sales to gross fixed assets	172.5	189.7	197.4	190.5	223.2	236.8
14. Inventories to sales	14.8	15.6	16.2	12.3	12.3	11.7
15. Sundry debtors to sales	20.0	19.3	18.1	15.1	13.8	18.0
16. Exports to sales	12.0	12.8	12.6	12.3	10.3	10.9
17. Gross value added to gross fixed assets	49.4	55.4	53.9	47.1	50.9	55.6
18. Raw materials consumed to value of production	50.2	51.3	54.3	46.9	53.2	55.5
D. Sources and Uses of Funds Ratios @						
19. Gross fixed assets formation to total uses of funds		20.6	38.4		38.9	30.6
20. Gross capital formation to total uses of funds		37.4	57.6		67.7	39.7
21. External sources of funds to total sources of funds		41.7	20.8		25.2	59.1
22. Increase in bank borrowings to total external sources		-3.9	16.9		-83.2	3.1
23. Gross savings to gross capital formation		169.6	132.1		95.2	109.0
E. Profitability and Profit Allocation Ratios						
24. Gross profits to total net assets	15.0	18.0	16.5	16.9	18.4	18.6
25. Gross profits to sales	13.1	16.3	14.7	13.3	12.6	13.4
26. Profits after tax to net worth	16.1	21.2	18.9	23.5	22.2	28.2
27. Tax provision to profits before tax	44.2	38.4	38.5	34.0	40.4	35.4
28. Profits retained to profits after tax	83.7	78.5	79.3	50.1	39.1	49.7
29. Dividends to net worth	4.7	4.6	4.0	11.7	13.5	14.1
30. Ordinary dividends to ordinary paid-up capital	15.6	17.5	17.6	99.6	125.8	154.4

Statement 10: Select Financial Ratios - Select Foreign Direct Investment Companies, Country-Wise- 2003-2004 to 2005-06 *(Contd.)*

(Per cent)

Select Financial Ratios	Japan (44)			France (11)		
	2003-04	2004-05	2005-06	2003-04	2004-05	2005-06
1	14	15	16	17	18	19
A. Capital Structure Ratios						
1. Net fixed assets to total net assets	33.9	32.9	31.6	23.4	19.3	18.1
2. Net worth to total net assets	45.2	47.2	48.5	45.6	45.1	41.3
3. Debt to equity	22.7	19.7	18.7	6.7	4.5	1.9
4. Debt to equity (equity adjusted for revaluation reserve)	22.8	19.8	18.7	6.9	4.6	2.0
5. Short term bank borrowings to inventories	36.3	45.8	52.5	48.7	27.3	24.4
6. Total outside liabilities to net worth	121.2	111.8	105.7	118.9	121.6	141.7
B. Liquidity Ratios						
7. Current assets to current liabilities +	1.0	1.0	1.1	1.4	1.4	1.3
8. Quick assets to current liabilities	46.6	50.2	56.6	86.3	87.9	80.7
9. Current assets to total net assets	44.2	44.3	46.6	69.9	74.8	77.3
10. Sundry creditors to current assets	36.7	31.6	28.2	39.0	42.3	45.8
11. Sundry creditors to net working capital	#	#	#	135.6	137.4	180.9
C. Assets Utilisation and Turnover Ratios						
12. Sales to total net assets	153.4	162.1	150.8	116.0	126.1	138.0
13. Sales to gross fixed assets	215.9	231.4	231.1	206.3	265.8	326.2
14. Inventories to sales	9.5	8.6	9.3	14.5	15.7	15.6
15. Sundry debtors to sales	9.1	8.1	8.3	31.1	30.9	28.7
16. Exports to sales	7.1	6.7	5.1	13.6	11.5	12.3
17. Gross value added to gross fixed assets	39.6	42.4	45.0	42.5	55.0	62.2
18. Raw materials consumed to value of production	67.7	69.4	67.9	60.1	63.5	66.0
D. Sources and Uses of Funds Ratios @						
19. Gross fixed assets formation to total uses of funds		45.6	33.9		10.2	18.7
20. Gross capital formation to total uses of funds		52.3	47.2		39.2	45.5
21. External sources of funds to total sources of funds		17.5	36.0		68.0	72.1
22. Increase in bank borrowings to total external sources		22.3	64.6		-8.2	5.9
23. Gross savings to gross capital formation		145.9	152.9		80.2	85.1
E. Profitability and Profit Allocation Ratios						
24. Gross profits to total net assets	15.1	18.3	19.8	3.7	7.5	10.4
25. Gross profits to sales	9.8	11.3	13.1	3.2	5.9	7.5
26. Profits after tax to net worth	20.7	23.6	25.5	7.1	10.1	15.5
27. Tax provision to profits before tax	36.6	38.2	35.0	30.0	37.5	39.4
28. Profits retained to profits after tax	61.2	68.9	73.7	70.2	77.2	79.0
29. Dividends to net worth	8.1	7.4	6.8	2.1	2.3	3.2
30. Ordinary dividends to ordinary paid-up capital	78.0	82.0	111.5	5.3	5.6	8.9

Statement 10: Select Financial Ratios - Select Foreign Direct Investment Companies, Industry-Wise- 2003-2004 to 2005-06 *(Concld.)*

(Per cent)

Select Financial Ratios	Netherlands (22)			Mauritius (74)		
	2003-04	2004-05	2005-06	2003-04	2004-05	2005-06
1	20	21	22	23	24	25
A. Capital Structure Ratios						
1. Net fixed assets to total net assets	33.0	32.4	29.9	36.4	33.6	32.4
2. Net worth to total net assets	50.9	46.4	44.9	42.3	45.6	48.3
3. Debt to equity	8.3	10.4	17.5	48.0	34.1	31.8
4. Debt to equity (equity adjusted for revaluation reserve)	8.9	11.0	18.3	50.2	35.2	32.4
5. Short term bank borrowings to inventories	31.2	43.1	37.5	73.6	85.6	67.5
6. Total outside liabilities to net worth	96.1	115.5	122.6	136.1	119.2	106.6
B. Liquidity Ratios						
7. Current assets to current liabilities +	1.4	1.3	1.3	1.1	1.0	1.2
8. Quick assets to current liabilities	81.5	77.1	79.7	55.5	55.8	62.8
9. Current assets to total net assets	63.5	63.9	62.3	41.0	40.2	43.8
10. Sundry creditors to current assets	37.0	40.9	41.7	28.0	28.4	25.8
11. Sundry creditors to net working capital	121.3	166.2	166.4	#	#	141.1
C. Assets Utilisation and Turnover Ratios						
12. Sales to total net assets	96.7	110.1	110.6	67.9	68.4	77.0
13. Sales to gross fixed assets	140.8	162.3	176.6	118.6	127.9	148.8
14. Inventories to sales	20.5	17.5	14.4	15.0	14.4	13.7
15. Sundry debtors to sales	23.5	19.0	17.7	19.1	19.4	18.3
16. Exports to sales	5.2	5.8	6.5	17.7	17.7	23.1
17. Gross value added to gross fixed assets	32.6	30.3	36.8	30.4	31.3	35.8
18. Raw materials consumed to value of production	57.4	63.8	61.5	44.6	46.6	52.0
D. Sources and Uses of Funds Ratios @						
19. Gross fixed assets formation to total uses of funds		44.7	24.3		29.2	34.5
20. Gross capital formation to total uses of funds		54.8	18.9		36.4	47.1
21. External sources of funds to total sources of funds		73.7	71.2		70.0	61.6
22. Increase in bank borrowings to total external sources		50.2	18.5		16.9	8.1
23. Gross savings to gross capital formation		54.8	240.1		83.9	81.9
E. Profitability and Profit Allocation Ratios						
24. Gross profits to total net assets	5.9	5.0	8.5	8.3	8.2	9.0
25. Gross profits to sales	6.1	4.5	7.7	12.3	12.0	11.7
26. Profits after tax to net worth	9.7	6.8	12.9	10.3	10.9	13.2
27. Tax provision to profits before tax	27.7	40.3	31.6	23.4	20.5	20.0
28. Profits retained to profits after tax	55.3	23.2	66.9	56.2	58.3	59.2
29. Dividends to net worth	4.3	5.2	4.2	4.6	4.6	5.5
30. Ordinary dividends to ordinary paid-up capital	31.2	37.8	33.7	27.7	33.7	44.2

Statement 11: Select Financial Ratios - Select Foreign Direct Investment Companies, Industry-Wise-2003-2004 to 2005-06

(Per cent)

Select Financial Ratios	Tea Plantations (5)			Food Products and Beverages (16)		
	2003-04	2004-05	2005-06	2003-04	2004-05	2005-06
1	2	3	4	5	6	7
A. Capital Structure Ratios						
1. Net fixed assets to total net assets	62.3	61.0	57.3	40.5	38.0	38.5
2. Net worth to total net assets	71.3	68.2	58.8	58.9	55.8	55.4
3. Debt to equity	3.7	9.6	16.2	6.0	4.7	6.5
4. Debt to equity (equity adjusted for revaluation reserve)	9.4	24.4	45.1	6.6	5.1	7.0
5. Short term bank borrowings to inventories	36.0	60.2	120.5	12.1	13.0	10.7
6. Total outside liabilities to net worth	40.1	46.6	69.8	69.6	79.0	80.3
B. Liquidity Ratios						
7. Current assets to current liabilities +	1.3	1.4	1.2	1.2	1.2	1.0
8. Quick assets to current liabilities	14.9	21.9	23.4	39.6	46.1	30.3
9. Current assets to total net assets	34.9	36.9	40.2	41.4	40.2	41.1
10. Sundry creditors to current assets	36.1	31.9	27.0	48.4	53.9	48.9
11. Sundry creditors to net working capital	141.1	100.9	125.0	264.6	290.7	#
C. Assets Utilisation and Turnover Ratios						
12. Sales to total net assets	60.3	65.7	65.1	161.6	158.9	160.6
13. Sales to gross fixed assets	59.7	62.2	63.6	228.4	229.1	227.8
14. Inventories to sales	13.2	16.7	18.7	12.1	11.2	12.4
15. Sundry debtors to sales	4.2	6.6	6.0	3.6	4.1	3.1
16. Exports to sales	12.7	12.6	6.3	5.6	5.2	5.3
17. Gross value added to gross fixed assets	28.1	30.6	29.9	55.0	53.2	57.1
18. Raw materials consumed to value of production	10.1	17.1	15.1	35.6	38.3	43.7
D. Sources and Uses of Funds Ratios @						
19. Gross fixed assets formation to total uses of funds		&	33.1		37.4	59.7
20. Gross capital formation to total uses of funds		&	53.5		36.3	91.5
21. External sources of funds to total sources of funds		&	&		23.4	43.5
22. Increase in bank borrowings to total external sources		&	&		-14.8	24.8
23. Gross savings to gross capital formation		&	#		#	103.0
E. Profitability and Profit Allocation Ratios						
24. Gross profits to total net assets	–	*	*	21.0	20.5	23.6
25. Gross profits to sales	–	*	*	13.0	12.9	14.7
26. Profits after tax to net worth	–	*	*	23.3	23.0	26.0
27. Tax provision to profits before tax	–	#	#	39.2	39.9	37.3
28. Profits retained to profits after tax	–	&	&	45.8	36.2	45.4
29. Dividends to net worth	0.1	0.4	0.6	12.6	14.6	14.2
30. Ordinary dividends to ordinary paid-up capital	2.0	5.3	7.1	87.3	103.9	108.4

Statement 11: Select Financial Ratios - Select Foreign Direct Investment Companies, Industry-Wise-2003-2004 to 2005-06 *(Contd.)*

(Per cent)

Select Financial Ratios	Chemical and Chemical Products (78)			Rubber and Plastic Products (22)		
	2003-04	2004-05	2005-06	2003-04	2004-05	2005-06
1	8	9	10	11	12	13
A. Capital Structure Ratios						
1. Net fixed assets to total net assets	24.5	25.9	26.6	47.4	42.2	42.8
2. Net worth to total net assets	43.8	45.2	47.6	31.3	31.2	28.9
3. Debt to equity	27.3	26.1	14.1	82.2	73.3	97.5
4. Debt to equity (equity adjusted for revaluation reserve)	27.8	26.5	14.3	111.1	92.1	105.9
5. Short term bank borrowings to inventories	43.5	35.1	45.9	124.6	120.5	118.7
6. Total outside liabilities to net worth	128.0	121.1	109.9	219.2	220.2	245.8
B. Liquidity Ratios						
7. Current assets to current liabilities +	1.3	1.2	1.3	0.7	0.7	0.9
8. Quick assets to current liabilities	66.3	60.3	71.0	40.1	40.4	58.0
9. Current assets to total net assets	57.1	52.4	60.6	32.1	34.9	39.0
10. Sundry creditors to current assets	33.0	39.3	34.7	50.0	48.9	38.4
11. Sundry creditors to net working capital	142.7	209.2	136.8	-	#.	#.
C. Assets Utilisation and Turnover Ratios						
12. Sales to total net assets	113.6	112.1	118.3	70.6	75.0	77.8
13. Sales to gross fixed assets	263.6	252.8	264.9	80.0	91.3	94.1
14. Inventories to sales	16.0	16.1	15.4	11.0	12.2	10.2
15. Sundry debtors to sales	12.3	12.6	13.1	16.6	17.1	17.4
16. Exports to sales	12.0	12.3	12.1	12.9	15.6	15.5
17. Gross value added to gross fixed assets	65.8	57.3	59.0	17.1	17.1	18.2
18. Raw materials consumed to value of production	49.8	51.9	53.0	58.6	63.6	64.9
D. Sources and Uses of Funds Ratios @						
19. Gross fixed assets formation to total uses of funds		49.2	43.5		20.9	48.5
20. Gross capital formation to total uses of funds		63.8	62.0		37.7	45.5
21. External sources of funds to total sources of funds		40.0	13.3		67.5	47.4
22. Increase in bank borrowings to total external sources		-1.7	#		44.1	19.9
23. Gross savings to gross capital formation		92.6	166.0		108.2	96.8
E. Profitability and Profit Allocation Ratios						
24. Gross profits to total net assets	17.7	15.2	16.2	6.8	6.0	6.9
25. Gross profits to sales	15.6	13.6	13.7	9.6	8.0	8.9
26. Profits after tax to net worth	26.1	23.4	25.4	10.0	7.9	16.7
27. Tax provision to profits before tax	34.9	31.6	29.6	37.4	29.7	20.3
28. Profits retained to profits after tax	24.5	34.9	40.7	73.9	63.3	60.0
29. Dividends to net worth	20.7	16.1	15.7	3.3	3.2	7.0
30. Ordinary dividends to ordinary paid-up capital	163.5	132.7	142.8	11.2	12.6	27.2

Statement 11: Select Financial Ratios - Select Foreign Direct Investment Companies, Industry-Wise-2003-2004 to 2005-06 *(Contd.)*

(Per cent)

Select Financial Ratios	Machinary and Machine Tools (74)			Electrical Machinary and Apparatus (31)		
	2003-04	2004-05	2005-06	2003-04	2004-05	2005-06
1	14	15	16	17	18	19
A. Capital Structure Ratios						
1. Net fixed assets to total net assets	27.8	25.3	23.9	29.5	29.0	25.1
2. Net worth to total net assets	48.5	47.7	48.6	43.2	43.0	40.5
3. Debt to equity	13.7	9.6	10.6	22.1	26.2	30.3
4. Debt to equity (equity adjusted for revaluation reserve)	13.9	9.7	10.7	23.0	27.2	31.1
5. Short term bank borrowings to inventories	30.0	28.4	20.7	40.2	33.7	31.1
6. Total outside liabilities to net worth	106.0	109.4	105.3	131.0	132.3	146.5
B. Liquidity Ratios						
7. Current assets to current liabilities +	1.4	1.4	1.4	1.3	1.4	1.4
8. Quick assets to current liabilities	83.8	80.8	85.8	86.8	90.7	91.2
9. Current assets to total net assets	65.0	67.4	67.1	64.8	64.2	67.6
10. Sundry creditors to current assets	29.3	30.5	30.7	37.8	37.3	36.3
11. Sundry creditors to net working capital	92.1	100.7	96.3	136.3	125.6	119.8
C. Assets Utilisation and Turnover Ratios						
12. Sales to total net assets	108.4	115.6	119.0	103.6	115.7	119.7
13. Sales to gross fixed assets	173.3	199.3	223.6	180.6	209.0	246.5
14. Inventories to sales	16.7	17.9	15.8	15.7	13.9	13.1
15. Sundry debtors to sales	23.6	21.4	19.8	28.6	25.5	26.0
16. Exports to sales	12.8	13.7	14.1	16.9	12.8	12.8
17. Gross value added to gross fixed assets	41.7	45.2	53.6	38.9	40.5	49.1
18. Raw materials consumed to value of production	55.9	60.0	59.3	60.1	63.9	64.3
D. Sources and Uses of Funds Ratios @						
19. Gross fixed assets formation to total uses of funds		21.3	24.8		35.8	18.5
20. Gross capital formation to total uses of funds		55.2	32.4		48.9	31.5
21. External sources of funds to total sources of funds		45.4	47.0		55.9	57.8
22. Increase in bank borrowings to total external sources		19.6	2.9		3.8	12.8
23. Gross savings to gross capital formation		109.9	182.0		105.0	130.8
E. Profitability and Profit Allocation Ratios						
24. Gross profits to total net assets	10.2	11.5	15.0	9.7	10.8	13.1
25. Gross profits to sales	9.5	9.9	12.6	9.4	9.3	10.9
26. Profits after tax to net worth	13.8	15.9	20.0	15.0	16.1	20.5
27. Tax provision to profits before tax	32.7	36.1	35.4	30.9	31.7	31.6
28. Profits retained to profits after tax	56.7	64.7	72.0	63.4	70.0	76.2
29. Dividends to net worth	5.9	5.6	5.6	5.5	4.8	4.9
30. Ordinary dividends to ordinary paid-up capital	30.1	32.6	38.6	37.3	37.0	42.6

Statement 11: Select Financial Ratios - Select Foreign Direct Investment Companies, Industry-Wise-2003-2004 to 2005-06 *(Contd.)*

(Per cent)

Select Financial Ratios	Motor Vehicles and Transpotr Equipment (35)			Wholesale and Retail Trade (18)		
	2003-04	2004-05	2005-06	2003-04	2004-05	2005-06
1	20	21	22	23	24	25
A. Capital Structure Ratios						
1. Net fixed assets to total net assets	30.7	27.9	26.8	21.5	30.1	24.6
2. Net worth to total net assets	51.2	50.9	54.1	27.9	27.4	29.0
3. Debt to equity	16.2	19.3	14.3	52.2	57.5	42.4
4. Debt to equity (equity adjusted for revaluation reserve)	16.3	19.3	14.4	52.2	57.5	42.4
5. Short term bank borrowings to inventories	32.8	25.0	23.2	0.6	9.3	9.9
6. Total outside liabilities to net worth	95.1	96.1	84.6	258.3	264.6	244.4
B. Liquidity Ratios						
7. Current assets to current liabilities +	1.1	1.2	1.3	1.3	1.2	1.2
8. Quick assets to current liabilities	57.9	65.7	70.1	55.2	65.5	51.9
9. Current assets to total net assets	45.3	48.1	49.8	77.4	68.5	74.8
10. Sundry creditors to current assets	39.2	31.5	29.7	12.7	12.4	12.3
11. Sundry creditors to net working capital	#	149.3	115.6	49.3	71.7	56.4
C. Assets Utilisation and Turnover Ratios						
12. Sales to total net assets	162.8	160.8	157.0	269.8	283.2	302.8
13. Sales to gross fixed assets	227.4	245.1	255.8	#	#	#
14. Inventories to sales	7.7	8.3	9.2	13.5	9.2	12.1
15. Sundry debtors to sales	8.1	7.2	7.7	3.6	4.2	4.0
16. Exports to sales	7.9	8.5	6.7	2.1	1.6	0.4
17. Gross value added to gross fixed assets	45.9	49.4	52.4	58.4	34.2	45.7
18. Raw materials consumed to value of production	66.6	68.5	67.8	86.8	87.3	86.9
D. Sources and Uses of Funds Ratios @						
19. Gross fixed assets formation to total uses of funds		31.9	31.4		73.2	14.5
20. Gross capital formation to total uses of funds		45.3	49.7		50.4	76.8
21. External sources of funds to total sources of funds		28.0	20.8		77.3	83.5
22. Increase in bank borrowings to total external sources		-13.9	21.1		43.0	11.6
23. Gross savings to gross capital formation		137.5	167.6		45.2	22.0
E. Profitability and Profit Allocation Ratios						
24. Gross profits to total net assets	18.1	19.9	20.8	10.4	7.2	9.5
25. Gross profits to sales	11.1	12.3	13.2	3.8	2.5	3.1
26. Profits after tax to net worth	23.2	25.8	25.2	19.4	10.2	10.9
27. Tax provision to profits before tax	35.6	36.9	34.1	36.1	38.7	39.1
28. Profits retained to profits after tax	65.5	71.7	73.5	100.3	100.5	100.4
29. Dividends to net worth	8.0	7.3	6.6	–	*	*
30. Ordinary dividends to ordinary paid-up capital	118.7	129.5	195.4	–	*	*

Statement 11: Select Financial Ratios - Select Foreign Direct Investment Companies, Industry-Wise- 2003-2004 to 2005-06 *(Concld.)*

(Per cent)

Select Financial Ratios	Computer and Related Activities (30)		
	2003-04	2004-05	2005-06
1	26	27	28
A. Capital Structure Ratios			
1. Net fixed assets to total net assets	13.7	13.6	14.1
2. Net worth to total net assets	82.9	75.6	75.5
3. Debt to equity	0.8	2.8	3.9
4. Debt to equity (equity adjusted for revaluation reserve)	0.8	2.8	4.0
5. Short term bank borrowings to inventories	#	#	#
6. Total outside liabilities to net worth	20.5	32.2	32.4
B. Liquidity Ratios			
7. Current assets to current liabilities +	2.8	2.0	2.2
8. Quick assets to current liabilities	#	#	#
9. Current assets to total net assets	43.7	43.9	47.4
10. Sundry creditors to current assets	12.2	13.4	14.6
11. Sundry creditors to net working capital	19.1	26.5	26.2
C. Assets Utilisation and Turnover Ratios			
12. Sales to total net assets	61.6	60.3	60.6
13. Sales to gross fixed assets	#	#	#
14. Inventories to sales	–	–	–
15. Sundry debtors to sales	38.2	37.1	37.2
16. Exports to sales	–	0.4	0.7
17. Gross value added to gross fixed assets	171.1	164.1	164.8
18. Raw materials consumed to value of production	0.1	–	–
D. Sources and Uses of Funds Ratios @			
19. Gross fixed assets formation to total uses of funds		21.4	24.1
20. Gross capital formation to total uses of funds		21.4	24.2
21. External sources of funds to total sources of funds		57.7	73.2
22. Increase in bank borrowings to total external sources		8.7	0.5
23. Gross savings to gross capital formation		#	#
E. Profitability and Profit Allocation Ratios			
24. Gross profits to total net assets	13.5	11.7	11.4
25. Gross profits to sales	22.0	19.4	18.8
26. Profits after tax to net worth	15.1	14.0	12.4
27. Tax provision to profits before tax	15.3	16.2	19.6
28. Profits retained to profits after tax	75.0	58.2	31.3
29. Dividends to net worth	3.7	6.1	8.5
30. Ordinary dividends to ordinary paid-up capital	64.3	109.9	132.6

Statement 12: Select Financial Ratios - Select Foreign Direct Investment Companies - Type-Wise, 2003-04 to 2005-06

(Per cent)

Select Financial Ratios	Public (378)			Private (123)		
	2003-04	2004-05	2005-06	2003-04	2004-05	2005-06
1	2	3	4	5	6	7
A. Capital Structure Ratios						
1. Net fixed assets to total net assets	38.7	35.2	34.6	32.3	29.0	26.8
2. Net worth to total net assets	42.5	45.3	46.8	57.7	58.3	59.2
3. Debt to equity	43.1	36.6	31.6	12.9	9.3	7.1
4. Debt to equity (equity adjusted for revaluation reserve)	45.0	37.7	32.2	12.9	9.3	7.2
5. Short term bank borrowings to inventories	47.3	46.6	58.6	33.2	38.4	38.4
6. Total outside liabilities to net worth	135.2	120.5	113.2	73.1	71.4	68.7
B. Liquidity Ratios						
7. Current assets to current liabilities +	1.1	1.2	1.3	1.8	1.8	1.8
8. Quick assets to current liabilities	59.5	68.2	71.7	120.4	123.7	117.6
9. Current assets to total net assets	45.6	47.1	50.4	63.9	65.4	66.8
10. Sundry creditors to current assets	31.4	30.2	27.4	25.0	24.9	28.2
11. Sundry creditors to net working capital	203.2	140.7	109.9	54.2	55.4	61.3
C. Assets Utilisation and Turnover Ratios						
12. Sales to total net assets	94.4	98.0	98.9	88.0	96.3	99.7
13. Sales to gross fixed assets	144.8	160.0	168.3	161.1	184.2	196.1
14. Inventories to sales	13.6	13.3	13.0	12.7	13.3	14.7
15. Sundry debtors to sales	14.1	13.7	13.8	28.9	30.4	29.0
16. Exports to sales	10.5	10.6	11.4	23.7	21.7	21.8
17. Gross value added to gross fixed assets	37.0	38.5	40.0	53.8	61.4	63.5
18. Raw materials consumed to value of production	49.3	51.9	53.0	40.0	40.6	39.9
D. Sources and Uses of Funds Ratios @						
19. Gross fixed assets formation to total uses of funds		27.9	38.2		26.0	30.0
20. Gross capital formation to total uses of funds		39.5	49.1		45.1	53.1
21. External sources of funds to total sources of funds		47.2	55.5		41.1	32.9
22. Increase in bank borrowings to total external sources		31.0	38.9		33.8	33.2
23. Gross savings to gross capital formation		128.5	105.6		160.4	138.6
E. Profitability and Profit Allocation Ratios						
24. Gross profits to total net assets	11.9	11.9	12.3	11.9	13.5	12.4
25. Gross profits to sales	12.6	12.2	12.4	13.5	14.1	12.4
26. Profits after tax to net worth	17.0	16.8	17.9	12.9	14.5	14.0
27. Tax provision to profits before tax	32.8	32.3	30.7	33.3	33.4	30.4
28. Profits retained to profits after tax	52.8	59.2	61.2	45.1	77.7	80.7
29. Dividends to net worth	8.2	7.0	7.1	7.0	3.2	2.7
30. Ordinary dividends to ordinary paid-up capital	56.0	52.0	59.6	11.7	6.0	5.7

For footnotes, please refer to Statement 2.

APPENDIX
Explanatory notes to various Statements

- As per the Balance of Payments manual (5th edition, 1993; para 362) "Direct investment enterprise is an incorporated or unincorporated enterprise in which a direct investor, who is resident in another economy, owns 10 per cent or more of the ordinary shares or voting power (for an incorporate enterprise) or the equivalent (for an unincorporated enterprise)".
- The growth rates of all the items and data on sources and uses of funds are adjusted for changes due to amalgamation of companies. These are also adjusted for revaluation, etc., wherever necessary.
- Due to rounding off of the figures, the constituent items may not add up to the totals.
- Sales are net of `rebates and discounts' and `excise duty and cess'.
- Manufacturing expenses comprise (a) raw materials, components, etc. consumed, (b) stores and spares consumed, (c) power and fuel and (d) other manufacturing expenses.
- Raw materials, components, etc., consumed include purchases of traded goods in the case of trading companies and consumption of stores and provisions for hotels, restaurants and eating houses.
- Other manufacturing expenses include construction expenses of construction companies and operating expenses of shipping companies, etc
- Remuneration to employees comprises (a) salaries, wages and bonus, (b) provident fund and (c) employees' welfare expenses.
- Non-operating surplus/deficit comprises (a) profit/loss on account of (i) sale of fixed assets, investments, etc., and (ii) revaluation/devaluation of foreign currencies, (b) provisions no longer required written back, (c) insurance claims realised and (d) income or expenditure relating to the previous years and such other items of non-current nature.
- Gross profits are net of depreciation provision but before interest.
- Gross saving is measured as the sum of retained profits and depreciation provision.
- Gross value added comprises (a) net value added and (b) depreciation provision.
- Net value added comprises (a) salaries, wages and bonus, (b) provident fund, (c) employees' welfare expenses, (d) managerial remuneration, (e) rent paid net of rent received, (f) interest paid net of interest received, (g) tax provision, (h) dividends paid net of dividends received and (i) retained profits net of non-operating surplus/ deficit.

APPENDIX

Explanatory notes to various Statements *(Concld.)*

- Debt comprises (a) all borrowings from Govt. and semi-Govt. bodies, financial institutions other than banks, and from foreign institutional agencies, (b) borrowings from banks against mortgages and other long term securities, (c) borrowings from companies and others against mortgages and other long term securities, (d) debentures, deferred payment liabilities and public deposits.
- Equity or Net worth comprises (a) paid-up capital, (b) forfeited shares and (c) all reserves and surplus.
- Current assets comprise (a) inventories, (b) loans and advances and other debtor balances, (c) book value of quoted investments, (d) cash and bank balances and (e) advance of income-tax in excess of tax provision.
- Current liabilities comprise (a) short term borrowings from banks, (b) unsecured loans and other short term borrowings from companies and others, (c) trade dues and other current liabilities and (d) tax provision in excess of advance of income-tax and other current provisions.
- Quick assets comprise (a) sundry debtors, (b) book value of quoted investments and (c) cash and bank balances.
- Capital reserves include profits on sale of investments and fixed assets.
- Other reserves include profits retained in the form of various specific reserves and profit/ loss carried to balance sheet.
- Debentures include privately placed debentures with financial institutions.
- Internal Sources: These are own sources comprising capitalized reserves, retained profits, depreciation provision and other provisions.
- External sources: These are other than own sources comprising funds raised from capital markets, borrowed funds, trade dues and other current liabilities and miscellaneous non-current liabilities.

India's Foreign Trade: 2007-08 (April-February) *

The Directorate General of Commercial Intelligence and Statistics (DGCI & S) has recently released provisional data on India's merchandise trade for April-February, 2007-08 and commodity-wise details for April-December, 2007. This review is based on these data.

HIGHLIGHTS

- India's Merchandise exports during February 2008 recorded a growth of 46.8 per cent, substantially higher than 7.1 per cent during February 2007. The overall exports at US $ 138.3 billion during April-February, 2007-08 increased by 22.8 per cent, thereby almost maintaining the growth attained a year ago (23.2 per cent).
- During February 2008, imports registered a growth of 30.5 per cent as compared with 22.6 per cent in February 2007. The overall imports during April-February, 2007-08 at US $ 210.8 billion maintained higher growth at 30.1 per cent than a year ago (25.2 per cent).
- Imports of petroleum, oil and lubricants (POL) during April-February, 2007-08 moderated to 26.4 per cent from 31.2 per cent a year ago. Non-oil imports continued to register faster growth at 31.8 per cent (22.6 per cent a year ago) and contributed about 72 per cent to the overall growth in imports during April-February, 2007-08.
- The average price of Indian basket of crude oil during April-February, 2007-08 stood at US $ 77.4 per barrel (ranging between US $ 65.2 and US $ 91.8 per barrel), higher by 23.8 per cent than the average price a year ago (US $ 62.5 per barrel).

* Prepared in the Division of International Trade, Department of Economic Analysis and Policy, Reserve Bank of India. Previous issue of the article was published in RBI Bulletin, April 2008.

- The trade deficit during April-February, 2007-08 at US $ 72.5 billion, was higher by US $ 23.1 billion than during April-February, 2006-07 (US $ 49.4 billion).

Exports

India's merchandise exports during February 2008 amounted to US $ 14.2 billion registering a growth of 46.8 per cent. This was the highest monthly growth rate in exports recorded during the financial year 2007-08 (Chart 1, Statement 1). The overall exports during the first eleven months of the financial year 2007-08 (April-February) at US $ 138.3 billion, were higher by 22.8 per cent, which was closer to the growth of 23.2 per cent registered a year ago. The exports during April-February, 2007-08, constituted about 86 per cent of the target fixed by the Ministry of Commerce and Industry, Government of India (US $ 160 billion) as compared with 90 per cent a year ago (US $ 125 billion) (Table 1, Statement 2).

Chart 1: Growth in India's Exports

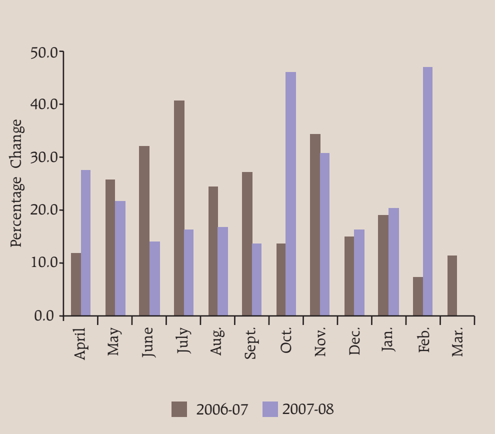


Table 1: India's Merchandise Trade : April-February

(US $ million)

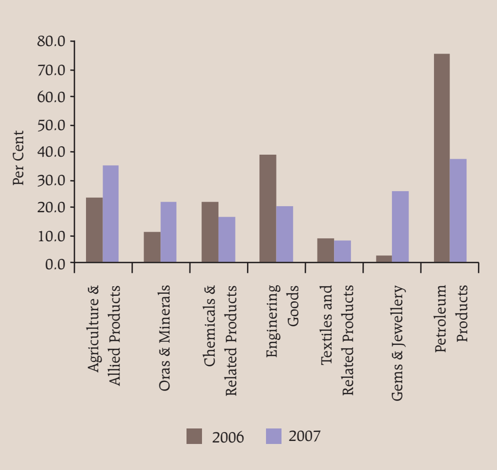
Items	2006-07 R	2007-08P
Exports	1,12,656	1,38,300
	(23.2)	(22.8)
Oil exports*	14,324	19,671
	(74.6)	(37.3)
Non-Oil exports*	77,038	93,694
	(18.7)	(21.6)
Imports	1,62,031	2,10,755
	(25.2)	(30.1)
Oil Imports	52,160	65,942
	(31.2)	(26.4)
Non-Oil Imports	1,09,871	1,44,814
	(22.6)	(31.8)
Trade Balance	-49,375	-72,455

Note : * Figures pertain to April-December.
Figures in parentheses show percentage change over the previous year.
P: Provisional; R: Revised
Source: DGCI & S

For the financial year 2008-09, Ministry of Commerce and Industry, in the Annual Supplement (2008) to the Foreign Trade Policy (2004-09), has fixed an export target of US $ 200 billion, which is higher by 25 per cent than the target for 2007-08 (US $ 160 billion). The promotional and sectoral measures announced in the Annual Supplement aim at further strengthening the potential to the export growth (Box).

The commodity-wise exports data available for 2007-08 (April-December, 2007) showed deceleration in export growth in respect of most of the principal product groups, except agricultural and allied products, iron ore, and gems and jewellery. Agricultural and allied products, engineering goods, gems and jewellery and petroleum products together contributed about 70 per cent of export growth during April-December, 2007 (Chart 2).

Chart 2: Growth Rates of Exports of Select Commodities (April-December)



Exports of primary products during April-December, 2007 recorded a growth of 30.3 per cent as compared with 18.5 per cent a year ago, on the back of higher growth in agricultural and allied products (34.9 per cent) and iron ores (26.9 per cent). Within agricultural and allied products, higher growth rates were witnessed in the exports of rice, spices and oil meal, while coffee, wheat and cashew showed decline.

In the manufactured exports, engineering goods, chemicals and related products, and textiles and textile products witnessed moderation in growth, whereas exports of gems and jewellery displayed sharp acceleration. Engineering goods exports decelerated to 19.7 per cent during April-December, 2007 from 38.4 per cent during April-December, 2006, mainly due to the decline in the exports of iron and steel, and moderation in machinery and instruments and electronic goods. Chemicals and related products moderated to 15.9 per cent from 21.3 per cent a year ago, following decline in the exports of plastic and linoleum, and deceleration in basic chemicals, pharmaceuticals and cosmetics.

Exports of textiles and textile products showed a modest increase of 7.9 per cent during April-December, 2007 (8.5 per cent a year ago). Among the major product groups, man-made yarn, fabrics, made-ups recorded higher growth, while readymade garments and man-made staple fibre decelerated, and natural silk yarn, fabrics, made-ups and carpets declined. According to the US Office of Textiles, during 2008 (January-February), India's exports of textiles and apparel products to the US increased by 8.3 per cent as against a decline of 4.0 per cent a year ago. As against this, China's exports of textiles and apparel products to the US during this period declined by 2.5 per cent compared with an increase of 53.1 per cent a year ago.

Gems and jewellery exports during April-December, 2007, registered a sharp acceleration to 25.6 per cent from 2.0 per cent a year ago. According to the latest information from Gem and Jewellery Export Promotion Council, exports of gems and jewellery during April-February, 2007-08 attained a growth of 23 per cent over the previous year.

Exports of petroleum products during April-December, 2007 recorded a growth of 37.3 per cent, sharp deceleration from 74.6 per cent a year ago. The UAE, Singapore and the Netherlands were the main markets for India's petroleum products.

Destination-wise, the US continued to be the single largest market for India,

Box: Annual Supplement 2008 to Foreign Trade Policy 2004-09: Major Policy Initiatives *(Contd.)*

and inclusion of specific items in IT hardware sector for benefits under high tech product scheme.

Focus Market and Product Schemes: The coverage under Focus Market Scheme (FMS) has been extended and additional 10 countries have been included. FMS/FPS will be calibrated, so that products of general high export intensity, presently not covered under FPS, but which have low penetration in countries and not covered under FMS, will be considered for export incentives as a focus product for that particular country.

Export Facilitation Measures: The export facilitation measures include payment of interest to exporters, if refund of duties is delayed; extension of facility of export on consignment basis to the export of coloured gem stones; free disposal of waste/scrap/remnant generated in manufacturing or processing activities of a special economic zone (SEZ) unit/developer/co-developer in domestic tariff area (DTA), subject to payment of applicable customs duty; withdrawal of requirement of submission of non-availment of MODVAT certificate in specified cases; recognition of Surat Hira Bourse as port of export for jewellery; and inclusion of some additional ports under export promotion schemes for reducing costs and adhering to delivery schedules.

Measures to Reduce Transaction Cost: Electronic Data Interface (EDI)-enabling of Advance Authorisation Scheme and EPCG Scheme through electronic message exchange to do away with present requirement of physical verification and registration at Customs end; treating all existing EDI ports as a single port and there will be no requirement of telegraphic release advice (TRA) under Advance Authorization Scheme; payment of duty under EPCG scheme through debit of duty credit scrips under promotional schemes of DEPB; and reduction in application fee for duty credit scrips and for EPCG authorizations and for importer-exporter code number and reduction of fee in case of supplementary claims.

Procedural Simplification: The procedural simplifications announced in the Supplement include allowing EOUs to pay excise duty on monthly basis, instead of the present system of paying duty on consignment basis, subject to conditions; allowing pro-rata enhancement/reduction in cost insurance freight (cif) value or duty saved amount beyond 10 per cent under EPCG scheme; treating certificate of registration as exporter of spices issued by Spices Board as Registration-Cum-Membership Certificate; issuance of installation certificate by Central Excise under EPCG scheme within 30 days of intimation by exporter; endorsement of supply invoice by Central Excise within 21 days of supply to facilitate faster clearance of deemed export benefits; increase in limit of duty free import of samples; extension of time period for re-import of branded jewellery remaining unsold; and raising of value of jewellery parcels through foreign post office.

The government has fixed an export target of US $ 200 billion for the current financial year (2008-09), which is higher by 25.0 per cent than the target set for the year 2007-08 (US $ 160 billion). The sectoral initiatives and other promotional measures announced in the Annual Supplement are expected to give impetus to growth potential of India's exports, while the expected slowdown in world income and global trade in 2008, are some of the downside risks on the export front.

Box: Annual Supplement 2008 to Foreign Trade Policy 2004-09: Major Policy Initiatives

The Government of India had announced in 2004 the five year Foreign Trade Policy (2004-09) with the twin major objectives of: (a) to double India's share in global merchandise trade within five years, and (b) to use trade policy as an effective instrument of economic growth and employment generation. During the first four years (2004-08) of the Trade Policy period (2004-09), India's merchandise exports attained new heights from US $ 83.5 billion in 2004-05 to US $ 138.3 billion in 2007-08 (April-February), recording an average annual growth rate of about 25 per cent. India's share in world exports has increased from 0.8 per cent in 2004 to 1.0 per cent in 2007 and India's rank as world merchandise exporter improved from 30 in 2005 to 26 in 2007.

The Annual Supplement (2008) to India's Foreign Trade Policy (2004-09), announced by the Government of India on April 11, 2008, aims at further strengthening of the export sector by introducing sectoral initiatives, promotional measures, relief to sectors affected by rupee appreciation, measures to reduce transaction cost and procedural simplification. The major policy initiatives are as under:

Promotional Measures: The customs duty under the Export Promotion Capital Goods (EPCG) scheme has been reduced from 5 per cent to 3 per cent to promote modernization of manufacturing and services exports. The EPCG scheme allows import of capital goods for pre-production, production and post-production, subject to certain export obligation. Average export obligation under EPCG for Premier Trading Houses, as an option, would be calculated, based on the average of past 5 years' exports, instead of the existing criterion of 3 years. The Duty Entitlement Pass Book (DEPB) scheme is extended upto May 2009. Income tax benefit to 100 per cent export oriented units (EOUs), available under Section 10B of Income Tax Act, is extended for one more year, beyond March 31, 2009.

Relief Measures to Exporters: The Government granted interest subvention of 2 per cent on export credit to specified sectors affected by rupee appreciation, such as, textiles, leather products, engineering products on July 12, 2007, and it was extended upto March 31, 2008. Additional subvention of 2 per cent was granted on November 29, 2007 to some of the sectors, such as, marine products, handicrafts and textiles. The Annual Supplement (2008) has extended the interest rate subvention to these sectors for one more year. Average export obligation is also reduced under EPCG for the affected sectors.

Sectoral Initiatives: To promote exports of sports and toys, which are mainly produced by the unorganized labour intensive sector, an additional duty credit scrip of 5 per cent has been announced, over and above the benefits under the Focus Product Scheme (FPS). To neutralize the disadvantage of high incidence of freight cost suffered by fresh fruits and vegetables and floriculture on the export front, the Annual Supplement announced an additional duty credit scrip of 2.5 per cent to these sectors, over and above the normal benefit available under Vishesh Krishi and Gram Udyog Yojana (VKGUY). Specific initiatives have been announced for exports from sectors, viz., IT hardware, telecom, toys and sports goods, such as, setting up of a new Export Promotion Council for telecom sector with a share of 13.4 per cent in the overall exports (15.3 per cent a year ago). The other major destinations were the UAE (10.1 per cent), China (6.0 per cent), Singapore (4.5 per cent), the UK (4.3 per cent), Hong Kong (3.9 per cent), the Netherlands (3.2 per cent) and Germany (3.2 per cent). Region-wise, exports to the EU, Eastern Europe and Asian developing countries accelerated, while those to North America, Asia and Oceania, OPEC, African developing countries and Latin American countries moderated.

Imports

India's merchandise imports during April-February, 2007-08 at US $ 210.8 billion recorded a higher growth of 30.1 per cent than 25.2 per cent in April-February, 2006-07. While petroleum, oil and lubricants (POL) imports showed moderation (from 31.2 per cent in April-February, 2006-07 to 26.4 per cent in April-February, 2007-08), non-oil imports continued to show accelerated growth (from 22.6 per cent to 31.8 per cent).

The moderation in POL imports during April-February, 2007-08 was mainly due to deceleration in the quantity of oil imports, while crude oil prices remained elevated. The growth in volume of oil imports during April-December, 2007 decelerated to 7.5 per cent from 21.5 per cent during April-December, 2006. The average price of Indian basket of crude oil during April-February, 2007-08 stood at US $ 77.4 per barrel (ranging between US $ 65.2 and US $ 91.8 per barrel), an increase of 23.8 per cent over the price a year ago (Table 2).

Non-oil imports during April-February, 2007-08 accelerated to 31.8 per cent (22.6 per cent a year ago) in the wake of strong growth in the import of capital goods and gold and silver, which together contributed about 50 per cent to the growth in non-oil imports (Chart 3 and Statement 5).

During April-December, 2007, capital goods imports increased by 31.6 per cent

Table 2: Trends in Crude Oil Prices

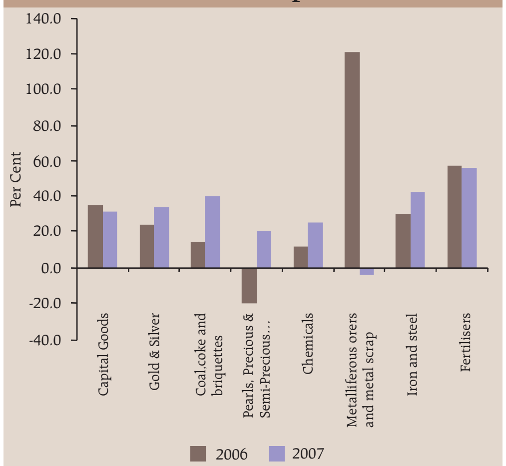
(US $/barrel)

	Dubai	UK Brent	US-WTI	Indian basket*
1995-96	16.2	17.5	18.8	16.7
2000-01	25.9	28.1	30.3	26.8
2001-02	21.8	23.2	24.1	22.4
2002-03	25.9	27.6	29.2	26.6
2003-04	26.9	29.0	31.4	27.8
2004-05	36.4	42.2	45.0	39.2
2005-06	53.4	58.0	59.9	55.7
2006-07	60.9	64.4	64.7	62.4
2006-07 (April-Feb.)	61.0	64.6	65.1	62.5
2007-08 (April-Feb.)	75.5	80.4	80.2	77.4
Feb. 2007	55.7	57.8	59.3	56.5
Feb. 2008	90.0	94.8	95.4	91.8

Note:* The composition of Indian Basket represents average of Oman and Dubai for sour grades and Brent (dated) for sweet grade in the ratio of 61.4:38.6 for 2007-08.

Sources: International Monetary Fund, International Financial Statistics, World Bank's Commodity Price Pink sheet March 2007.

Chart 3: Growth Rates of Imports of Select Commodities (April -December)



(35.9 per cent a year ago), while gold and silver grew by 34.4 per cent (24.5 per cent). According to the World Gold Council, gold prices in US dollar terms (London pm fix) were higher by 18.2 per cent during April-December, 2007 than 3.0 per cent a year ago. The other major non-oil products which showed accelerated growth in imports during the period were coal, coke and briquettes; pearls, precious and semi-precious stones; chemicals; and iron and steel.

Source-wise, China was the main source of imports, constituting 11.5 per cent of total imports during April-December, 2007. The other major sources were Saudi Arabia (7.8 per cent), the US (5.8 per cent), the UAE (5.6 per cent), Switzerland (4.6 per cent), Iran (4.2 per cent), Germany (3.9 per cent) and Australia (3.5 per cent) [Statement 6].

Trade Deficit

The trade deficit during April-February, 2007-08 stood at US $ 72.5 billion, which was higher by US $ 23.1 billion than during April-February, 2006-07. The trade deficit on oil account during April-December, 2007 amounted to US $ 34.7 billion, higher by US $ 5.2 billion than a year ago.

Global Trade

According to the World Trade Organisation (WTO) press release dated April 17, 2008, world merchandise exports growth, in real terms, slowed down to 5.5 per cent in 2007 from 8.5 per cent in 2006, on the back of reduced global economic growth (from 3.7 per cent in 2006 to 3.4 per cent in 2007) and weaker demand in the US, Europe, Japan and net oil importing developing countries in Asia. In dollar terms, world exports rose by 15 per cent in 2007, which was marginally lower than 15.3 per cent in 2006 (Table 3). Exports of industrial countries in 2007 increased at higher rate of 13.6 per cent as compared with 12.4 per cent in 2006, whereas growth of emerging and developing economies was lower at 16.8 per cent in 2007 than 19.1 per cent in 2006.

For the year 2008, the WTO projected further slow down in global merchandise trade to about 4.5 per cent from 5.5 per cent in 2007 in the wake of projected deceleration in global output (from 3.4 per cent in 2007 to 2.6 per cent in 2008), recessionary tendencies in the US, weaker demand in Europe and Japan, rise in inflation and depressed global stock market.

Table 3: Growth in Exports - Global Scenario

(Per Cent)

Region/Country	2005	2006	2007
World	14.0	15.3	15.0
Industrial Countries	8.5	12.4	13.6
Emerging and Developing Economies	22.0	19.1	16.8
Non-Oil Developing Countries	19.3	19.4	17.9
China	28.4	27.2	25.6
France	3.8	9.9	12.0
Germany	7.3	14.7	18.5
India	29.9	21.4	20.3
Indonesia	22.9	18.3	16.8
Japan	5.2	9.2	9.2
Korea	12.0	14.4	14.2
Malaysia	12.0	14.0	9.6
Singapore	15.6	18.4	10.1
Thailand	14.5	18.5	16.8
US	10.8	14.7	12.2

Source: International Monetary Fund; DGCI & S for India.

Statement 1 : India's Foreign Trade - February 2008

Year	Export			Import			Trade Balance		
	Total	Oil	Non-Oil	Total	Oil	Non-Oil	Total	Oil	Non-Oil
1	2	3	4	5	6	7	8	9	10
Rupees crore									
2005-06	40,141	5,194	34,947	51,136	18,219	32,917	-10,994	-13,025	2,031
	(14.2)	(80.0)	(8.3)	(13.0)	(64.8)	(-3.7)			
2006-07 R	42,841	5,645	37,196	62,470	19,852	42,618	-19,629	-14,207	-5,422
	(6.7)	(8.7)	(6.4)	(22.2)	(9.0)	(29.5)			
2007-08 P	56,569	..	..	73,372	24,921	48,451	-16,803		
	(32.0)			(17.5)	(25.5)	(13.7)			
US dollar million									
2005-06	9,055	1,172	7,884	11,535	4,110	7,426	-2,480	-2,938	458
	(12.5)	(77.3)	(6.7)	(11.4)	(62.4)	(-5.1)			
2006-07 R	9,702	1,278	8,423	14,147	4,496	9,651	-4,445	-3,217	-1,228
	(7.1)	(9.1)	(6.8)	(22.6)	(9.4)	(30.0)			
2007-08 P	14,237	..	..	18,466	6,272	12,194	-4,229		
	(46.8)			(30.5)	(39.5)	(26.4)			
SDR million									
2005-06	6,307	816	5,491	8,035	2,863	5,172	-1,728	-2,047	319
	(19.0)	(87.4)	(12.8)	(17.7)	(71.7)	(0.3)			
2006-07 R	6,479	854	5,626	9,448	3,002	6,446	-2,969	-2,149	-820
	(2.7)	(4.6)	(2.4)	(17.6)	(4.9)	(24.6)			
2007-08 P	8,980	..	..	11,647	3,956	7,691	-2,667		
	(38.6)			(23.3)	(31.8)	(19.3)			

P : Provisional. R : Revised. .. : Not available.

Note : Figures in brackets relate to percentage variation over the corresponding previous period.

Source : DGCI & S.

Statement 2 : India's Foreign Trade

Year	Exports			Imports			Trade Balance		
	Total	Oil	Non-Oil	Total	Oil	Non-Oil	Total	Oil	Non-Oil
1	2	3	4	5	6	7	8	9	10
April-March									
Rupees crore									
2004-05	375,340	31,404	343,935	501,065	134,094	366,971	-125,725	-102,690	-23,035
	(27.9)	(91.5)	(24.2)	(39.5)	(41.9)	(38.7)			
2005-06 R	456,418	51,533	404,885	660,409	194,640	465,769	-203,991	-143,107	-60,884
	(21.6)	(64.1)	(17.7)	(31.8)	(45.2)	(26.9)			
2006-07 P	571,779	84,520	487,259	840,506	258,572	581,935	-268,727	-174,052	-94,675
	(25.3)	(64.0)	(20.3)	(27.3)	(32.8)	(24.9)			
US dollar million									
2004-05	83,536	6,989	76,547	111,517	29,844	81,673	-27,981	-22,855	-5,127
	(30.8)	(95.9)	(27.0)	(42.7)	(45.1)	(41.8)			
2005-06 R	103,091	11,640	91,451	149,166	43,963	105,203	-46,075	-32,323	-13,752
	(23.4)	(66.5)	(19.5)	(33.8)	(47.3)	(28.8)			
2006-07 P	126,361	18,679	107,683	185,749	57,144	128,606	-59,388	-38,465	-20,923
	(22.6)	(60.5)	(17.7)	(24.5)	(30.0)	(22.2)			
SDR million									
2004-05	56,081	4,692	51,389	74,866	20,036	54,830	-18,785	-15,343	-3,442
	(25.6)	(88.0)	(21.9)	(36.9)	(39.2)	(36.1)			
2005-06 R	70,774	7,991	62,783	102,405	30,182	72,224	-31,632	-22,191	-9,441
	(26.2)	(70.3)	(22.2)	(36.8)	(50.6)	(31.7)			
2006-07 P	85,018	12,567	72,451	124,975	38,447	86,528	-39,957	-25,880	-14,077
	(20.1)	(57.3)	(15.4)	(22.0)	(27.4)	(19.8)			
April-February									
Rupees crore									
2005-06	404,720	47,016	357,703	572,687	175,945	396,742	-167,967	-128,929	-39,038
	(24.0)	(64.8)	(20.1)	(30.7)	(47.0)	(24.6)			
2006-07 R	511,016	77,308	433,709	734,984	236,601	498,383	-223,968	-159,294	-64,674
	(26.3)	(64.4)	(21.2)	(28.3)	(34.5)	(25.6)			
2007-08 P	556,686	..	..	848,333	265,429	582,904	-291,647		
	(8.9)			(15.4)	(12.2)	(17.0)			
US dollar million									
2005-06	91,453	10,624	80,828	129,407	39,757	89,650	-37,955	-29,133	-8,821
	(26.2)	(67.7)	(22.2)	(33.0)	(49.7)	(26.8)			
2006-07 R	112,656	17,043	95,613	162,031	52,160	109,871	-49,375	-35,117	-14,258
	(23.2)	(60.4)	(18.3)	(25.2)	(31.2)	(22.6)			
2007-08 P	138,300	19671*	93694*	210,755	65,942	144,814	-72,455		
	(22.8)	(37.3)	(21.6)	(30.1)	(26.4)	(31.8)			
SDR million									
2005-06	62,713	7,285	55,428	88,741	27,264	61,477	-26,027	-19,978	-6,049
	(28.6)	(71.0)	(24.6)	(35.6)	(52.5)	(29.2)			
2006-07 R	75,891	11,481	64,410	109,153	35,138	74,015	-33,262	-23,657	-9,605
	(21.0)	(57.6)	(16.2)	(23.0)	(28.9)	(20.4)			
2007-08 P	89,279	..	..	136,052	42,568	93,483	-46,773		
	(17.6)			(24.6)	(21.1)	(26.3)			

P : Provisional. R : Revised. .. : Not available. * : Figures pertain to the period of April-December.

Note : 1. Figures in brackets relate to percentage variation over the corresponding period of the previous year.
2. Data conversion has been done using period average exchange rates.

Source : DGCI & S.

Statement 3 : India's Exports of Principal Commodities

(US $ million)

Commodity Group	April-December			Percentage Variation	
	2005-06	2006-07	2007-08 P	(3)/(2)	(4)/(3)
(1)	(2)	(3)	(4)	(5)	(6)
I. Primary Products	**11,147.7**	**13,212.9**	**17,216.2**	**18.5**	**30.3**
	(15.2)	**(14.5)**	**(15.2)**		
A. Agricultural & Allied Products	**6,990.5**	**8,596.9**	**11,595.6**	**23.0**	**34.9**
of which :	**(9.6)**	**(9.4)**	**(10.2)**		
1. Tea	304.5	355.5	362.7	16.8	2.0
2. Coffee	247.7	316.0	298.7	27.6	-5.5
3. Rice	1,023.3	1,075.7	1,824.6	5.1	69.6
4. Wheat	125.0	7.6	0.0	-93.9	-99.4
5. Cotton Raw incl. Waste	296.4	637.5	955.6	115.1	49.9
6. Tobacco	208.0	272.3	351.4	30.9	29.1
7. Cashew incl. CNSL	451.5	413.5	398.2	-8.4	-3.7
8. Spices	349.8	485.8	737.6	38.9	51.8
9. Oil Meal	577.7	724.8	1,043.2	25.5	43.9
10. Marine Products	1,142.1	1,245.8	1,354.5	9.1	8.7
11. Sugar & Mollases	39.2	546.3	911.1	1,293.5	66.8
B. Ores & Minerals	**4,157.1**	**4,616.0**	**5,620.5**	**11.0**	**21.8**
of which :	**(5.7)**	**(5.1)**	**(5.0)**		
1. Iron Ore	2,591.5	2,569.1	3,259.0	-0.9	26.9
2. Processed Minerals	794.0	963.9	896.7	21.4	-7.0
II. Manufactured Goods	**51,827.5**	**61,537.7**	**72,146.3**	**18.7**	**17.2**
of which :	**(70.9)**	**(67.4)**	**(63.6)**		
A. Leather & Manufactures	**1,975.6**	**2,222.9**	**2,449.9**	**12.5**	**10.2**
B. Chemicals & Related Products	**10,421.7**	**12,643.1**	**14,658.9**	**21.3**	**15.9**
1. Basic Chemicals, Pharmaceuticals & Cosmetics	6,306.6	7,930.8	9,515.3	25.8	20.0
2. Plastic & Linoleum	2,092.6	2,438.4	2,395.3	16.5	-1.8
3. Rubber, Glass, Paints & Enamels etc.,	1,518.4	1,743.9	2,056.5	14.8	17.9
4. Residual Chemicals & Allied Products	504.2	530.0	691.8	5.1	30.5
C. Engineering Goods	**15,396.4**	**21,315.8**	**25,519.7**	**38.4**	**19.7**
of which :					
1. Manufactures of metals	3,042.5	3,707.4	4,842.1	21.9	30.6
2. Machinery & Instruments	3,575.1	4,873.4	6,102.9	36.3	25.2
3. Transport equipments	3,091.0	3,333.5	4,708.5	7.8	41.2
4. Iron & steel	2,554.6	3,868.6	3,847.9	51.4	-0.5
5. Electronic goods	1,554.7	2,115.4	2,299.1	36.1	8.7
D. Textiles and Textile Products	**11,657.8**	**12,653.8**	**13,656.0**	**8.5**	**7.9**
1. Cotton Yarn, Fabrics, Made-ups, etc.,	2,844.6	3,092.4	3,375.9	8.7	9.2
2. Natural Silk Yarn, Fabrics Madeups etc. (incl.silk waste)	329.9	332.0	277.4	0.6	-16.4
3. Manmade Yarn, Fabrics, Made-ups, etc.,	1,417.5	1,605.8	2,076.0	13.3	29.3
4. Manmade Staple Fibre	62.6	134.7	182.4	115.1	35.5
5. Woolen Yarn, Fabrics, Madeups etc.	64.5	63.1	64.5	-2.2	2.2
6. Readymade Garments	5,996.1	6,400.6	6,677.7	6.7	4.3
7. Jute & Jute Manufactures	222.3	220.3	237.2	-0.9	7.7
8. Coir & Coir Manufactures	101.5	102.9	118.4	1.3	15.1
9. Carpets	618.9	702.1	646.6	13.5	-7.9
(a) Carpet Handmade	602.7	677.8	638.2	12.5	-5.8
(b) Carpet Millmade	0.0	0.0	0.0		
(c) Silk Carpets	16.2	24.3	8.4	50.3	-65.7
E. Gems & Jewellery	**11,291.3**	**11,518.6**	**14,468.7**	**2.0**	**25.6**
F. Handicrafts	**349.9**	**336.1**	**324.0**	**-3.9**	**-3.6**
III. Petroleum Products	**8,202.1**	**14,323.7**	**19,670.7**	**74.6**	**37.3**
	(11.2)	**(15.7)**	**(17.4)**		
IV. Others	**1,933.6**	**2,287.0**	**4,331.5**	**18.3**	**89.4**
	(2.6)	**(2.5)**	**(3.8)**		
Total Exports	**73,110.9**	**91,361.3**	**1,13,364.7**	**25.0**	**24.1**

P - Provisional.

Note 1 - Figures in brackets relate to percentage to total exports for the period.

Source - DGCI & S.

Statement 4 : Direction of India's Foreign Trade-Exports

(US $ million)

Group / Country	April-December			Percentage Variation	
	2005-06	2006-07	2007-08 P	(3)/(2)	(4)/(3)
(1)	(2)	(3)	(4)	(5)	(6)
I. O E C D Countries	**32,853.7**	**37,783.6**	**44,640.3**	**15.0**	**18.1**
A. E U	**15,936.1**	**18,513.9**	**23,228.2**	**16.2**	**25.5**
Of which:					
1. Belgium	1,968.6	2,428.3	2,997.0	23.4	23.4
2. France	1,451.9	1,512.1	1,834.5	4.1	21.3
3. Germany	2,540.3	2,810.6	3,633.5	10.6	29.3
4. Italy	1,717.3	2,585.7	2,780.5	50.6	7.5
5. Netherland	1,872.4	1,868.8	3,573.5	-0.2	91.2
6. U K	3,768.1	4,093.9	4,901.3	8.6	19.7
B. North America	**13,319.7**	**14,763.2**	**16,138.7**	**10.8**	**9.3**
1. Canada	719.7	824.2	903.5	14.5	9.6
2. U S A	12,600.0	13,939.0	15,235.2	10.6	9.3
C. Asia and Oceania	**2,445.6**	**3,192.0**	**3,407.9**	**30.5**	**6.8**
Of which:					
1. Australia	610.9	676.6	841.0	10.7	24.3
2. Japan	1,719.3	2,045.8	2,463.9	19.0	20.4
D. Other O E C D Countries	**1,152.3**	**1,314.5**	**1,865.6**	**14.1**	**41.9**
Of which:					
1. Switzerland	334.9	315.5	424.5	-5.8	34.5
II. O P E C	**10,599.3**	**15,288.6**	**19,164.3**	**44.2**	**25.4**
Of which:					
1. Indonesia	937.9	1,428.2	1,315.2	52.3	-7.9
2. Iran	756.6	1,187.7	1,652.5	57.0	39.1
3. Iraq	82.1	139.3	161.5	69.7	15.9
4. Kuwait	372.1	462.9	471.9	24.4	2.0
5. Saudi Arabia	1,310.8	1,830.2	2,489.4	39.6	36.0
6. U A E	5,988.0	8,917.8	11,418.7	48.9	28.0
III. Eastern Europe	**1,425.1**	**1,769.3**	**2,443.7**	**24.1**	**38.1**
Of which:					
1. Romania	59.3	104.6	187.6	76.5	79.3
2. Russia	525.5	638.5	666.0	21.5	4.3
IV. Developing Countries	**28,033.7**	**36,313.2**	**46,738.3**	**29.5**	**28.7**
Of which:					
A. Asia	**21,864.7**	**26,922.1**	**33,994.7**	**23.1**	**26.3**
a) S A A R C	**4,016.3**	**4,704.5**	**6,049.5**	**17.1**	**28.6**
1. Bangladesh	1,187.4	1,193.6	1,599.5	0.5	34.0
2. Bhutan	75.2	40.1	62.7	-	56.4
3. Maldives	52.0	49.2	61.4	-5.4	24.7
4. Nepal	635.1	701.1	913.7	10.4	30.3
5. Pakistan	437.5	982.7	1,320.4	124.6	34.4
6. Sri Lanka	1,529.8	1,610.4	1,916.1	5.3	19.0
7. Afghanistan	99.3	127.4	175.7	28.3	37.9
b) Other Asian Developing Countries	**17,848.4**	**22,217.6**	**27,945.2**	**24.5**	**25.8**
Of which:					
1. People's Rep of China	4,505.6	5,589.7	6,746.3	24.1	20.7
2. Hong Kong	3,244.5	3,257.1	4,438.9	0.4	36.3
3. South Korea	1,176.5	1,675.1	1,665.5	42.4	-0.6
4. Malaysia	825.2	995.7	1,562.6	20.7	56.9
5. Singapore	4,068.2	4,768.8	5,133.6	17.2	7.7
6. Thailand	746.2	1,022.6	1,251.2	37.0	22.4
B. Africa	**3,967.1**	**6,383.3**	**8,839.4**	**60.9**	**38.5**
Of which:					
1. Benin	74.8	113.1	189.8	51.3	67.8
2. Egypt Arab Republic	443.0	508.3	961.9	14.7	89.2
3. Kenya	330.3	1,039.0	967.2	214.5	-6.9
4. South Africa	1,126.4	1,691.9	1,721.7	50.2	1.8
5. Sudan	230.3	300.3	276.8	30.4	-7.8
6. Tanzania	175.9	210.2	390.9	19.5	86.0
7. Zambia	50.5	81.3	108.2	61.1	33.0
C. Latin American Countries	**2,201.8**	**3,007.7**	**3,904.1**	**36.6**	**29.8**
V. Others	**73.5**	**80.1**	**111.2**	**9.0**	**38.8**
VI. Unspecified	**125.6**	**126.6**	**267.0**	**0.7**	**110.9**
Total Exports	**73,110.9**	**91,361.3**	**1,13,364.7**	**25.0**	**24.1**

P - Provisional.
Source- DGCI & S.

Statement 5 : India's Imports of Principal Commodities

(US $ million)

Commodity Group	April-December			Percentage Variation	
	2005-06	2006-07	2007-08 P	(3)/(2)	(4)/(3)
(1)	(2)	(3)	(4)	(5)	(6)
I. Bulk Imports	**44,309.8**	**63,427.4**	**78,741.9**	**43.1**	**24.1**
	(42.1)	**(47.2)**	**(45.8)**		
A. Petroleum, Petroleum Products & Related Material	**31,476.9**	**43,871.2**	**54,399.8**	**39.4**	**24.0**
	(29.9)	**(32.6)**	**(31.6)**		
B. Bulk Consumption Goods	**2,151.3**	**2,603.3**	**3,283.3**	**21.0**	**26.1**
1. Wheat	0.0	304.1	372.3	-	-
2. Cereals & Cereal Preparations	23.0	26.2	26.5	13.7	1.1
3. Edible Oil	1,527.8	1,661.9	1,976.8	8.8	18.9
4. Pulses	453.5	610.4	907.3	34.6	48.6
5. Sugar	146.9	0.7	0.5	-	-
C. Other Bulk Items	**10,681.6**	**16,952.8**	**21,058.7**	**58.7**	**24.2**
1. Fertilisers	1,667.9	2,628.2	4,116.6	57.6	56.6
a) Crude	237.3	260.5	335.4	9.8	28.8
b) Sulphur & Unroasted Iron Pyrites	104.1	78.3	196.3	-24.8	150.8
c) Manufactured	1,326.4	2,289.5	3,584.9	72.6	56.6
2. Non-Ferrous Metals	1,362.7	1,908.5	2,506.9	40.1	31.4
3. Paper, Paperboard & Mgfd. incl. Newsprint	712.7	934.3	1,033.8	31.1	10.6
4. Crude Rubber, incl. Synthetic & Reclaimed	320.9	439.7	562.6	37.1	27.9
5. Pulp & Waste Paper	435.4	466.2	563.8	7.1	20.9
6. Metalliferrous Ores & Metal Scrap	2,727.5	6,058.8	5,796.1	122.1	-4.3
7. Iron & Steel	3,454.6	4,517.1	6,479.0	30.8	43.4
II. Non-Bulk Imports	**61,039.6**	**71,091.8**	**93,370.7**	**16.5**	**31.3**
	(57.9)	**(52.8)**	**(54.2)**		
A. Capital Goods	**22,722.0**	**30,886.5**	**40,653.9**	**35.9**	**31.6**
1. Manufactures of Metals	890.6	1,119.4	1,866.8	25.7	66.8
2. Machine Tools	737.2	1,062.4	1,530.8	44.1	44.1
3. Machinery except Electrical & Electronics	7,050.6	9,902.0	13,142.4	40.4	32.7
4. Electrical Machinery except Electronics	1,083.8	1,446.3	2,028.3	33.4	40.2
5. Electronic Goods incl. Computer Software	10,117.6	12,628.5	15,851.2	24.8	25.5
6. Transport Equipments	2,245.8	3,372.3	5,045.8	50.2	49.6
7. Project Goods	596.5	1,355.6	1,188.6	127.3	-12.3
B. Mainly Export Related Items	**14,607.7**	**13,703.1**	**16,524.6**	**-6.2**	**20.6**
1. Pearls, Precious & Semi-Precious Stones	7,437.0	5,907.8	7,134.0	-20.6	20.8
2. Chemicals, Organic & Inorganic	5,203.5	5,824.4	7,306.1	11.9	25.4
3. Textile Yarn, Fabric, etc.	1,576.8	1,649.4	1,797.0	4.6	8.9
4. Cashew Nuts, raw	390.4	321.4	287.5	-17.7	-10.5
C. Others	**23,710.0**	**26,502.2**	**36,192.1**	**11.8**	**36.6**
of which :					
1. Gold & Silver	8,601.1	10,711.6	14,401.6	24.5	34.4
2. Artificial Resins & Plastic Materials	1,719.4	1,907.3	2,649.3	10.9	38.9
3. Professional Instruments etc. except electrical	1,446.1	1,710.2	2,218.6	18.3	29.7
4. Coal, Coke & Briquittes etc.	2,869.7	3,275.2	4,615.7	14.1	40.9
5. Medicinal & Pharmaceutical Products	727.0	882.7	1,195.2	21.4	35.4
6. Chemical Materials & Products	794.3	1,004.3	1,155.9	26.4	15.1
7. Non-Metallic Mineral Manufactures	465.9	576.1	740.8	23.7	28.6
Total Imports	**1,05,349.4**	**1,34,519.2**	**1,72,112.6**	**27.7**	**27.9**
Memo Items					
Non-Oil Imports	**73,872.5**	**90,648.0**	**1,17,712.7**	**22.7**	**29.9**
Non-Oil Imports excl. Gold & Silver	**65,271.4**	**79,936.4**	**1,03,311.1**	**22.5**	**29.2**
Mainly Industrial Inputs*	**60,347.5**	**73,333.4**	**94,224.3**	**21.5**	**28.5**

P : Provisional.

Note 1 : Figures in brackets relate to percentage to total imports for the period

* : Non oil imports net of gold and silver,bulk consumption goods, manufactured fertilizers and professional instruments.

Source : DGCI & S.

Statement 6 : Direction of India's Foreign Trade-Imports

(US $ million)

Group / Country	April-December			Percentage Variation	
	2005-06	2006-07	2007-08 P	(3)/(2)	(4)/(3)
1	2	3	4	5	6
I. O E C D Countries	**34,978.8**	**43,750.6**	**56,667.1**	**25.1**	**29.5**
A. E U	**16,740.2**	**19,336.4**	**24,635.9**	**15.5**	**27.4**
Of which:					
1. Belgium	3,753.9	3,188.6	3,933.0	-15.1	23.3
2. France	1,270.5	1,596.1	1,997.6	25.6	25.2
3. Germany	4,289.3	5,457.0	6,762.8	27.2	23.9
4. Italy	1,339.1	1,916.1	2,751.8	43.1	43.6
5. Netherland	787.2	815.3	1,428.3	3.6	75.2
6. U K	3,002.3	3,103.1	3,821.3	3.4	23.1
B. North America	**6,515.8**	**8,734.1**	**11,489.3**	**34.0**	**31.5**
1. Canada	708.1	1,032.3	1,433.4	45.8	38.9
2. U S A	5,807.7	7,701.8	10,055.9	32.6	30.6
C. Asia and Oceania	**6,447.7**	**8,727.9**	**10,774.2**	**35.4**	**23.4**
Of which:					
1. Australia	3,698.0	5,242.8	5,978.9	41.8	14.0
2. Japan	2,591.8	3,286.5	4,546.3	26.8	38.3
D. Other O E C D Countries	**5,275.1**	**6,952.3**	**9,767.7**	**31.8**	**40.5**
Of which:					
1. Switzerland	4,971.4	6,333.7	7,838.6	27.4	23.8
II. O P E C	**8,291.7**	**42,518.2**	**52,862.7**	**412.8**	**24.3**
Of which:					
1. Indonesia	2,200.9	2,803.3	3,484.2	27.4	24.3
2. Iran	517.2	5,702.4	7,253.9	1,002.6	27.2
3. Iraq	1.4	4,455.1	4,397.4	-	-1.3
4. Kuwait	316.0	4,403.7	4,883.8	1,293.7	10.9
5. Saudi Arabia	1,163.8	10,262.8	13,508.1	781.9	31.6
6. U A E	3,363.8	6,498.1	9,687.3	93.2	49.1
III. Eastern Europe	**2,982.1**	**3,413.2**	**3,896.5**	**14.5**	**14.2**
Of which:					
1. Romania	213.3	183.9	310.6	-13.8	68.9
2. Russia	1,638.1	1,515.1	1,860.6	-7.5	22.8
IV. Developing Countries	**27,392.5**	**44,261.7**	**58,086.3**	**61.6**	**31.2**
Of which:					
A. Asia	**22,005.0**	**35,196.3**	**46,334.9**	**59.9**	**31.6**
a) S A A R C	**1,054.0**	**1,140.3**	**1,278.2**	**8.2**	**12.1**
1. Bangladesh	88.0	184.5	193.0	109.6	4.6
2. Bhutan	64.6	92.0	154.0	42.5	67.3
3. Maldives	1.4	2.2	2.8	57.0	23.5
4. Nepal	291.0	229.5	311.9	-21.1	35.9
5. Pakistan	141.6	247.8	211.9	75.0	-14.5
6. Sri Lanka	424.8	353.4	330.5	-16.8	-6.5
7. Afghanistan	42.6	30.9	74.1	-27.4	139.5
b) Other Asian Developing Countries	**20,951.0**	**34,056.0**	**45,056.6**	**62.6**	**32.3**
Of which:					
1. People's Rep of China	7,882.3	12,640.1	19,849.5	60.4	57.0
2. Hong Kong	1,574.9	1,842.6	2,197.3	17.0	19.2
3. South Korea	3,237.6	3,572.2	4,278.7	10.3	19.8
4. Malaysia	1,784.6	4,013.9	4,460.5	124.9	11.1
5. Singapore	2,349.8	4,176.9	5,620.0	77.8	34.6
6. Thailand	908.6	1,246.6	1,719.3	37.2	37.9
B. Africa	**3,543.4**	**5,231.0**	**7,674.5**	**47.6**	**46.7**
Of which:					
1. Benin	72.5	71.5	62.7	-1.5	-12.3
2. Egypt Arab Republic	181.9	1,368.4	1,525.8	652.2	11.5
3. Kenya	36.5	41.1	65.3	12.7	58.6
4. South Africa	1,901.3	1,936.4	2,683.6	1.9	38.6
5. Sudan	23.7	83.6	241.6	253.0	189.1
6. Tanzania	75.4	58.8	73.1	-22.0	24.3
7. Zambia	31.3	74.9	66.2	139.3	-11.6
C. Latin American Countries	**1,844.1**	**3,834.4**	**4,077.0**	**107.9**	**6.3**
V. Others	**22.7**	**53.0**	**51.0**	**133.5**	**-3.7**
VI. Unspecified	**31,681.5**	**522.6**	**548.9**	**-98.4**	**5.0**
Total Imports	**1,05,349.4**	**1,34,519.2**	**1,72,112.6**	**27.7**	**27.9**

P : Provisional.

Note : 1. The figures for 2006-07, which include country-wise distribution of petroleum imports, are not strictly comparable with the data for previous years.

Source : DGCI & S.

Other Items

Press Releases

Regulatory and Other Measures

Foreign Exchange Developments

Press Releases

March 2008

Government of Punjab signs MoU with Reserve Bank of India

March 7, 2008

The Government of Punjab and the Reserve Bank of India have, on March 7, 2008 signed a Memorandum of Understanding with regard to Urban Cooperative Banks in the State of Punjab. Consequent upon this, a State level Task Force on Urban Co-operative Banks (TAFCUB) has been constituted for Punjab. Dr J Sadakkdulla, Regional Director for Punjab, Haryana, Himachal Pradesh and Union Territory of Chandigarh, Reserve Bank of India, is the Chairman of the TAFCUB and Shri Viswajeet Khanna, Registrar of Cooperative Societies, Government of Punjab, is its Co-Chairman. The other members of the TAFCUB include a representative, each from State and National Federation of Urban Cooperative Banks, a nominee of State Government of Punjab and a representative of Urban Banks Department, Reserve Bank of India, Central Office, Mumbai. The first meeting of the TAFCUB will be held shortly.

Earlier, similar MoUs have been signed with the Governments of the States of Gujarat, Andhra Pradesh, Karnataka, Madhya Pradesh, Rajasthan, Uttaranchal, Chattisgarh, Goa, Maharashtra, Haryana, National Capital Territory of Delhi, West Bengal, Assam and Tripura. As part of its developmental role, the Reserve Bank would also be assessing the training, computerisation needs of the Urban Co-operative Bank/s in the State of Punjab with the objective of upgrading their human resources skills and technological infrastructure so that they improve their operational efficiency and quality of management information systems.

It may be recalled that in the Mid-Term Review of Annual Policy announced in October 2004, the Reserve Bank had announced that a Vision Document for Urban Co-operative Banks would be prepared. Accordingly, the Reserve Bank placed in public domain a draft Vision Document in March 2005. As the Urban Co-operative Banks are subject to dual control by the Reserve Bank and the State Governments, the Vision Document envisaged the signing of MoU between State Governments and the Reserve Bank of India to put in place an arrangement through which there is a convergence on the approach and remedial actions required to be taken for facilitating the development of the sector. The Vision Document also proposed the constitution of a State level Task Force for Urban Co-operative Banks with representatives of State Government, State/National Federation of Urban Cooperative Banks and the Reserve Bank of India as its members, for the purpose of identifying the potentially viable urban co-op. banks and drawing up a time-bound action plan for their revival by setting specific monitorable milestones.

Ways and Means Advances to the Government of India for the Financial Year 2008-2009

March 28, 2008

It has been decided in consultation with the Government of India that the following arrangements will be in force for the financial year 2008-09.

The limit for Ways and Means Advances (WMA) will be Rs.20,000 crore for the first half of the year (April to September) and Rs.6,000 crore for the second half of the year (October to March). When 75 percent of the limit of WMA is utilised by the Government, the Reserve Bank may trigger fresh floatation of market loans.

The Reserve Bank would retain the flexibility to revise the limits at any time, in consultation with the Government of India, taking into consideration the prevailing circumstances.

The interest rate on WMA/overdraft will be as under:

a) Ways and Means Advances : Repo Rate

b) Overdraft: Two percent above the Repo Rate

The minimum balance required to be maintained by the Government of India with the Reserve Bank of India will not be less than Rs.100 crore on

Fridays, on the date of closure of Government of India's financial year and on June 30, *i.e.*, closure of the annual accounts of the Reserve Bank of India and not less than Rs.10 crore on other days.

As per the provisions of the Agreement dated March 26, 1997 between the Government of India and the Reserve Bank of India, overdrafts beyond ten consecutive working days will not be allowed.

Regulatory and Other Measures

March 2008

RBI/2007-2008/259 UBD (PCB).Cir.No.35 /09.20.001/07-08 March 7, 2008

The Chief Executives of all Primary (Urban) Cooperative Banks

Classification of UCBs for Regulatory Purposes - Revised Norms

As you are aware, banks are being categorized for regulatory purposes as under:

(a) Tier I Banks: Unit banks, i.e., banks having a single branch / HO with deposits up to Rs. 100 crore and banks having multiple branches within a single district with deposits up to Rs. 100 crore

(b) Tier II Banks: All other banks.

2. Based on the representations received from the UCB sector, it has been decided to amend the definition of Tier I banks and accordingly banks may be classified in Tier I category for regulatory purposes as under:

(a) Tier I banks :

i) Unit banks, i.e., banks having a single branch / Head Office and banks with deposits below Rs.100 crore, whose branches are located in a single district.

ii) Banks with deposits below Rs.100 crore having branches in more than one district, provided the branches are in contiguous districts and deposits and advances of branches in one district separately constitute at least 95 percent of the total deposits and advances respectively of the bank.

iii) Banks with deposits below Rs.100 crore, whose branches were originally in a single district but subsequently, became multi-district due to reorganization of the district.

(b) Tier II Banks: All other banks.

As hitherto, the deposit base of Rs. 100 crore will be determined on the basis of average of the fortnightly Net Demand and Time Liabilities in the financial year concerned. Similarly, advances will be determined on the basis of fortnightly average in the financial year concerned.

RBI/2007-2008/253UBD.PCB.Cir.No. 34 / 09.14.000/07-08 March 3, 2008.

The Chief Executive Officers of All Primary(Urban) Co-operative Banks

Guidelines for Relief Measures by Banks to Poultry Industry (2008)-UCBs

As you are aware, there have been instances of outbreak of Avian Influenza (bird flu) in some areas of the country. Keeping in view the loss of income that has occurred due to culling of birds as well as steep fall in the demand for poultry products and their prices, banks may consider extending the following facilities to poultry units financed by them :

(i) Principal and interest due on working capital loans as also installments and interest on term loans which have fallen due for payment on / after the onset of bird flu, i.e., December 31, 2007 and remaining unpaid may be converted into term loans. The converted loans may be recovered in installments based on projected future inflows over a period up to three years with an initial moratorium of up to one year (the first year of repayment may be fixed after the expiry of moratorium period).

(ii) The remaining portion of term loans may be rescheduled similarly with a moratorium period up to one year depending upon the cash flow generating capacity of the unit.

(iii) The reschedulement / conversion may be completed on or before April 30, 2008.

(iv) The rescheduled / converted loans may be treated as current dues.

(v) After conversion as above, the borrower will be eligible for fresh need based finance.

(vi) The relief measures as above may be extended to all accounts of poultry industry, which were classified as Standard accounts as on December 31, 2007.

RBI/2007-2008/297 Ref. No. MPD. BC. 298/07.01.279/2007-08 April 25, 2008 Vaishakha 5, 1930 (S)

All Scheduled Commercial Banks.

Interest Rate Ceiling on Rupee Export Credit

Please refer to our circular No. MPD. BC.295/07.01.279/2007-08 dated October 25, 2007 in terms of which the ceiling on interest rates on pre-shipment rupee export credit up 180 days and post-shipment rupee export credit up to 90 days has been stipulated at BPLR minus 2.5 per cent, valid up to April 30, 2008.

2. It has been decided to extend the validity of the above dispensation up to October 31, 2008 (Annex).

Annex

Category	With effect from May 1, 2008 (up to October 31, 2008)
Pre-shipment Rupee Export Credit Up to 180 days.	Not exceeding BPLR minus 2.5 percentage points
Post-shipment Rupee Export Credit (a) On demand bills for transit period (as specified by (FEDAI).	Not exceeding BPLR minus 2.5 percentage Points
(b) Usance bills up to 90 days.	Not exceeding BPLR minus 2.5 percentage points.

BPLR : Benchmark Prime Lending Rate.

Note : 1. Since these are ceiling rates, banks would be free to charge any rate below the ceiling rates.

2. Interest rates for the above - mentioned categories beyond the tenors as prescribed above are free.

Foreign Exchange Developments

March 2008

(i) Exim Bank's Line of Credit of USD 45 million to the Government of the Socialist Republic of Vietnam

Export-Import Bank of India (Exim Bank) has concluded an Agreement dated January 8, 2008 with the Government of the Socialist Republic of Vietnam, making available to the latter, a Line of Credit (LOC) of USD 45 million (USD forty five million) for financing eligible goods and services, including consultancy services, from India pertaining to Nam Chien Hydro Power Project (200 MW) being set up in Vietnam.

[A.P. (DIR Series) Circular No.31
dated March 11, 2008]

(ii) Exim Bank's Line of Credit of USD 100 million to the Government of Nepal

Export-Import Bank of India (Exim Bank) has concluded an Agreement dated September 14, 2007 with the Government of Nepal, making available to the latter, a Line of Credit (LOC) of USD 100 million (USD One hundred million) for financing export of eligible goods towards road projects, rural electrification projects, power transmission projects and hydro power projects in Nepal.

[A.P. (DIR Series) Circular No. 32
dated March 31,2008]

(iii) Exim Bank's Line of Credit of USD 10.4 million to the Government of Suriname

Export-Import Bank of India (Exim Bank) has concluded an Agreement dated November 21, 2007 with the Government of Suriname, making available to the latter, a Line of Credit (LOC) of USD 10.4 million (USD Ten million four hundred thousand) for financing eligible goods and services including consultancy services from India for the Water Supply Projects in Suriname.

[A.P. (DIR Series) Circular No. 33
dated March 31,2008]

Current Statistics

General

Money and Banking

Government Accounts

Government Securities Market

Production

Capital Market

Prices

Trade and Balance of Payments

No. 1: Selected Economic Indicators *(Concld.)*

Item	Unit / Base	1990-91	2005-06	2006-07	2007-08	2008		
						Jan.	Feb.	Mar.
1	2	3	4	5	6	7	8	9
16. Prime Lending Rate (10)	"	—	10.25-10.75	12.25-12.50	12.25-12.75	12.75-13.25	12.25-13.00	12.25-12.75
17. Yield on 11.40% Loan 2008 @	"	—	6.40	7.22	-	6.98	7.37	-
18. Yield on 7.40% Loan 2012 #	"	—	6.95	7.55	7.74	7.49	7.44	7.74
Government Securities Market (2)								
19. Govt. of India 91-day Treasury Bills (Total Outstandings)	Rs. crore		16,318	45,229	39,957	41,387	43,267	39,957
Price Indices								
20. Wholesale Prices (13)	1993-94=100							
(a) All Commodities	"	182.7 +	195.6	206.1	..	218.2	..	..
(b) Primary Articles	"	184.9 +	193.6	208.6	..	224.6	..	..
(c) Fuel, Power, Light and Lubricants	"	175.8 +	306.8	324.9	..	334.5	..	..
(d) Manufactured Products	"	182.8 +	171.5	179.0	..	190.0	..	..
(e) Foodgrains (Cereals + Pulses)	"	179.2 +	186.9	205.9	..	219.7	..	..
(f) Edible Oils	"	223.3 +	146.1	154.6	..	182.5	..	..
(g) Sugar, Khandsari & Gur	"	152.3 +	178.8	179.8	..	151.6	..	..
(h) Raw Cotton	"	145.5 +	144.3	151.8	..	184.0	..	..
21. Consumer Prices (All-India) (1)								
(a) Industrial Workers ^	2001=100	193 ‡	542 ‡	125	133	134	135	137
(b) Urban Non-Manual Employees	1984-85=100	161 ‡	456 ‡	486	515	520	523	528
(c) Agricultural Labourers	July 1986-June 1987=100	..	358	388	..	413	417	423
Foreign Trade								
22. Value of Imports	U.S. $ Million	24,073	1,49,166	1,85,749 (R)	..	22,504 (P)	18,466(P)	..
23. Value of Exports	"	18,145	1,03,091	1,26,361 (R)	..	13,141 (P)	14,237 (P)	..
24. Balance of Trade	"	–5,927	–46,075	–59,388 (R)	..	–9,364 (P)	–4,229 (P)	..
25. Foreign Exchange Reserves (14)								
(a) Foreign Currency Assets	U.S. $ Million	2,236	1,45,108	1,91,924	2,99,230	2,83,595	2,91,250	2,99,230
(b) Gold	"	3,496	5,755	6,784	10,039	9,199	9,558	10,039
(c) SDRs	"	102	3	2	18	9	—	18
Employment Exchange Statistics (15)								
26. Number of Registrations	Thousand	6,541	..	..	..	..	..	..
27. Number of Applicants								
(a) Placed in Employment	"	265	..	..	..	..	..	..
(b) On Live Register (14)	"	34,632	..	..	..	..	..	..

Money and Banking

No. 2 : Reserve Bank of India

(Rs. crore)

Last Friday / Friday	1990-91	2006-07	2007-08	2007				2008						
				Apr.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr. 4	Apr. 11	Apr. 18	Apr. 25
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Issue Department Liabilities														
Notes in Circulation	53,784	4,96,775	5,82,055	5,12,672	5,18,266	5,35,311	5,44,865	5,53,971	5,66,297	5,82,055	5,84,469	5,97,020	6,02,466	6,01,629
Notes held in Banking Department	23	11	20	11	20	17	18	11	19	20	18	18	16	20
Total Liabilities (Total Notes Issued) or Assets	**53,807**	**4,96,786**	**5,82,075**	**5,12,683**	**5,18,286**	**5,35,328**	**5,44,883**	**5,53,982**	**5,66,316**	**5,82,075**	**5,84,487**	**5,97,037**	**6,02,482**	**6,01,649**
Assets														
Gold Coin and Bullion	6,654	24,160	31,170	24,160	23,916	27,082	27,082	26,812	31,170	31,170	32,779	32,779	32,779	32,779
Foreign Securities	200	4,71,567	5,49,722	4,87,420	4,93,234	5,06,992	5,16,609	5,26,033	5,34,086	5,49,722	5,50,539	5,63,108	5,68,567	5,67,752
Rupee Coin (1)	29	12	136	57	90	208	145	91	14	136	123	104	90	71
Government of India Rupee Securities	46,924	1,046	1,046	1,046	1,046	1,046	1,046	1,046	1,046	1,046	1,046	1,046	1,046	1,046
Banking Department Liabilities														
Deposits	**38,542**	**3,02,615**	**5,36,851**	**2,91,810**	**4,48,042**	**4,64,498**	**5,04,472**	**4,98,688**	**5,05,860**	**5,36,851**	**4,81,907**	**4,71,392**	**4,96,875**	**4,73,445**
Central Government	61	36,661	83,645	101	23,835	16,768	60,691	50,757	48,638	83,645	39,154	25,298	20,284	16,649
Market Stabilisation Scheme	–	62,974	1,68,392	75,924	1,74,277	1,71,468	1,59,717	1,66,739	1,75,089	1,68,392	1,66,462	1,71,464	1,72,533	1,72,444
State Governments	33	41	41	41	41	41	41	41	41	41	41	41	230	41
Scheduled Commercial Banks	33,484	1,80,222	2,57,122	1,91,200	2,24,932	2,49,589	2,57,725	2,54,022	2,54,217	2,57,122	2,47,639	2,46,391	2,74,610	2,54,548
Scheduled State Co-operative Banks	244	2,851	3,396	2,504	2,689	3,103	3,021	3,249	3,393	3,396	3,441	3,568	3,690	3,584
Non-Scheduled State Co-operative Banks	13	55	62	52	51	47	48	53	53	62	61	59	59	72
Other Banks	88	8,202	11,946	8,753	10,423	11,147	11,224	11,791	12,443	11,946	12,093	12,249	12,310	12,977
Others	4,619	11,609	12,247	13,235	11,794	12,335	12,005	12,036	11,986	12,247	13,015	12,322	13,160	13,129
Other Liabilities (2)	28,342	1,79,897	2,14,216	1,42,238	1,36,615	1,53,048	1,46,052	1,46,504	1,88,442	2,14,216	2,10,858	2,10,867	2,15,985	2,18,137
Total Liabilities or Assets	**66,884**	**4,82,512**	**7,51,067**	**4,34,048**	**5,84,658**	**6,17,546**	**6,50,524**	**6,45,192**	**6,94,302**	**7,51,067**	**6,92,765**	**6,82,259**	**7,12,860**	**6,91,581**

See 'Notes on Tables'.

Money and Banking

No. 2 : Reserve Bank of India

(Rs. crore)

Last Friday / Friday	1990-91	2006-07	2007-08	2007				2008						
				Apr.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr. 4	Apr. 11	Apr. 18	Apr. 25
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Issue Department Liabilities														
Notes in Circulation	53,784	4,96,775	5,82,055	5,12,672	5,18,266	5,35,311	5,44,865	5,53,971	5,66,297	5,82,055	5,84,469	5,97,020	6,02,466	6,01,629
Notes held in Banking Department	23	11	20	11	20	17	18	11	19	20	18	18	16	20
Total Liabilities (Total Notes Issued) or Assets	**53,807**	**4,96,786**	**5,82,075**	**5,12,683**	**5,18,286**	**5,35,328**	**5,44,883**	**5,53,982**	**5,66,316**	**5,82,075**	**5,84,487**	**5,97,037**	**6,02,482**	**6,01,649**
Assets														
Gold Coin and Bullion	6,654	24,160	31,170	24,160	23,916	27,082	27,082	26,812	31,170	31,170	32,779	32,779	32,779	32,779
Foreign Securities	200	4,71,567	5,49,722	4,87,420	4,93,234	5,06,992	5,16,609	5,26,033	5,34,086	5,49,722	5,50,539	5,63,108	5,68,567	5,67,752
Rupee Coin (1)	29	12	136	57	90	208	145	91	14	136	123	104	90	71
Government of India Rupee Securities	46,924	1,046	1,046	1,046	1,046	1,046	1,046	1,046	1,046	1,046	1,046	1,046	1,046	1,046
Banking Department Liabilities														
Deposits	**38,542**	**3,02,615**	**5,36,851**	**2,91,810**	**4,48,042**	**4,64,498**	**5,04,472**	**4,98,688**	**5,05,860**	**5,36,851**	**4,81,907**	**4,71,392**	**4,96,875**	**4,73,445**
Central Government	61	36,661	83,645	101	23,835	16,768	60,691	50,757	48,638	83,645	39,154	25,298	20,284	16,649
Market Stabilisation Scheme	–	62,974	1,68,392	75,924	1,74,277	1,71,468	1,59,717	1,66,739	1,75,089	1,68,392	1,66,462	1,71,464	1,72,533	1,72,444
State Governments	33	41	41	41	41	41	41	41	41	41	41	41	230	41
Scheduled Commercial Banks	33,484	1,80,222	2,57,122	1,91,200	2,24,932	2,49,589	2,57,725	2,54,022	2,54,217	2,57,122	2,47,639	2,46,391	2,74,610	2,54,548
Scheduled State Co-operative Banks	244	2,851	3,396	2,504	2,689	3,103	3,021	3,249	3,393	3,396	3,441	3,568	3,690	3,584
Non-Scheduled State Co-operative Banks	13	55	62	52	51	47	48	53	53	62	61	59	59	72
Other Banks	88	8,202	11,946	8,753	10,423	11,147	11,224	11,791	12,443	11,946	12,093	12,249	12,310	12,977
Others	4,619	11,609	12,247	13,235	11,794	12,335	12,005	12,036	11,986	12,247	13,015	12,322	13,160	13,129
Other Liabilities (2)	28,342	1,79,897	2,14,216	1,42,238	1,36,615	1,53,048	1,46,052	1,46,504	1,88,442	2,14,216	2,10,858	2,10,867	2,15,985	2,18,137
Total Liabilities or Assets	**66,884**	**4,82,512**	**7,51,067**	**4,34,048**	**5,84,658**	**6,17,546**	**6,50,524**	**6,45,192**	**6,94,302**	**7,51,067**	**6,92,765**	**6,82,259**	**7,12,860**	**6,91,581**

See 'Notes on Tables'.

No. 2: Reserve Bank of India *(Concld.)*

(Rs. crore)

Last Friday / Friday	1990-91	2006-07	2007-08	2007				2008						
				Apr.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr. 4	Apr. 11	Apr. 18	Apr. 25
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Assets														
Notes and Coins	23	11	20	11	20	17	18	11	20	20	18	18	16	20
Balances held Abroad (3)	4,008	3,64,834	6,49,661	3,20,967	5,12,622	5,42,986	5,35,335	5,75,187	6,28,393	6,49,661	6,53,937	6,42,165	6,41,371	6,46,809
Loans and Advances														
Central Government	–	–	–	980	–	–	–	–	–	–	–	–	–	–
State Governments (4)	916	–	–	596	343	147	569	26	–	–	131	960	1,583	471
Scheduled Commercial Banks	8,169	6,245	4,000	4,078	–	396	2,278	1,610	773	4,000	819	459	474	474
Scheduled State Co-op.Banks	38	–	–	6	–	19	29	10	24	–	19	19	19	–
Industrial Dev. Bank of India	3,705	–	–	–	–	–	–	–	–	–	–	–	–	–
NABARD	3,328	–	–	–	–	–	–	–	–	–	–	–	–	–
EXIM Bank	745	–	–	–	–	–	–	–	–	–	–	–	–	–
Others	1,615	340	579	101	83	374	253	83	403	579	126	83	83	83
Bills Purchased and Discounted														
Internal	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Government Treasury Bills	1,384	–	–	–	–	–	–	–	–	–	–	–	–	–
Investments	40,286	99,983	85,607	96,092	62,542	62,999	1,02,230	58,418	53,327	85,607	23,695	24,805	57,055	30,006
Other Assets (5)	2,666	11,099	11,201	11,217	9,048	10,609	9,812	9,848	11,362	11,201	14,020	13,750	12,259	13,720
	(-)	(5,414)	(6,984)	(5,414)	(5,359)	(6,068)	(6,068)	(6,008)	(6,984)	(6,984)	(7,345)	(7,345)	(7,345)	(7,345)

No. 3: All Scheduled Banks - Business in India

(Rs. Crore)

Last Reporting Friday (in case of March)/ Last Friday	1990-91	2006-07	2007-08(P)	2007					2008		
				Mar.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb. (P)	Mar. (P)
1	2	3	4	5	6	7	8	9	10	11	12
Number of Reporting Banks	299	249	241	249	244	244	241	241	241	241	241
Liabilities to the Banking System (1)	**6,673**	**91,541**	**97,218**	**91,541**	**90,216**	**82,911**	**80,778**	**88,837**	**91,147**	**86,489**	**97,218**
Demand and Time Deposits from Banks (2)	5,598	43,620	48,681	43,620	42,238	38,777	39,835	40,565	42,405	43,011	48,681
Borrowings from Banks (3)	998	35,532	31,118	35,532	30,644	24,040	23,163	30,110	30,637	26,480	31,118
Other Demand and Time Liabilities (4)	77	12,389	17,419	12,389	17,333	20,095	17,779	18,163	18,104	16,998	17,419
Liabilities to Others (1)	**2,13,125**	**30,26,644**	**36,99,434**	**30,26,644**	**33,14,341**	**33,21,303**	**34,13,043**	**34,27,366**	**36,03,182**	**35,80,785**	**36,99,434**
Aggregate Deposits (5)	**1,99,643**	**26,94,678**	**32,92,565**	**26,94,678**	**29,61,759**	**29,69,646**	**30,42,973**	**30,47,078**	**32,08,229**	**31,78,338**	**32,92,565**
Demand	34,823	4,40,543	5,28,016	4,40,543	4,55,658	4,20,174	4,57,245	4,55,342	5,67,863	4,70,098	5,28,016
Time (5)	1,64,820	22,54,135	27,64,549	22,54,135	25,06,101	25,49,472	25,85,728	25,91,736	26,40,367	27,08,240	27,64,549
Borrowings (6)	645	86,910	1,07,001	86,910	89,725	89,652	1,08,381	96,366	1,11,210	1,08,809	1,07,001
Other Demand and Time Liabilities (4)	12,838	2,45,056	2,99,867	2,45,056	2,62,857	2,62,005	2,61,690	2,83,922	2,83,743	2,93,638	2,99,867
Borrowings from Reserve Bank (7)	**3,483**	**6,348**	**4,000**	**6,348**	**83**	–	**415**	**2,307**	**1,620**	**797**	**4,000**
Against Usance Bills / Promissory Notes	–	–	–	–	–	–	–	–	–	–	–
Others (8)	3,483	6,348	4,000	6,348	83	–	415	2,307	1,620	797	4,000
Cash in Hand and Balances with Reserve Bank	**25,995**	**2,02,595**	**2,83,145**	**2,02,595**	**2,80,138**	**2,49,606**	**2,75,993**	**2,84,273**	**2,81,547**	**2,81,138**	**2,83,145**
Cash in Hand	1,847	16,637	18,224	16,637	18,644	18,111	19,099	19,319	19,731	18,479	18,224
Balances with Reserve Bank (9)	24,147	1,85,958	2,64,921	1,85,958	2,61,494	2,31,495	2,56,894	2,64,955	2,61,815	2,62,659	2,64,921

See 'Notes on Tables'.

No. 3: All Scheduled Banks - Business in India *(Concld.)*

(Rs. Crore)

Last Reporting Friday (in case of March)/ Last Friday	1990-91	2006-07	2007-08 (P)	2007					2008		
				Mar.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb. (P)	Mar. (P)
1	2	3	4	5	6	7	8	9	10	11	12
Assets with the Banking System	**6,848**	**87,303**	**1,03,656**	**87,303**	**81,122**	**88,026**	**88,280**	**95,225**	**1,00,900**	**93,498**	**1,03,656**
Balances with Other Banks	3,347	33,868	40,564	33,868	35,130	36,948	37,090	39,422	43,628	41,031	40,564
In Current Account	1,926	14,518	15,916	14,518	13,654	14,372	12,715	14,791	14,235	14,538	15,916
In Other Accounts	1,421	19,350	24,648	19,350	21,476	22,576	24,374	24,631	29,393	26,493	24,648
Money at Call and Short Notice	2,201	22,761	25,653	22,761	15,585	18,568	16,701	22,839	24,531	19,059	25,653
Advances to Banks (10)	902	6,516	4,494	6,516	5,382	4,034	3,985	4,755	4,097	3,960	4,494
Other Assets	398	24,159	32,944	24,159	25,025	28,476	30,504	28,209	28,643	29,448	32,944
Investment	**76,831**	**8,21,334**	**10,06,757**	**8,21,334**	**9,40,898**	**9,79,623**	**9,94,568**	**9,53,432**	**10,10,393**	**10,19,915**	**10,06,757**
Government Securities (11)	51,086	8,04,846	9,86,571	8,04,846	9,25,654	9,64,793	9,79,789	9,39,114	9,96,199	9,99,133	9,86,571
Other Approved Securities	25,746	16,488	20,186	16,488	15,244	14,830	14,779	14,318	14,195	20,782	20,186
Bank Credit	**1,25,575**	**20,08,608**	**24,31,637**	**20,08,608**	**21,17,568**	**21,05,824**	**21,77,199**	**22,29,657**	**22,67,012**	**23,31,864**	**24,31,637**
Loans, Cash-credits and Overdrafts	1,14,982	19,19,506	23,30,776	19,19,506	20,31,232	20,20,595	20,89,092	21,39,092	21,73,189	22,37,319	23,30,776
Inland Bills-Purchased	3,532	16,414	12,600	16,414	13,554	11,049	11,278	11,092	11,486	11,592	12,600
Inland Bills-Discounted	2,409	31,948	41,502	31,948	33,785	32,979	35,264	36,091	37,202	37,982	41,502
Foreign Bills-Purchased	2,788	16,174	16,070	16,174	13,749	13,588	13,088	13,560	13,851	14,847	16,070
Foreign Bills-Discounted	1,864	24,567	30,689	24,567	25,247	27,614	28,476	29,821	31,285	30,125	30,689
Cash-Deposit Ratio	13.0	7.5	8.6	7.5	9.5	8.4	9.1	9.3	8.8	8.8	8.6
Investment-Deposit Ratio	38.5	30.5	30.6	30.5	31.8	33.0	32.7	31.3	31.5	32.1	30.6
Credit-Deposit Ratio	62.9	74.5	73.9	74.5	71.5	70.9	71.5	73.2	70.7	73.4	73.9

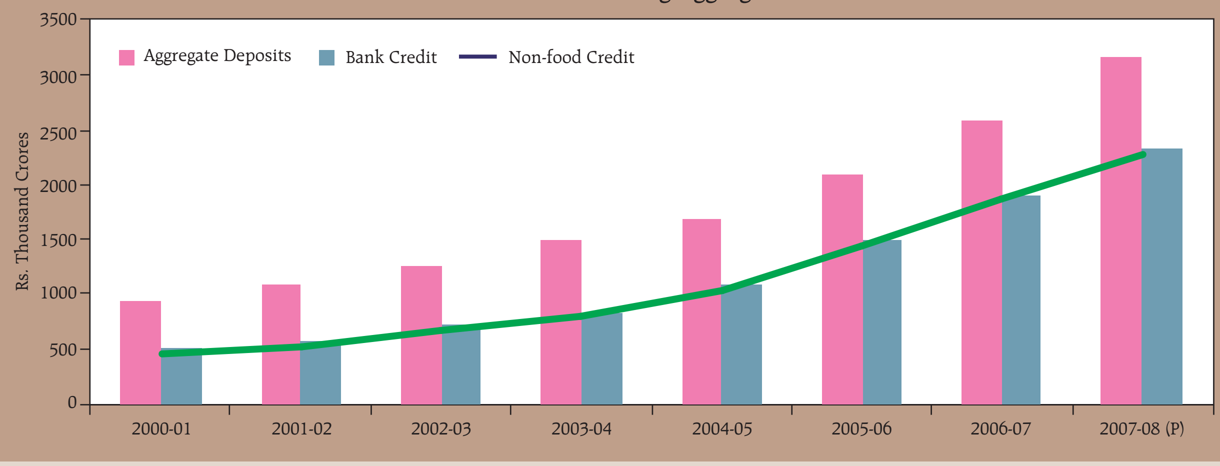
No. 4: All Scheduled Commercial Banks - Business in India

(Rs. Crore)

Last Reporting Friday (in case of March)/ Last Friday	1990-91	2006-07	2007-08 (P)	2007					2008		
				Mar.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb. (P)	Mar. (P)
1	2	3	4	5	6	7	8	9	10	11	12
Number of Reporting Banks	271	179	172	179	175	175	172	172	172	172	172
Liabilities to the Banking System (1)	**6,486**	**88,545**	**93,650**	**88,545**	**86,752**	**79,525**	**77,416**	**85,456**	**87,687**	**82,947**	**93,650**
Demand and Time Deposits from Banks (2), (12)	5,443	40,772	45,155	40,772	38,799	35,405	36,508	37,249	39,011	39,512	45,155
Borrowings from Banks (3)	967	35,399	31,081	35,399	30,620	24,026	23,129	30,045	30,591	26,442	31,081
Other Demand and Time Liabilities (4)	76	12,374	17,414	12,374	17,333	20,095	17,778	18,162	18,085	16,994	17,414
Liabilities to Others (1)	**2,05,600**	**29,40,003**	**35,94,712**	**29,40,003**	**32,22,285**	**32,28,521**	**33,18,081**	**33,29,802**	**35,03,878**	**34,79,355**	**35,94,712**
Aggregate Deposits (5)	**1,92,541**	**26,11,933**	**31,92,141**	**26,11,933**	**28,73,735**	**28,80,163**	**29,51,949**	**29,53,663**	**31,13,203**	**30,80,859**	**31,92,141**
Demand	33,192	4,29,731	5,16,731	4,29,731	4,45,604	4,09,895	4,46,856	4,44,405	5,56,514	4,59,128	5,16,731
Time (5)	1,59,349	21,82,203	26,75,411	21,82,203	24,28,131	24,70,268	25,05,093	25,09,258	25,56,689	26,21,731	26,75,411
Borrowings (6)	470	85,836	1,05,857	85,836	88,608	89,170	1,07,340	95,498	1,10,103	1,07,723	1,05,857
Other Demand and Time Liabilities (4), (13)	12,589	2,42,234	2,96,714	2,42,234	2,59,942	2,59,187	2,58,791	2,80,641	2,80,572	2,90,773	2,96,714
Borrowings from Reserve Bank (7)	**3,468**	**6,245**	**4,000**	**6,245**	**64**	**–**	**396**	**2,278**	**1,610**	**773**	**4,000**
Against Usance Bills /Promissory Notes	–	–	–	–	–	–	–	–	–	–	–
Others	3,468	6,245	4,000	6,245	64	–	396	2,278	1,610	773	4,000

See 'Notes on Tables'.

Select Banking Aggregates



No. 4: All Scheduled Commercial Banks - Business in India *(Concld.)*

(Rs. Crore)

Last Reporting Friday (in case of March)/ Last Friday	1990-91	2006-07	2007-08(P)	2007					2008		
				Mar.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb. (P)	Mar. (P)
1	2	3	4	5	6	7	8	9	10	11	12
Cash in Hand and Balances with Reserve Bank	**25,665**	**1,96,361**	**2,74,800**	**1,96,361**	**2,72,657**	**2,42,471**	**2,68,020**	**2,76,415**	**2,73,159**	**2,72,179**	**2,74,800**
Cash in Hand	1,804	16,139	17,678	16,139	18,088	17,539	18,431	18,690	19,137	17,962	17,678
Balances with Reserve Bank (9)	23,861	1,80,222	2,57,122	1,80,222	2,54,569	2,24,932	2,49,589	2,57,725	2,54,022	2,54,217	2,57,122
Assets with the Banking System	**5,582**	**77,442**	**91,216**	**77,442**	**70,524**	**76,184**	**75,951**	**82,767**	**88,202**	**81,036**	**91,216**
Balances with Other Banks	2,846	29,469	35,333	29,469	29,812	31,328	31,441	34,194	38,380	35,862	35,333
In Current Account	1,793	13,268	14,307	13,268	12,344	13,151	11,350	13,478	12,864	13,151	14,307
In Other Accounts	1,053	16,201	21,026	16,201	17,468	18,177	20,091	20,717	25,516	22,711	21,026
Money at Call and Short Notice	1,445	18,267	19,755	18,267	11,790	13,816	11,343	17,060	18,440	13,033	19,755
Advances to Banks (10)	902	6,203	3,769	6,203	4,702	3,362	3,314	4,053	3,384	3,246	3,769
Other Assets	388	23,503	32,359	23,503	24,220	27,678	29,853	27,459	27,999	28,895	32,359
Investment	**75,065**	**7,91,516**	**9,72,738**	**7,91,516**	**9,09,154**	**9,47,138**	**9,61,644**	**9,20,357**	**9,77,274**	**9,86,851**	**9,72,738**
Government Securities (11)	49,998	7,76,058	9,53,525	7,76,058	8,95,089	9,33,342	9,47,888	9,07,078	9,64,071	9,67,011	9,53,525
Other Approved Securities	25,067	15,458	19,213	15,458	14,064	13,796	13,755	13,280	13,203	19,840	19,213
Bank credit (14)	**1,16,301**	**19,31,189**	**23,48,493**	**19,31,189**	**20,37,480**	**20,26,709**	**20,97,008**	**21,49,285**	**21,85,898**	**22,51,213**	**23,48,493**
	(4,506)	**(46,521)**	**(44,399)**	**(46,521)**	**(37,008)**	**(35,866)**	**(38,967)**	**(41,012)**	**(39,817)**	**(44,311)**	**(44,399)**
Loans,Cash-Credits and Overdrafts	1,05,982	18,43,871	22,49,465	18,43,871	19,52,739	19,43,132	20,10,561	20,60,396	20,93,712	21,58,309	22,49,465
Inland Bills-Purchased	3,375	15,919	12,208	15,919	13,150	10,653	10,914	10,720	11,100	11,241	12,208
Inland Bills-Discounted	2,336	31,314	40,661	31,314	33,154	32,305	34,535	35,349	36,527	37,267	40,661
Foreign Bills-Purchased	2,758	16,142	16,033	16,142	13,725	13,561	13,058	13,529	13,827	14,821	16,033
Foreign Bills-Discounted	1,851	23,944	30,126	23,944	24,712	27,057	27,940	29,291	30,733	29,575	30,126
Cash-Deposit Ratio	13.3	7.5	8.6	7.5	9.5	8.4	9.1	9.4	8.8	8.8	8.6
Investment- Deposit Ratio	39.0	30.3	30.5	30.3	31.6	32.9	32.6	31.2	31.4	32.0	30.5
Credit-Deposit Ratio	60.4	73.9	73.6	73.9	70.9	70.4	71.0	72.8	70.2	73.1	73.6

No. 5: Scheduled Commercial Banks' Investments

(Rs. crore)

Outstanding as on	SLR Securities	Commercial Paper	Shares Issued by			Bonds / Debentures Issued by			Instruments Issued by	
			PSUs	Private Corporate Sector	Others	PSUs	Private Corporate Sector	Others	Mutual Funds	Financial Institutions
1	2	3	4	5	6	7	8	9	10	11
March 22, 2002	4,38,269	8,506	2,264	4,327	–	40,733	27,132	–	5,355	29,868
March 21, 2003	5,47,546	4,041	1,639	7,591	–	48,258	33,026	–	6,455	31,066
March 19, 2004	6,77,588	3,835	1,565	7,400	41	49,720	27,966	5,232	11,930	32,988
March 18, 2005	7,39,154	3,944	1,886	10,289	44	46,939	31,994	6,980	12,744	31,557
March 31, 2006	7,17,454	4,837	2,627	10,502	41	33,018	29,550	15,153	10,410	29,203
March 30, 2007	7,91,516	9,038	2,129	16,225	74	29,232	27,641	17,787	11,761	26,568
March 30, 2007	7,91,516	9,038	2,129	16,225	74	29,232	27,641	17,787	11,761	26,568
April 13, 2007	8,13,780	8,062	2,059	16,348	77	27,932	27,356	15,730	22,859	25,803
April 27, 2007	8,07,466	7,276	1,977	16,075	77	26,885	26,312	14,918	10,577	25,703
May 11, 2007	8,13,413	7,137	2,171	16,213	79	26,155	26,171	13,857	24,097	24,018
May 25, 2007	8,14,399	6,977	1,909	17,259	75	25,392	26,177	13,367	25,683	24,079
June 8, 2007	8,18,454	6,974	1,985	17,173	68	25,435	26,617	15,526	50,984	23,670
June 22, 2007	8,41,199	6,772	2,005	17,444	68	24,905	26,304	15,329	46,908	24,208
July 6, 2007	8,49,168	6,711	2,028	19,446	105	24,909	26,414	14,894	54,837	24,756
July 20, 2007	8,53,960	5,420	1,977	19,392	148	24,238	25,950	15,203	64,775	23,674
August 3, 2007	8,67,246	5,274	2,071	18,545	152	24,497	25,525	14,095	78,827	23,663
August 17, 2007	9,04,747	5,291	2,117	18,892	171	24,450	24,867	13,092	57,987	23,612
August 31, 2007	9,03,792	5,347	2,095	18,685	198	24,339	25,306	15,630	51,030	23,968
September 14, 2007	9,10,165	6,229	2,128	18,343	198	24,739	24,522	16,473	50,186	24,106
September 28, 2007	9,09,154	7,315	1,981	18,521	193	24,899	24,512	15,600	39,379	23,908
October 12, 2007	9,47,752	6,533	1,986	18,369	191	25,580	24,702	14,648	66,571	23,363
October 26, 2007	9,47,138	6,949	2,003	18,558	185	25,688	25,598	14,875	70,276	23,621
November 9, 2007	9,46,799	7,361	1,999	18,953	184	26,143	25,744	15,933	70,753	23,963
November 23, 2007	9,63,155	10,046	2,249	19,409	181	26,128	25,520	15,281	54,422	24,290
December 7, 2007	9,55,213	8,608	2,261	19,389	182	25,775	25,782	16,611	47,132	23,632
December 21, 2007	9,35,935	8,702	2,414	21,464	180	26,310	26,374	16,281	38,680	23,145
January 4, 2008	9,63,052	9,526	2,430	22,377	332	26,352	26,664	16,479	46,524	23,217
January 18, 2008	9,53,499	12,133	2,626	22,820	329	26,692	26,769	18,327	59,605	23,945
February 1, 2008	9,50,953	12,846	2,996	24,038	319	27,579	27,590	16,573	50,525	23,413
February 15, 2008	9,82,588	13,297	3,143	24,116	315	28,005	26,635	16,911	45,995	24,158
February 29, 2008	9,86,851	12,680	3,091	23,936	303	27,548	26,280	18,796	41,295	25,714
March 14, 2008	9,86,052	12,371	3,008	23,740	299	27,070	27,104	18,766	39,820	24,968
March 28, 2008	9,72,738	13,054	3,022	23,376	294	27,482	28,442	28,780	18,478	25,598

PSUs : Public Sector Undertakings.

Note : Data on Investments are based on Statutory Section 42(2) Returns, Final upto :February 15,2008.

No. 6: State Co-operative Banks – Maintaining Accounts with the Reserve Bank of India

(Rs. crore)

Last Reporting Friday (in case of March)/ Last Friday/Reporting Friday	1990-91	2005-06	2006-07	2006	2007							
				Dec.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec. 7	Dec. 21	Dec. 28
1	2	3	4	5	6	7	8	9	10	11	12	13
Number of Reporting Banks	28	31	31	31	31	31	31	31	31	31	31	31
Demand and Time Liabilities												
Aggregate Deposits (1)	**2,152**	**15,665**	**17,105**	**16,512**	**17,393**	**17,635**	**17,825**	**18,442**	**19,063**	**18,775**	**19,005**	**19,448**
Demand Liabilities	**1,831**	**6,065**	**7,324**	**6,132**	**7,396**	**6,279**	**6,112**	**6,142**	**6,394**	**6,217**	**6,401**	**6,863**
Deposits												
Inter-Bank	718	1,457	1,921	911	1,427	1,438	1,405	1,402	1,378	1,414	1,465	1,441
Others	794	3,101	3,571	3,264	3,475	3,529	3,498	3,565	3,525	3,524	3,493	3,971
Borrowings from Banks	181	464	914	1,062	1,640	494	260	339	531	327	316	309
Others	139	1,043	918	895	853	818	949	836	960	953	1,127	1,141
Time Liabilities	**3,963**	**38,464**	**39,425**	**36,996**	**38,889**	**38,915**	**39,700**	**40,746**	**41,337**	**41,699**	**42,586**	**42,972**
Deposits												
Inter-Bank	2,545	25,561	25,540	23,433	24,547	24,371	24,925	25,423	25,376	26,020	26,641	27,050
Others	1,359	12,564	13,534	13,248	13,918	14,106	14,327	14,876	15,538	15,251	15,512	15,477
Borrowings from Banks	–	12	10	10	10	9	9	9	9	9	9	9
Others	59	327	341	305	415	428	438	438	414	419	424	436
Borrowing from Reserve Bank	**15**	**–**	**–**	**21**	**10**	**–**	**–**	**–**	**19**	**10**	–	**29**
Borrowings from the State Bank and / or a Notified bank (2) and State Government	**1,861**	**9,768**	**13,639**	**11,469**	**13,086**	**13,539**	**13,300**	**13,100**	**13,187**	**13,145**	**13,073**	**13,065**
Demand	116	2,021	3,292	2,335	2,561	2,825	2,924	2,994	2,991	2,942	2,851	2,822
Time	1,745	7,747	10,347	9,134	10,525	10,714	10,376	10,106	10,196	10,204	10,222	10,243
Assets												
Cash in Hand and Balances with Reserve Bank	**334**	**2,499**	**3,054**	**2,132**	**2,602**	**2,808**	**2,924**	**2,890**	**3,297**	**3,205**	**3,348**	**3,225**
Cash in Hand	24	146	153	140	152	157	153	149	150	145	139	156
Balance with Reserve Bank	310	2,353	2,900	1,992	2,450	2,652	2,772	2,741	3,147	3,060	3,209	3,069
Balances with Other Banks in Current Account	93	575	486	320	695	403	357	333	366	396	362	352
Investments in Government Securities (3)	1,058	16,472	14,146	14,914	13,860	14,723	15,044	15,615	15,897	15,962	16,084	16,142
Money at Call and Short Notice	498	5,899	6,749	6,952	6,259	5,418	5,710	6,571	7,260	7,849	7,849	8,056
Bank Credit (4)	**2,553**	**15,589**	**17,017**	**14,631**	**16,380**	**16,292**	**16,241**	**15,585**	**15,420**	**15,676**	**15,333**	**15,768**
Advances												
Loans, Cash-Credits and Overdrafts	2,528	15,568	17,001	14,617	16,371	16,283	16,230	15,575	15,409	15,664	15,321	15,756
Due from Banks (5)	5,560	24,167	30,098	28,697	31,136	32,018	32,581	32,442	32,445	31,851	31,998	31,701
Bills Purchased and Discounted	25	21	16	14	8	8	11	10	11	12	12	12
Cash - Deposit Ratio	15.5	16.0	17.9	12.9	15.0	15.9	16.4	15.7	17.3	17.1	17.6	16.6
Investment - Deposit Ratio	49.2	105.2	82.7	90.3	79.7	83.5	84.4	84.7	83.4	85.0	84.6	83.0
Credit - Deposit Ratio	118.6	99.5	99.5	88.6	94.2	92.4	91.1	84.5	80.9	83.5	80.7	81.1

See 'Notes on Tables'.

No. 7 : Reserve Bank's Standing Facilities to Scheduled Commercial Banks

(Rs. crore)

As on last reporting Friday of	Export Credit Refinance (1)		General Refinance (2)		Special Liquidity Support (3)		Total Refinance (4)	
	Limit	Outstanding	Limit	Outstanding	Limit	Outstanding	Limit	Outstanding
1	2	3	4	5	6	7	8	9
1996-97	6,654.40	559.97	—	—			6,654.40	559.97
1997-98	2,402.96	394.52	1,115.02	0.11			3,517.98	394.63
1998-99	7,269.27	2,616.57	1,115.02	19.23	3,235.02	258.00	11,619.31	2,893.80
Mar. 1999	7,269.27	2,616.57	1,115.02	19.23	3,235.02	258.00	11,619.31	2,893.80
Apr. 1999	8,638.29	5,164.76	1,115.02	56.31	—	—	9,753.31	5,221.07

As on last reporting Friday of	Export Credit Refinance (1)						Others @						Total Standing Facility	
	Normal *		Back Stop **		Total ***		Normal *		Back Stop **		Total			
	Limit	Out-standing	Limit	Out-standing	Limit	Out-standing	Limit	Out-standing	Limit	Out-standing	Limit	Out-standing	Limit	Out-standing
1	2	3	4	5	6 =(2+4)	7 =(3+5)	8	9	10	11	12 =(8+10)	13 =(9+11)	14 =(6+12)	15 =(7+13)
2001-02	6,060.29	3,144.11	3,025.60	49.83	9,085.89	3,193.94	837.62	422.35	218.65	—	1,056.27	422.35	10,142.16	3,616.29
2002-03	2,524.13	61.51	2,524.13	23.00	5,048.26	84.51	399.66	—	—	—	399.66	—	5,447.92	84.51
2003-04	1,553.25	—	3,111.17	—	4,664.42	—	399.66	—	—	—	399.66	—	5,064.08	—
2004-05	—	—	—	—	4,912.13	50.00	399.66	—	—	—	399.66	—	5,311.79	50.00
2005-06	—	—	—	—	6,050.63	1,567.68	—	—	—	—	—	—	6,050.63	1,567.68
2006-07	—	—	—	—	8,110.33	4,984.94	—	—	—	—	—	—	8,110.33	4,984.94
Sep. 2006	—	—	—	—	6,963.09	1,563.75	—	—	—	—	—	—	6,963.09	1,563.75
Dec. 2006	—	—	—	—	7,200.34	1,784.23	—	—	—	—	—	—	7,200.34	1,784.23
Mar. 2007	—	—	—	—	8,110.33	4,984.94	—	—	—	—	—	—	8,110.33	4,984.94
Feb. 2007	—	—	—	—	7,946.14	—	—	—	—	—	—	—	7,946.14	—
Mar. 2007	—	—	—	—	8,110.33	4,984.94	—	—	—	—	—	—	8,110.33	4,984.94
Apr. 2007	—	—	—	—	8,871.55	3,760.22	—	—	—	—	—	—	8,871.55	3,760.22
May 2007	—	—	—	—	8,510.80	2,746.00	—	—	—	—	—	—	8,510.80	2,746.00
Jun. 2007	—	—	—	—	8,342.90	100.90	—	—	—	—	—	—	8,342.90	100.90
Jul. 2007	—	—	—	—	8,103.46	0.90	—	—	—	—	—	—	8,103.46	0.90
Aug. 2007	—	—	—	—	7,806.76	92.00	—	—	—	—	—	—	7,806.76	92.00
Sep. 2007	—	—	—	—	7,505.46	45.00	—	—	—	—	—	—	7,505.46	45.00
Oct. 2007	—	—	—	—	7,705.45	—	—	—	—	—	—	—	7,705.45	—
Nov.2007	—	—	—	—	7,836.03	169.00	—	—	—	—	—	—	7,836.03	169.00
Dec. 2007	—	—	—	—	7,818.76	779.00	—	—	—	—	—	—	7,818.76	779.00
Jan. 2008	—	—	—	—	8,413.40	3,844.07	—	—	—	—	—	—	8,413.40	3,844.07
Feb. 2008	—	—	—	—	8,709.42	172.50	—	—	—	—	—	—	8,709.42	172.50

@ : 'Others' include Collateralised Lending Facility (CLF) (withdrawn completely effective from October 5, 2002) / Additional CLF (withdrawn effective from June 5, 2000), *etc.*

* : Normal Limit = 1/2 of total limit effective from November 16, 2002; 1/3 rd of the total limit effective from December 27, 2003.

** : Back-Stop Limit = 1/2 of total limit effective from November 16, 2002; 2/3 rd of the total limit effective from December 27, 2003.

*** : Total limits under Normal Facility and Back-Stop facility merged in to a single facility effective from March 29, 2004.

Also see 'Notes on Tables'.

No. 8: Cheque Clearing Data

(Number in Lakh and Amount in Rs. crore)

Month/Year	Total		Total MICR* Centres		Total Non-MICR** Centres		Total of RBI Centres		RBI Centres***					
									Ahmedabad		Bangalore		Bhopal	
1	2=(3+4)		3=(5+22)		4		5		6		7		8	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
2001-02	9,015.0	1,25,75,254.0	5,377.0	1,09,47,391.0	3,638.0	16,27,863.0	5,377.0	1,09,47,391.0	414.0	2,07,524.0	445.0	2,69,346.0	-	-
2002-03	10,139.0	1,34,24,313.0	5,980.0	1,09,78,762.0	4,159.0	24,45,551.0	5,980.0	1,09,78,762.0	434.0	2,25,060.0	485.0	3,07,577.0	-	-
2003-04	10,228.0	1,15,95,960.0	6,241.0	91,78,751.0	3,987.0	24,17,209.0	6,241.0	91,78,751.0	473.0	2,80,649.0	547.0	3,75,885.0	-	-
2004-05	11,668.5	1,04,58,894.9	9,414.6	93,56,252.2	2,253.9	11,02,642.7	7,384.8	84,93,320.7	525.5	3,52,696.6	601.6	4,77,810.1	59.3	47,188.1
2005-06	12,867.6	1,13,29,133.5	10,318.4	94,74,370.8	2,549.2	18,54,762.8	7,942.4	81,94,976.7	603.7	4,06,598.7	656.1	4,98,344.5	71.9	32,181.0
2006-07 (P)	13,672.8	1,20,42,425.7	11,441.0	1,04,35,436.1	2,231.8	16,06,989.5	8,309.9	85,99,494.3	594.4	4,29,955.8	702.5	5,58,675.6	71.7	52,224.6
2006-07 (P)														
April	1,084.1	9,52,862.0	895.7	8,38,067.5	188.4	1,14,794.5	657.5	7,03,540.3	48.5	34,358.2	53.3	43,128.2	5.6	3,647.1
May	1,141.6	9,93,452.4	946.7	8,77,955.5	194.8	1,15,496.9	689.8	7,23,598.7	50.3	34,802.6	60.6	39,886.4	6.0	4,030.3
June	1,074.5	9,35,455.7	892.1	8,16,855.4	182.4	1,18,600.3	654.0	6,80,616.8	44.8	31,406.1	57.6	44,615.2	5.4	4,218.9
July	1,094.9	8,75,608.6	922.3	7,67,975.9	172.6	1,07,632.7	669.9	6,24,620.9	47.0	30,031.9	56.2	44,028.5	6.0	3,526.1
August	1,150.5	9,37,757.1	966.7	8,21,927.1	183.9	1,15,829.9	701.4	6,60,121.1	45.3	29,450.1	61.1	44,878.2	6.1	3,801.6
September	1,108.9	10,03,643.4	934.0	8,91,105.0	174.9	1,12,538.4	664.8	7,47,283.7	46.6	34,782.4	57.0	48,512.1	6.2	3,454.5
October	1,104.8	9,20,601.8	930.5	8,10,083.9	174.3	1,10,517.9	680.9	6,60,849.5	48.8	34,792.2	56.1	45,458.5	6.1	4,017.9
November	1,156.2	9,75,051.5	974.7	8,58,613.2	181.5	1,16,438.2	703.6	7,03,613.6	49.6	32,675.9	60.0	45,530.5	6.4	4,208.3
December	1,136.7	10,06,191.1	956.8	8,98,722.0	179.9	1,07,469.1	696.1	7,48,084.7	51.2	37,864.9	59.5	53,311.2	4.8	4,483.7
January	1,144.0	11,51,566.8	955.3	8,61,830.7	188.7	2,89,736.1	695.9	7,06,834.2	49.3	38,373.3	57.1	46,414.2	5.9	4,777.7
February	1,152.0	10,09,236.3	974.2	8,78,283.7	177.8	1,30,952.6	705.1	7,18,901.9	53.0	39,078.8	58.7	43,610.6	6.1	4,351.1
March	1,324.7	12,80,999.0	1,091.9	11,14,016.1	232.8	1,66,983.0	790.8	9,21,429.0	60.0	52,339.5	65.4	59,302.1	7.0	7,707.4
2007-08 (P)														
April	1,169.0	10,20,648.7	982.6	8,58,100.5	186.4	1,62,548.3	711.0	6,94,136.3	48.2	37,977.6	60.0	52,523.2	6.2	4,796.6
May	1,178.9	11,12,303.6	990.5	8,71,552.9	188.4	2,40,750.7	705.8	7,08,984.3	50.3	36,212.7	62.3	56,277.7	6.0	4,835.0
June	1,140.3	10,20,164.4	951.9	8,87,891.6	188.4	1,32,272.7	687.2	7,30,703.4	51.1	38,572.6	61.4	48,857.2	5.8	4,512.8
July	1,225.6	10,33,767.4	1,028.1	9,17,884.1	197.6	1,15,883.3	752.0	7,65,059.7	56.8	39,463.9	61.9	52,540.1	6.7	3,844.4
August	1,215.2	9,95,281.6	1,020.9	8,75,538.0	194.3	1,19,743.6	730.4	7,16,282.5	52.5	36,681.2	62.7	49,593.2	6.8	4,326.5
September	1,106.2	9,82,442.3	913.8	8,69,312.0	192.4	1,13,130.2	657.2	7,18,007.9	48.1	36,914.0	53.5	48,357.6	6.1	4,208.3
October	1,309.6	11,18,384.8	1,099.3	9,92,996.9	210.3	1,25,387.9	785.8	8,17,338.5	59.5	42,892.1	61.2	50,863.0	7.1	4,865.2
November	1,180.5	11,98,037.8	979.7	9,78,282.4	200.8	2,19,755.4	701.5	8,09,893.4	52.6	44,910.1	60.0	47,361.3	6.3	5,329.8
December	1,243.0	11,49,430.4	1,044.8	10,07,810.6	198.1	1,41,619.8	737.2	8,16,611.9	55.3	44,079.8	60.5	54,352.0	5.7	5,093.8
January	1,313.9	12,99,798.0	1,101.4	11,45,967.5	212.5	1,53,830.5	793.6	9,53,207.6	62.4	51,572.2	64.5	54,470.3	7.1	6,874.4
February	1,244.1	11,56,446.5	1,043.7	9,88,547.6	200.4	1,67,899.0	744.2	7,94,535.6	54.5	43,559.4	63.4	55,496.2	7.0	5,710.0
March	1,279.4	13,09,360.4	1,073.0	11,34,806.2	206.4	1,74,554.3	770.2	9,26,987.3	56.1	53,923.5	63.0	61,635.9	6.7	8,254.9
Total (upto March, 08)	**14,605.6**	**1,33,96,065.9**	**12,229.6**	**1,15,28,690.2**	**2,376.0**	**18,67,375.7**	**8775.9**	**94,51,748.3**	**647.3**	**5,06,759.2**	**734.5**	**6,32,327.8**	**77.4**	**62,651.9**

* : MICR - Magnetic Ink Character Recognition - automated CPC (Cheque Processing Centres)

** : Non MICR - Clearing done at the clearing houses where MICR Cheque Processing Centres have not been set up. The processing is done either using Magnetic Media Based Clearing System (MMBCS) or is done manually.

*** : RBI Centres (MICR) refers to all centres where RBI is the manager of Clearing House.

Notes :

1. Non MICR Data pertains to the Clearing Houses managed by 10 banks namely SBI(Patna, Delhi, Lucknow, Mumbai, Ahmedabad, Bhopal, Kolkata, Chennai, Guwahati, Chandigarh, Kerala, Hyderabad, Bangalore & Bhubaneswar), SBBJ, SB Indore, PNB, SBT, SBP, SBH, SBS, SBM and United Bank of India.
2. The other MICR Centres includes 43 centres managed by 13 PSBs namely Andhra Bank, Bank of Baroda, Bank of India, Canara Bank, Central Bank of India, Corporation Bank, Oriental Bank of Commerce, Punjab National Bank, State Bank of India, State Bank of Indore, State Bank of Travancore, State Bank of Hyderabad and Union Bank of India. The list of other MICR centres (apart from RBI) is given in the Notes on Table 8.

No. 8: Cheque Clearing Data *(Contd.)*

(Number in Lakh and Amount in Rs. crore)

Month/ Year	RBI Centres***													
	Bhubaneswar		Chandigarh		Chennai		Guwahati		Hyderabad		Jaipur		Kanpur	
1	9		10		11		12		13		14		15	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
2001-02	27.0	21,625.0	–	–	522.0	5,00,872.0	30.0	19,592.0	305.0	1,82,764.0	123.0	54,432.0	67.0	32,369.0
2002-03	33.0	26,349.0	–	–	557.0	5,52,913.0	34.0	22,436.0	337.0	2,15,035.0	130.0	58,202.0	73.0	34,532.0
2003-04	37.0	37,136.0	–	–	602.0	6,12,158.0	37.0	27,840.0	369.0	2,75,503.0	148.0	70,122.0	78.0	41,397.0
2004-05	41.8	47,252.7	112.8	1,11,091.8	735.1	7,59,883.1	42.4	32,713.9	390.2	3,01,678.8	168.0	89,086.6	87.1	47,225.8
2005-06	48.6	53,649.7	123.8	1,27,037.9	813.2	6,55,277.9	48.2	39,660.5	416.8	3,63,317.1	187.4	1,13,452.5	92.7	55,328.7
2006-07 (P)	56.2	64,833.9	140.7	1,98,205.1	803.5	6,92,201.6	55.1	49,100.5	438.9	3,95,911.4	197.8	1,37,784.8	96.9	64,396.1
2006-07 (P)														
April	3.9	3,926.9	10.2	14,268.6	64.6	54,057.2	3.9	3,823.0	36.9	33,184.1	15.6	10,352.5	8.2	5,123.2
May	4.6	5,175.4	11.2	14,067.1	67.8	54,208.9	4.6	3,938.8	32.8	32,045.6	16.7	10,800.9	8.3	5,425.9
June	4.1	4,306.9	10.1	10,829.0	66.1	54,931.1	4.3	3,807.8	35.3	32,498.2	16.0	11,539.5	7.5	5,123.8
July	4.5	5,382.2	10.4	14,700.9	68.7	51,960.7	4.2	3,272.4	34.8	30,933.8	15.2	10,778.7	7.7	4,796.0
August	4.8	5,338.0	17.0	11,607.2	68.6	55,833.0	4.7	4,038.8	36.2	31,079.2	16.1	10,148.2	8.2	5,235.4
September	4.6	5,237.7	11.4	46,787.5	66.8	56,680.2	4.5	3,739.0	34.7	31,850.8	15.8	10,595.2	7.8	5,159.1
October	4.6	5,263.3	11.5	15,080.7	65.5	56,828.6	4.3	3,671.1	35.1	29,737.9	16.1	11,498.0	7.0	4,557.1
November	5.2	5,295.5	12.4	14,472.2	57.1	56,676.7	5.0	4,528.2	37.7	33,717.6	17.1	11,517.9	9.0	6,087.0
December	5.0	5,048.5	11.9	12,713.8	67.9	57,571.9	4.8	4,286.6	39.1	33,876.3	17.2	12,188.7	8.3	5,565.5
January	4.7	6,051.1	10.9	12,017.0	64.9	55,270.0	4.5	4,408.9	35.4	30,771.4	16.6	11,948.2	7.6	5,265.3
February	4.7	5,682.8	11.1	12,880.4	69.1	61,288.2	4.6	4,024.8	37.7	31,696.2	17.0	11,868.4	8.5	5,423.5
March	5.6	8,125.6	12.5	18,780.8	76.4	76,894.9	5.7	5,561.1	43.1	44,520.3	18.6	14,548.4	9.0	6,634.2
2007-08 (P)														
April	4.6	5,831.5	11.0	14,150.3	69.8	66,324.2	4.5	4,578.5	36.9	35,342.0	17.0	12,404.9	8.3	5,508.0
May	4.9	5,938.9	11.8	15,226.9	69.3	59,764.8	4.8	4,088.7	35.6	33,432.0	17.0	12,148.7	8.6	5,774.8
June	4.8	5,694.7	11.4	11,972.4	68.7	63,265.4	4.9	4,514.6	34.8	34,164.7	16.4	12,873.3	7.9	6,244.2
July	5.0	6,288.5	11.7	13,279.9	73.3	63,481.3	4.9	4,258.1	38.4	37,798.9	18.4	13,024.8	8.2	5,548.1
August	5.4	5,905.7	11.9	13,575.2	72.9	63,566.8	5.0	3,911.1	37.8	37,093.1	17.0	11,957.0	8.3	5,397.6
September	4.5	6,429.3	10.9	11,191.7	65.8	61,810.7	4.5	4,305.6	33.6	32,219.9	17.1	11,708.9	7.6	4,810.6
October	5.4	6,434.0	12.5	14,026.7	74.9	66,808.0	5.1	4,637.9	38.9	37,455.3	19.2	14,238.1	8.9	5,990.5
November	5.0	6,400.5	11.5	12,886.3	69.1	65,667.0	4.9	4,583.7	38.6	36,183.5	18.4	14,223.6	7.8	5,521.2
December	5.0	6,080.9	11.8	12,674.3	70.2	66,549.4	5.0	4,409.5	39.1	39,326.6	18.8	13,940.1	8.2	5,745.3
January	5.3	7,942.6	12.5	14,353.3	71.8	62,658.0	5.3	4,814.9	41.2	42,302.6	21.5	15,688.9	9.2	6,575.3
February	5.1	8,446.4	12.4	12,383.0	72.5	65,503.0	5.2	4,782.7	40.7	42,347.5	19.5	13,948.2	8.5	6,069.7
March	5.2	9,600.6	12.1	15,498.5	75.9	73,455.1	5.5	6,283.9	39.1	44,832.8	19.1	15,865.3	8.6	6,699.9
Total (upto March 08)	**60.0**	**80,993.5**	**141.4**	**1,61,218.5**	**854.1**	**7,78,853.6**	**59.5**	**55,169.2**	**454.6**	**4,52,498.8**	**219.3**	**1,62,021.8**	**100.0**	**69,885.1**

No. 8: Cheque Clearing Data *(Contd.)*

(Number in Lakh and Amount in Rs. crore)

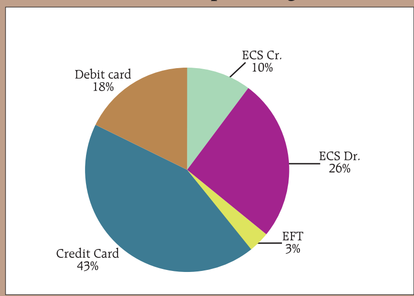
Month/ Year	RBI Centres***											
	Kolkata		Mumbai		Nagpur		New Delhi		Patna		Thiruvananthapuram	
1	16		17		18		19		20		21	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
2001-02	523.0	3,73,131.0	1,679.0	82,17,816.0	102.0	41,151.0	1,079.0	9,90,315.0	27.0	17,421.0	34.0	19,032.0
2002-03	531.0	4,19,164.0	2,019.0	76,94,748.0	109.0	46,924.0	1,164.0	13,19,625.0	37.0	19,506.0	37.0	36,691.0
2003-04	470.0	4,65,308.0	2,162.0	55,11,293.0	120.0	56,330.0	1,107.0	13,54,677.0	50.0	26,739.0	41.0	43,714.0
2004-05	599.9	5,60,659.9	2,304.1	37,53,670.3	124.4	63,495.1	1,479.3	17,73,610.1	65.0	30,861.7	48.2	44,396.1
2005-06	642.4	6,58,639.7	2,391.9	33,42,829.4	134.8	75,772.3	1,597.2	16,97,583.2	59.2	36,819.8	54.6	38,484.0
2006-07 (P)	684.2	6,82,358.0	2,518.3	33,19,090.1	145.6	92,546.6	1,690.9	17,73,548.3	56.8	47,968.8	56.2	40,693.0
2006-07 (P)												
April	50.3	52,003.1	204.2	2,82,175.8	11.8	7,721.1	132.2	1,50,395.9	3.9	3,683.5	4.4	1,691.9
May	58.0	54,915.4	204.9	3,03,037.1	12.0	8,238.0	142.6	1,46,372.4	4.7	3,401.7	4.8	3,252.2
June	53.6	52,311.8	197.4	2,69,119.6	11.7	7,629.2	131.0	1,41,374.3	4.2	3,764.1	4.7	3,141.0
July	54.8	48,532.5	202.5	2,34,137.3	11.9	6,836.8	136.9	1,28,656.8	4.4	3,870.6	4.7	3,175.6
August	58.9	54,667.9	212.8	2,48,886.5	11.5	6,756.5	140.2	1,41,680.4	4.8	3,538.2	5.0	3,182.0
September	53.8	55,803.2	197.5	2,76,372.2	11.2	6,484.3	138.1	1,54,902.9	4.8	3,858.3	4.2	3,064.2
October	54.7	49,873.9	209.1	2,42,863.7	12.1	7,299.3	141.1	1,43,426.0	4.2	3,447.0	4.6	3,034.4
November	59.7	58,186.0	218.5	2,77,426.1	12.3	7,396.8	143.7	1,38,470.8	5.2	4,012.0	4.7	3,412.2
December	56.5	59,901.4	207.1	2,91,559.6	12.6	8,156.5	140.6	1,54,432.1	5.2	3,929.8	4.6	3,194.3
January	55.8	51,879.8	217.5	2,74,341.9	11.9	7,697.7	144.6	1,49,332.2	4.5	3,989.0	4.8	4,296.3
February	59.4	58,149.0	210.5	2,79,723.9	12.3	7,704.5	142.7	1,45,494.0	5.1	4,323.8	4.6	3,601.7
March	68.5	86,134.0	236.5	3,39,446.5	14.5	10,625.9	157.3	1,79,010.4	5.8	6,150.8	5.1	5,647.2
2007-08 (P)												
April	57.8	58,696.5	221.0	2,29,445.8	11.3	8,695.7	145.3	1,46,705.0	4.8	6,928.5	4.5	4,228.0
May	59.9	61,399.2	208.0	2,61,566.1	11.9	8,660.5	146.0	1,34,494.9	4.7	5,352.2	4.8	3,811.2
June	57.5	62,309.8	203.1	2,80,461.1	12.0	8,428.3	137.9	1,40,266.4	5.0	4,335.6	4.6	4,230.2
July	61.0	61,348.0	231.1	3,06,618.1	12.7	7,646.3	152.2	1,41,101.1	5.2	5,217.5	4.7	3,600.6
August	62.2	59,161.4	219.2	2,74,074.2	12.8	7,849.0	146.2	1,34,970.6	5.4	3,959.9	4.5	4,260.0
September	55.0	57,083.7	194.4	2,84,887.2	11.3	7,589.8	135.5	1,38,687.4	4.9	3,760.4	4.4	4,042.7
October	61.6	60,282.9	248.1	3,32,783.2	14.1	8,763.1	159.0	1,57,435.9	5.4	5,044.4	4.9	4,818.3
November	59.3	59,713.8	206.1	3,50,427.6	12.5	8,369.6	140.0	1,38,811.1	4.9	4,530.0	4.6	4,974.2
December	62.8	66,027.1	225.5	3,29,424.9	12.6	8,327.6	146.6	1,50,380.8	5.4	4,694.2	4.7	5,505.5
January	65.3	67,906.6	242.5	4,17,848.2	13.8	10,609.2	160.5	1,76,864.6	5.8	5,393.5	4.9	7,333.1
February	60.8	65,791.2	221.7	3,00,298.8	13.1	9,534.0	149.7	1,50,895.5	5.7	5,058.4	4.6	4,711.6
March	67.3	98,584.0	230.9	3,17,572.1	13.4	11,878.5	156.8	1,90,362.4	5.5	6,731.9	4.9	5,808.1
Total (upto March, 08)	**730.5**	**7,78,304.3**	**2651.6**	**36,85,407.3**	**151.3**	**1,06,351.7**	**1775.7**	**18,00,975.6**	**62.6**	**61,006.5**	**56.0**	**57,323.4**

No. 8: Cheque Clearing Data *(Concld.)*

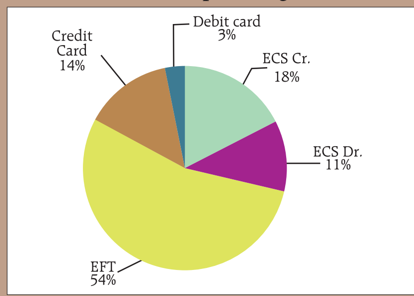
(Number in Lakh and Amount in Rs. crore)

Month/Year	Other MICR Centres	
1	22	
	Number	Amount
2001-02	–	–
2002-03	–	–
2003-04	–	–
2004-05	2,029.8	8,62,931.5
2005-06	2,375.9	12,79,394.1
2006-07 (P)	3,131.1	18,35,941.8
2006-07 (P)		
April	238.2	1,34,527.2
May	256.9	1,54,356.7
June	238.2	1,36,238.7
July	252.4	1,43,355.0
August	265.3	1,61,806.1
September	269.2	1,43,821.3
October	249.6	1,49,234.5
November	271.1	1,54,999.6
December	260.7	1,50,637.3
January	259.5	1,54,996.6
February	269.1	1,59,381.8
March	301.1	1,92,587.1
2007-08 (P)		
April	271.6	1,63,964.1
May	284.7	1,62,568.6
June	264.8	1,57,188.2
July	276.1	1,52,824.4
August	290.5	1,59,255.4
September	256.6	1,51,304.2
October	313.5	1,75,658.4
November	278.2	1,68,389.1
December	307.6	1,91,198.7
January	307.8	1,92,759.9
February	299.5	1,94,011.9
March	302.8	2,07,818.8
Total (upto March, 08)	**3,453.7**	**20,76,941.9**

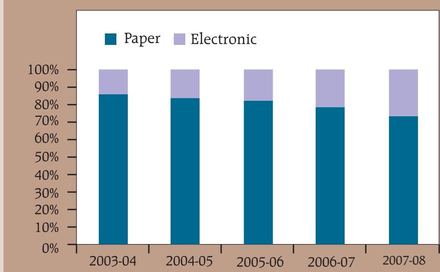
Retail Electronic Transactions Volume in percentage



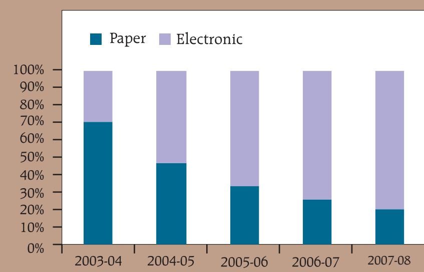
Retail Electronic Transactions Value in percentage



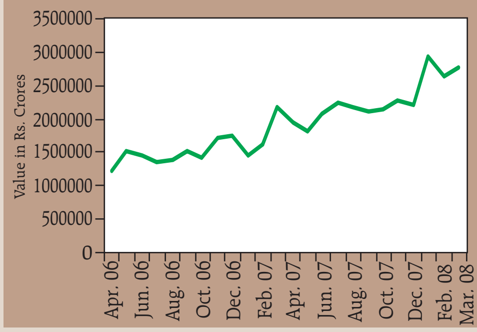
Representation of Electronic Transactions Volume in Total



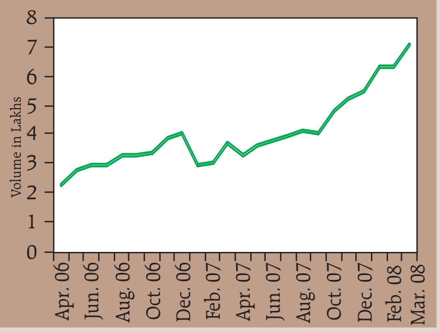
Representation of Electronic Transactions Value in Total



Growth in RTGS Value



Growth in RTGS Volume



No. 9 A: Retail Electronic Payment Systems

(Number in Lakh and Amount in Rs. crore)

Year / Period	Total Electronic Payments		Electronic Clearing Services (ECS)				Electronic Funds Transfer (EFT)		Card Payments					
			ECS (Credit)		ECS (Debit)				Credit			Debit*		
1	2=(3+4+5+6+7)		3		4		5		6			7		
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number of Out-standing Cards**	Number	Amount	Number of Out-standing Cards**	Number	Amount
2003-04	1,669.55	52,142.78	203.00	10,228.00	79.00	2,253.58	8.19	17,124.81	–	1,001.79	17,662.72	–	377.57	4,873.67
2004-05	2,289.04	1,08,749.83	400.51	20,179.81	153.00	2,921.24	25.49	54,601.38	–	1,294.72	25,686.36	–	415.32	5,361.04
2005-06	2,850.13	1,46,382.68	442.16	32,324.35	359.58	12,986.50	30.67	61,288.22	173.27	1,560.86	33,886.47	497.63	456.86	5,897.14
2006-07(P)	3,787.09	2,35,693.12	690.19	83,273.09	752.02	25,440.79	47.76	77,446.31	231.23	1,695.36	41,361.31	749.76	601.77	8,171.63
2006-07 (P)														
April	248.66	13,307.04	41.69	4,361.55	44.73	1,527.94	3.01	4,261.11	177.16	117.72	2,615.53	518.13	41.50	540.91
May	270.01	19,454.10	46.78	8,978.03	43.53	1,685.09	3.40	5,234.09	180.55	131.93	2,970.52	526.95	44.37	586.38
June	275.45	12,769.55	52.51	3,469.70	51.53	1,585.07	3.36	4,383.87	185.76	125.45	2,773.69	546.88	42.60	557.22
July	301.41	20,495.04	61.90	6,078.30	53.15	1,643.62	3.39	9,195.79	190.27	133.71	2,957.08	573.13	49.26	620.25
August	321.75	17,470.80	70.75	5,633.54	56.95	1,976.00	3.60	5,991.33	195.65	139.77	3,211.80	589.64	50.68	658.12
September	298.98	17,141.85	51.87	4,990.12	60.15	2,022.28	3.85	6,166.52	200.39	136.22	3,270.12	613.98	46.89	692.81
October	334.69	21,231.53	57.47	8,304.32	65.13	2,166.65	4.15	5,936.81	204.85	151.66	3,991.78	658.59	56.28	831.97
November	328.13	22,522.59	66.06	9,245.42	69.32	2,207.17	3.44	6,808.25	210.98	139.62	3,602.20	664.19	49.68	659.56
December	329.08	18,792.68	42.88	5,970.25	72.37	2,517.06	3.59	5,597.25	215.99	151.85	3,883.96	689.28	58.39	824.16
January	342.32	20,750.14	48.13	6,296.77	76.21	2,334.62	3.71	7,262.69	221.08	161.90	4,110.29	698.44	52.38	745.76
February	369.00	26,403.45	84.55	11,568.11	78.49	2,259.09	5.73	7,995.26	226.54	147.25	3,875.02	720.26	52.98	705.97
March	367.61	25,354.35	65.60	8,376.98	80.46	3,516.19	6.53	8,613.34	231.23	158.28	4,099.32	749.76	56.75	748.52
2007-08 (P)														
April	376.45	28,346.53	60.07	8,027.76	82.63	3,040.37	6.75	12,159.06	235.03	167.35	4,258.26	758.66	59.65	861.07
May	370.93	24,451.57	38.70	3,620.43	88.98	2,942.11	7.42	12,734.62	241.29	174.70	4,296.39	784.59	61.13	858.02
June	385.26	24,170.64	52.90	7,824.70	90.56	4,586.06	7.50	6,704.94	243.98	171.86	4,190.71	795.65	62.43	864.23
July	440.52	29,912.23	89.85	11,709.17	96.57	3,231.45	8.48	9,615.62	244.89	179.50	4,450.51	819.74	66.12	905.48
August	449.29	28,259.80	81.17	11,944.00	98.47	3,310.76	8.97	7,395.73	249.48	188.37	4,600.60	849.54	72.30	1,008.71
September	414.09	28,685.38	58.41	9,575.51	103.02	4,540.73	9.60	9,301.03	251.40	174.15	4,315.04	876.52	68.91	953.07
October	493.02	37,516.39	83.98	12,401.66	111.56	4,212.86	12.28	14,583.40	256.16	207.51	5,201.23	897.07	77.69	1,117.23
November	486.38	32,899.83	75.14	12,555.05	114.79	4,348.66	13.17	9,387.33	258.74	199.44	5,348.79	922.58	83.84	1,260.00
December	467.73	38,215.50	55.40	15,273.70	116.06	5,203.72	13.07	11,143.71	262.45	202.47	5,362.94	946.86	80.72	1,231.42
January	473.89	34,522.43	52.55	7,430.35	117.75	4,561.57	14.82	15,938.36	266.33	207.24	5,450.74	967.86	81.54	1,141.40
February	505.09	6,97,237.84	86.58	6,75,224.00	122.81	4,756.84	15.18	10,941.22	268.75	198.93	5,183.29	996.04	81.58	1,132.49
March	490.43	37,747.57	48.88	6,635.96	128.01	4,202.06	15.90	20,421.47	275.47	210.49	5,300.00	1024.37	87.15	1,188.09
Total (upto March, 08)	**5,353.09**	**10,41,965.71**	**783.65**	**7,82,222.30**	**1,271.20**	**48,937.20**	**133.15**	**14,03,26.48**	**275.47**	**2,282.03**	**57,958.52**	**1,024.37**	**883.06**	**12,521.22**

* : Debit Cards figures for 2003-04 and 2004-05 are estimated based on 2005-06 figures.

** : Cards issued by banks (excluding those withdrawn/blocked).

No.9B: Large Value Clearing and Settlement Systems

(Number in Lakh and Amount in Rs. crore)

Year / Period	Real Time Gross Settlement System									
	Total		Customer Remittance		Inter-Bank Remittance		Inter-Bank Clearing settlement**		Total Inter-Bank	
1	2=(3+4+5)		3		4		5		6=(4+5)	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
2003-04	0.001	1,965.49	0	0.00	0.001	1,965.49	–	–	0.001	1,965.49
2004-05	4.60	40,66,184.00	0.68	2,49,662.00	3.92	38,16,522.00	–	–	3.92	38,16,522.00
2005-06	17.67	1,15,40,836.25	7.13	25,70,212.29	10.54	89,70,623.96	–	–	10.54	89,70,623.96
2006-07	38.80	2,46,19,179.99	24.82	71,67,807.91	13.94	1,13,13,346.69	0.04	61,38,025.39	13.98	1,74,51,372.08
2006-07										
April	2.27	12,15,738.55	1.36	4,14,832.62	0.92	8,00,905.93	–	–	0.92	8,00,905.93
May	2.82	15,05,769.58	1.72	5,22,421.94	1.10	9,83,347.64	–	–	1.10	9,83,347.64
June	2.94	14,37,408.04	1.82	4,90,716.67	1.13	9,46,691.37	–	–	1.13	9,46,691.37
July	2.97	13,46,465.65	1.87	4,54,992.42	1.11	8,91,473.23	–	–	1.11	8,91,473.23
August	3.32	13,87,871.86	2.16	4,82,295.19	1.16	9,05,576.67	–	–	1.16	9,05,576.67
September*	3.33	21,20,783.51	2.19	5,56,877.18	1.13	9,65,023.29	0.01	5,98,883.04	1.14	15,63,906.33
October	3.39	19,30,288.73	2.29	4,69,506.04	1.09	9,39,937.84	0.01	5,20,844.85	1.10	14,60,782.69
November	3.89	24,16,741.81	2.64	6,65,072.44	1.24	10,52,418.91	0.01	6,99,250.46	1.25	17,51,669.37
December	4.07	26,73,508.76	2.82	7,14,428.61	1.24	10,24,691.36	0.01	9,34,388.79	1.25	19,59,080.15
January	3.01	25,11,745.65	1.78	5,98,777.17	1.22	8,41,163.48	0.01	10,71,805.00	1.22	19,12,968.48
February	3.06	24,92,395.60	1.87	7,37,553.10	1.19	8,63,897.68	0.01	8,90,944.82	1.19	17,54,842.50
March	3.73	35,80,462.25	2.31	10,60,334.53	1.41	10,98,219.29	0.01	14,21,908.43	1.42	25,20,127.72
2007-08										
April	3.30	30,52,145.05	2.06	8,37,607.28	1.23	11,09,957.75	0.01	11,04,580.02	1.24	22,14,537.77
May	3.69	30,56,182.88	2.37	9,33,089.84	1.32	8,75,831.15	0.01	12,47,261.89	1.32	21,23,093.04
June	3.82	31,85,137.95	2.49	12,50,113.93	1.31	8,16,059.70	0.02	11,18,964.32	1.33	19,35,024.02
July	3.97	33,90,128.37	2.63	13,83,382.06	1.31	8,40,713.46	0.02	11,66,032.85	1.33	20,06,746.31
August	4.19	39,46,479.77	2.81	11,88,033.68	1.37	9,83,548.72	0.01	17,74,897.37	1.39	27,58,446.09
September	4.06	41,53,981.12	2.78	12,09,224.98	1.27	9,10,182.26	0.01	20,34,573.88	1.28	29,44,756.14
October	4.83	49,49,173.65	3.41	13,07,702.75	1.41	8,46,505.29	0.01	27,94,965.61	1.43	36,41,470.90
November	5.24	40,72,777.90	3.76	13,94,946.07	1.47	8,87,495.28	0.01	17,90,336.55	1.48	26,77,831.83
December	5.54	39,16,030.07	4.08	14,14,048.47	1.45	7,91,095.44	0.01	17,10,886.16	1.46	25,01,981.60
January	6.35	51,59,519.91	4.75	17,46,044.67	1.59	11,88,764.30	0.01	22,24,710.94	1.60	34,13,475.24
February	6.38	47,01,199.15	4.81	16,37,191.34	1.56	9,89,586.62	0.01	20,74,421.18	1.57	30,64,007.80
March	7.16	47,11,803.16	5.51	17,98,787.80	1.64	9,78,417.44	0.01	19,34,597.92	1.65	29,13,015.36
Total (upto March, 08)	**58.54**	**4,82,94,558.97**	**41.46**	**1,61,00,172.88**	**16.94**	**1,12,18,157.41**	**0.14**	**2,09,76,228.68**	**17.08**	**3,21,94,386.10**

* Inter-Bank Clearing Settlement pertains to the MNSB batches. MNSB settlement in RTGS started from 12 August, 2006.
** The MNSB Settlement relates to the settlement of ECS, EFT, NEFT, REPO, Outright, FOREX, CBLO and Cheque Clearing at Mumbai.

No.9B: Large Value Clearing and Settlement Systems *(Concld.)*

(Number in Lakh and Amount in Rs. crore)

Year / Period	CCIL Operated Systems							
	Government Securities Settlement				Forex Settlement		CBLO Settlement	
	Outright		Repo					
1	7		8		9		10	
	Number of Trades	Amount	Number of Trades	Amount	Number of Trades	Amount	Number of Trades	Amount
2003-04	2.44	15,75,133.00	0.21	9,43,189.00	3.31	23,18,530.80	0.03	76,850.70
2004-05	1.61	11,34,222.08	0.24	15,57,906.55	4.66	40,42,434.86	0.29	9,76,757.10
2005-06	1.25	8,64,751.40	0.25	16,94,508.70	4.90	52,39,673.90	0.68	29,53,133.90
2006-07	1.37	10,21,535.70	0.30	25,56,501.50	6.06	80,23,078.00	0.86	47,32,271.30
2006-07								
April	0.07	65,574.20	0.02	1,19,853.80	0.43	5,74,361.50	0.06	3,59,227.90
May	0.08	67,748.80	0.03	2,33,469.50	0.53	6,81,602.20	0.07	4,28,666.90
June	0.05	48,565.90	0.03	2,74,677.00	0.52	6,12,044.80	0.06	3,63,646.30
July	0.06	44,318.00	0.03	2,41,765.50	0.45	5,08,753.10	0.07	3,91,737.70
August	0.14	1,06,896.60	0.03	2,61,423.20	0.47	5,29,951.70	0.07	3,74,214.60
September*	0.20	1,49,361.20	0.03	2,38,804.80	0.50	6,16,516.70	0.07	3,69,532.00
October	0.10	73,362.00	0.02	2,13,868.50	0.44	5,90,332.70	0.07	3,73,561.20
November	0.25	1,73,279.40	0.03	2,62,460.90	0.60	7,65,387.70	0.09	4,62,395.40
December	0.12	87,551.70	0.02	1,72,089.30	0.49	7,12,010.70	0.08	3,87,828.80
January	0.12	82,359.80	0.02	1,58,176.30	0.58	7,51,947.10	0.07	3,78,183.80
February	0.10	67,412.10	0.02	1,71,475.90	0.47	7,40,587.00	0.07	4,19,390.50
March	0.08	55,106.00	0.02	2,08,436.80	0.59	9,39,582.80	0.08	4,23,886.20
2007-08								
April	0.09	79,052.00	0.02	1,50,668.90	0.68	10,33,519.20	0.08	3,97,902.20
May	0.10	78,229.50	0.02	2,24,137.20	0.63	8,67,577.50	0.09	5,20,253.50
June	0.14	1,13,569.70	0.02	2,57,372.10	0.62	9,03,131.40	0.07	5,39,299.60
July	0.26	2,28,950.90	0.02	2,71,081.40	0.61	9,78,291.00	0.06	5,19,190.00
August	0.14	1,20,419.00	0.03	4,17,198.80	0.67	10,28,677.00	0.09	6,72,243.00
September	0.12	97,568.60	0.02	4,11,137.80	0.58	10,58,687.20	0.09	6,68,018.10
October	0.12	1,20,504.80	0.02	3,97,798.60	0.72	12,02,092.20	0.11	7,69,062.20
November	0.09	81,124.70	0.02	3,05,487.90	0.57	9,00,169.30	0.11	6,86,745.60
December	0.14	1,31,217.20	0.02	3,20,507.90	0.51	9,16,269.70	0.10	7,22,081.30
January	0.35	3,13,153.20	0.03	4,25,726.10	0.62	11,36,947.00	0.12	8,92,784.10
February	0.22	1,92,139.60	0.03	4,42,037.30	0.66	12,69,787.80	0.11	9,00,168.50
March	0.12	97,922.10	0.02	3,25,596.70	0.69	14,31,682.60	0.11	8,23,080.50
Total (upto March, 08)	**1.89**	**16,53,851.30**	**0.27**	**39,48,750.70**	**7.57**	**1,27,26,831.90**	**1.13**	**81,10,828.60**

No. 10 : Money Stock Measures

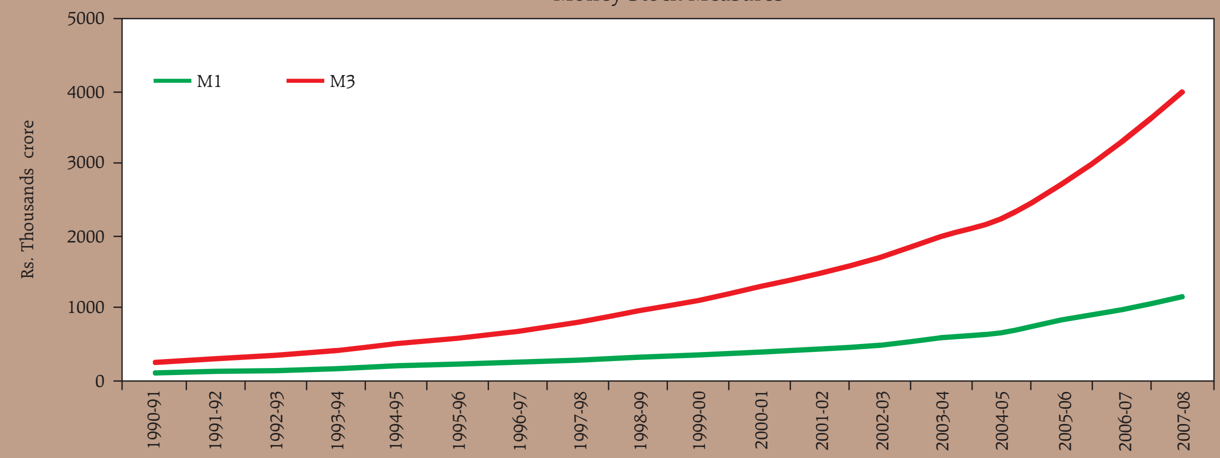
(Rs. crore)

March 31/ Reporting Fridays of the Month/ Last Reporting Friday of the Month	Currency With the Public: Notes in Circulation (1)	Circulation of Rupee Coins (2)	Circulation of Small Coins (2)	Cash in Hand with Banks	Total (2+3+4-5)	Deposit Money of the Public: Damand Deposits with Banks	'Other' Deposits with Reserve Bank (3)	Total (7+8)	M_1 (6+9)	Post Office Savings Bank Deposits	M_2 (10+11)	Time Deposits with Bank	M_3 (10+13)	Total Post Office Deposits	M_4 (14+15)
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
2005-06	4,21,922	6,190	2,564	17,557	4,13,119	4,06,388	6,869	4,13,256	**8,26,375**	5,041	**8,31,416**	19,03,170	**27,29,545**	25,969	**27,55,514**
2006-07	4,95,938	6,684	1,577	21,293	4,82,906	4,75,687	7,496	4,83,183	**9,66,089**	5,041	**9,71,130**	23,50,004	**33,16,093**	25,969	**33,42,062**
2007-08	5,81,577	7,579	1,649	23,059	5,67,746	5,66,829	9,065	5,75,894	**11,43,640**	5,041	**11,48,681**	28,58,550	**40,02,189**	25,969	**40,28,158**
March 2, 2007	4,92,687	6,626	1,521	16,593	4,84,242	4,38,086	4,968	4,43,054	**9,27,296**	5,041	**9,32,337**	22,61,678	**31,88,974**	25,969	**32,14,943**
March 16, 2007	4,99,829	6,626	1,521	17,048	4,90,928	4,15,339	4,750	4,20,089	**9,11,017**	5,041	**9,16,058**	22,97,443	**32,08,460**	25,969	**32,34,429**
March 30, 2007	4,96,775	6,684	1,577	20,999	4,84,037	4,75,345	5,384	4,80,729	**9,64,765**	5,041	**9,69,806**	23,47,008	**33,11,773**	25,969	**33,37,742**
March 31, 2007	4,95,938	6,684	1,577	21,293	4,82,906	4,75,687	7,496	4,83,183	**9,66,089**	5,041	**9,71,130**	23,50,004	**33,16,093**	25,969	**33,42,062**
November 2007	5,38,279	7,385	1,641	21,766	5,25,539	4,79,893	4,795	4,84,687	**10,10,226**	5,041	**10,15,267**	26,63,630	**36,73,857**	25,969	**36,99,826**
December 2007	5,45,456	7,448	1,645	20,153	5,34,396	4,83,156	4,776	4,87,931	**10,22,327**	5,041	**10,27,368**	26,76,419	**36,98,747**	25,969	**37,24,716**
January 2008	5,57,338	7,502	1,649	22,098	5,44,391	5,02,658	4,773	5,07,432	**10,51,823**	5,041	**10,56,864**	27,48,998	**38,00,822**	25,969	**38,26,791**
February 2008	5,66,297	7,579	1,649	21,267	5,54,258	5,05,691	5,023	5,10,714	**10,64,973**	5,041	**10,70,014**	28,01,016	**38,65,988**	25,969	**38,91,957**
March 14, 2008	5,81,622	7,579	1,649	20,609	5,70,241	4,89,541	4,860	4,94,400	**10,64,642**	5,041	**10,69,683**	28,12,631	**38,77,272**	25,969	**39,03,241**
March 28, 2008	5,82,055	7,579	1,649	23,059	5,68,224	5,66,829	5,284	5,72,113	**11,40,337**	5,041	**11,45,378**	28,58,550	**39,98,887**	25,969	**40,24,856**
March 31, 2008	5,81,577	7,579	1,649	23,059	5,67,746	5,66,829	9,065	5,75,894	**11,43,640**	5,041	**11,48,681**	28,58,550	**40,02,189**	25,969	**40,28,158**

Note : Monetary aggregates as at end-March incorporate data on i) scheduled commercial banks as on last reporting Friday and ii) the Reserve Bank of India pertaining to the last working day of the fiscal year.

Also see Notes on Tables.

Money Stock Measures



No. 11: Sources of Money Stock (M_3)

(Rs. crore)

Source	Outstandings as on March 31/Reporting Fridays of the Month/Last Reporting Friday of the Month						
	2005-2006	2006-2007	2007-08	March 2, 2007	March 16, 2007	March 30, 2007	March 31, 2007
1	2	3	4	5	6	7	8
1. Net Bank Credit to Government (A+B)	**7,66,595**	**8,37,564**	**9,04,927**	**8,25,461**	**8,21,513**	**8,28,569**	**8,37,564**
A. RBI's net Credit to Government (i-ii)	8,136	5,752	-1,10,223	-19,801	-3,378	-2,802	5,752
(i) Claims on Government (a+b)	73,540	1,00,800	1,14,897	44,861	88,470	96,874	1,00,800
(a) Central Government (1)	70,563	97,184	1,14,725	44,861	88,470	96,874	97,184
(b) State Governments	2,977	3,616	172	–	–	–	3,616
(ii) Government Deposits with RBI (a+b)	65,404	95,048	2,25,120	64,663	91,848	99,676	95,048
(a) Central Government	65,404	95,048	2,25,079	64,621	91,807	99,635	95,048
(b) State Governments	–	–	41	41	41	41	–
B. Other Banks' Credit to Government	7,58,459	8,31,812	10,15,150	8,45,263	8,24,891	8,31,371	8,31,812
2. Bank Credit to Commercial Sector(A+B)	**16,93,004**	**21,30,078**	**25,62,652**	**20,45,424**	**20,67,593**	**21,31,105**	**21,30,078**
A. RBI's Credit to Commercial Sector (2)	1,387	1,537	1,788	1,384	1,433	1,537	1,537
B. Other Banks' Credit to Commercial sector (i+ii+iii)	16,91,617	21,28,541	25,60,863	20,44,040	20,66,160	21,29,568	21,28,541
(i) Bank Credit by Commercial Banks	15,07,077	19,31,189	23,48,493	18,47,009	18,68,653	19,31,189	19,31,189
(ii) Bank Credit by Co-operative Banks	1,63,731	1,78,229	1,89,776	1,78,029	1,78,488	1,79,326	1,78,229
(iii) Investments by Commercial and Co-operative Banks in Other Securities	20,809	19,123	22,595	19,001	19,018	19,052	19,123
3. Net Foreign Exchange Assets of Banking Sector (A+B)	**7,26,194**	**9,13,179**	**12,66,297**	**9,23,934**	**9,27,707**	**9,13,179**	**9,13,179**
A. RBI's net Foreign Exchange Assets (i-ii)(3)	6,72,983	8,66,153	1,236,130	8,59,767	8,63,541	8,66,153	8,66,153
(i) Gross Foreign Assets	6,73,001	8,66,170	12,36,147	8,59,785	8,63,558	8,66,170	8,66,170
(ii) Foreign Liabilities	17	17	17	17	17	17	17
B. Other Banks' Net Foreign Exchange Assets	53,211	47,026	30,167	64,166	64,166	47,026	47,026
4. Government's Currency Liabilities to the Public	**8,754**	**8,261**	**9,228**	**8,148**	**8,148**	**8,261**	**8,261**
5. Banking Sector's Net Non-monetary Liabilities Other than Time Deposits (A+B)	**4,65,002**	**5,72,989**	**7,40,915**	**6,13,993**	**6,16,501**	**5,69,341**	**5,72,989**
A. Net Non-Monetary Liabilities of RBI(3)	1,24,001	1,80,348	2,13,197	1,80,529	1,85,021	1,78,970	1,80,348
B. Net Non-Monetary Liabilities of other Banks(residual)	3,41,001	3,92,641	5,27,718	4,33,464	4,31,480	3,90,371	3,92,641
M_3 (1+2+3+4-5)	**27,29,545**	**33,16,093**	**40,02,189**	**31,88,974**	**32,08,460**	**33,11,773**	**33,16,093**

No. 11: Sources of Money Stock (M_3) *(Concld.)*

(Rs. crore)

Source	Outstandings as on March 31/Reporting Fridays of the Month/Last Reporting Friday of the Month						
	November 2007	December 2007	January 2008	February 2008	March 14, 2008	March 28, 2008	March 31, 2008
1	9	10	11	12	13	14	15
1. Net Bank Credit to Government (A+B)	**8,68,007**	**8,42,431**	**8,45,652**	**8,55,576**	**8,66,131**	**8,46,914**	**9,04,927**
A. RBI's net Credit to Government (i-ii)	-1,42,122	-1,40,213	-1,55,879	-1,72,322	-1,61,454	-1,68,235	-1,10,223
(i) Claims on Government (a+b)	50,967	88,134	45,184	51,446	56,079	83,843	1,14,897
(a) Central Government (1)	50,861	87,944	45,128	51,446	56,079	83,843	1,14,725
(b) State Governments	105	189	56	–	–	–	172
(ii) Government Deposits with RBI (a+b)	1,93,089	2,28,347	2,01,063	2,23,768	2,17,532	2,52,078	2,25,120
(a) Central Government	1,92,964	2,28,300	2,00,807	2,23,727	2,17,491	2,52,037	2,25,079
(b) State Governments	125	47	256	41	41	41	41
B. Other Banks' Credit to Government	10,10,129	9,82,644	10,01,531	10,27,899	10,27,585	10,15,150	10,15,150
2. Bank Credit to Commercial Sector(A+B)	**22,74,863**	**23,27,736**	**23,71,992**	**24,64,422**	**24,86,010**	**25,62,742**	**25,62,652**
A. RBI's Credit to Commercial Sector (2)	1,704	1,472	1,571	1,703	1,383	1,879	1,788
B. Other Banks' Credit to Commercial sector (i+ii+iii)	22,73,159	23,26,264	23,70,421	24,62,718	24,84,626	25,60,863	25,60,863
(i) Bank Credit by Commercial Banks	20,72,746	21,24,491	21,65,563	22,51,213	22,72,603	23,48,493	23,48,493
(ii) Bank credit by Co-operative Banks	1,83,309	1,84,928	1,88,083	1,88,308	1,89,074	1,89,776	1,89,776
(iii) Investments by Commercial and Co-operative Banks in Other Securities	17,104	16,845	16,775	23,197	22,949	22,595	22,595
3. Net Foreign Exchange Assets of Banking Sector (A+B)	**11,06,110**	**11,07,687**	**11,47,346**	**12,30,975**	**12,67,628**	**12,67,884**	**12,66,297**
A. RBI's Net Foreign Exchange Assets (i-ii)(3)	10,75,465	10,77,520	11,17,179	12,00,808	12,37,461	12,37,716	12,36,130
(i) Gross Foreign Assets	10,75,483	10,77,537	11,17,197	12,00,825	12,37,479	12,37,734	12,36,147
(ii) Foreign Liabilities	17	17	17	17	17	17	17
B. Other Banks' Net Foreign Exchange Assets	30,644	30,167	30,167	30,167	30,167	30,167	30,167
4. Government's Currency Liabilities to the Public	**9,026**	**9,093**	**9,151**	**9,228**	**9,228**	**9,228**	**9,228**
5. Banking Sector's net Non-monetary Liabilities Other than Time Deposits (A+B)	**5,84,150**	**5,88,201**	**5,73,321**	**6,94,213**	**7,51,726**	**6,87,881**	**7,40,915**
A. Net Non-Monetary Liabilities of RBI(3)	1,51,422	1,40,799	1,38,024	1,89,559	2,23,033	2,15,495	2,13,197
B. Net Non-Monetary Liabilities of Other Banks (Residual)	4,32,728	4,47,402	4,35,296	5,04,654	5,28,692	4,72,387	5,27,718
M_3 (1+2+3+4-5)	**36,73,857**	**36,98,747**	**38,00,822**	**38,65,988**	**38,77,272**	**39,98,887**	**40,02,189**

Notes: 1. Monetary aggreagates as at end-March incorporate data on i) scheduled commercial banks as on last reporting Friday and ii) the Reserve Bank of India pertaining to the last working day of the fiscal year.

2. Government balances as on March 31, 2008 are before closure of accounts.

Also see 'Notes on Tables'.

No. 11A: Commercial Bank Survey

(Rs. crore)

Item		Outstandings as on					
		Mar. 31 2006	Mar. 2 2007	Mar. 16 2007	Mar. 30 2007	Mar. 14 2008	Mar. 28 2008
1		2	3	4	5	6	7
Components							
C.I	Aggregate Deposits of Residents (C.I.1+C.I.2)	20,49,773	24,24,157	24,37,033	25,44,473	30,17,163	31,35,578
C.I.1	Demand Deposits	3,64,640	3,95,174	3,72,547	4,29,731	4,42,720	5,16,731
C.I.2	Time Deposits of Residents (C.I.2.1+C.I.2.2)	16,85,133	20,28,984	20,64,486	21,14,742	25,74,443	26,18,847
C.I.2.1	Short-term Time Deposits	7,58,310	9,13,043	9,29,019	9,51,634	11,58,499	11,78,481
C.I.2.1.1	Certificates of Deposits (CDs)	44,499	80,868	95,852	97,442	1,76,946	1,64,890
C.I.2.2	Long-term Time Deposits	9,26,823	11,15,941	11,35,468	11,63,108	14,15,943	14,40,366
C.II	**Call/Term Funding from Financial Institutions**	**83,144**	**86,904**	**88,876**	**85,836**	**1,07,610**	**1,05,857**
Sources							
S.I	**Domestic Credit (S.I.1+S.I.2)**	**23,64,241**	**27,89,655**	**27,94,800**	**28,65,959**	**34,41,601**	**34,93,278**
S.I.1	Credit to the Government	7,00,742	7,87,468	7,67,308	7,76,058	9,66,516	9,53,525
S.I.2	Credit to the Commercial Sector (S.I.2.1+S.I.2.2+S.I.2.3+S.I.2.4)	16,63,499	20,02,187	20,27,492	20,89,901	24,75,084	25,39,753
S.I.2.1	Bank Credit	15,07,077	18,47,009	18,68,653	19,31,189	22,72,603	23,48,493
S.I.2.1.1	Non-food Credit	14,66,386	18,02,020	18,22,816	18,84,669	22,29,098	23,04,094
S.I.2.2	Net Credit to Primary Dealers	4,369	2,939	2,588	2,799	5,799	3,521
S.I.2.3	Investments in Other Approved Securities	16,712	15,285	15,258	15,458	19,536	19,213
S.I.2.4	Other Investments (in non-SLR Securities)	1,35,340	1,36,954	1,40,992	1,40,455	1,77,147	1,68,526
S.II	**Net Foreign Currency Assets of Commercial Banks (S.II.1-S.II.2-S.II.3)**	**-45,616**	**-63,091**	**-56,334**	**-40,612**	**-80,474**	**-71,229**
S.II.1	Foreign Currency Assets	43,494	32,243	42,037	58,754	23,081	30,884
S.II.2	Non-resident Foreign Currency Repatriable Fixed Deposits	59,275	66,769	66,795	67,461	58,061	56,564
S.II.3	Overseas Foreign Currency Borrowings	29,834	28,565	31,576	31,905	45,493	45,549
S.III	**Net Bank Reserves (S.III.1+S.III.2-S.III.3)**	**1,38,619**	**1,67,987**	**1,77,294**	**1,90,116**	**2,70,104**	**2,70,800**
S.III.1	Balances with the RBI	1,27,061	1,55,124	1,66,444	1,80,222	2,53,293	2,57,122
S.III.2	Cash in Hand	13,046	13,420	13,877	16,139	17,294	17,678
S.III.3	Loans and Advances from the RBI	1,488	557	3,027	6,245	483	4,000
S.IV	**Capital Account**	**1,77,727**	**2,00,741**	**2,01,024**	**2,02,800**	**2,67,371**	**2,69,666**
S.V.	**Other items (net) (S.I+S.II+S.III-S.IV-C.I-C.II)**	**1,46,600**	**1,82,748**	**1,88,827**	**1,82,354**	**2,39,086**	**1,81,749**
S.V.1	Other Demand & Time Liabilities (net of S.II.3)	1,58,946	2,05,587	2,09,214	2,10,329	2,55,637	2,51,164
S.V.2	Net Inter-Bank Liabilities (other than to PDs)	25,141	15,789	12,673	13,903	9,468	5,955

Note : Data are provisional.

No. 11B: Monetary Survey

(Rs.crore)

Item		Outstandings as on							
		Mar. 31 2006	Mar. 2 2007	Mar. 16 2007	Mar. 30 2007	Mar. 31 2007	Mar. 14 2008	Mar. 28 2008	Mar. 31 2008
1		2	3	4	5	6	7	8	9
Monetary Aggregates									
M_1	(C.I+C.II.1+C.III)	8,30,269	9,30,401	9,14,268	9,68,085	9,69,408	10,66,651	11,42,235	11,45,537
NM_2	(M_1+C.II.2.1)	16,55,646	19,11,885	19,11,718	19,87,945	19,90,617	22,94,987	23,91,658	23,94,961
NM_3	**(NM_2+C.II.2.2+C.IV = S.I+S.II+S.III-S.IV-S.V)**	**27,47,585**	**31,98,381**	**32,19,700**	**33,20,278**	**33,24,598**	**39,03,897**	**40,24,589**	**40,27,891**
Components									
C.I	**Currency with the Public**	**4,13,143**	**4,84,306**	**4,90,990**	**4,84,108**	**4,82,977**	**5,70,363**	**5,68,363**	**5,67,885**
C.II	**Aggregate Deposits of Residents (C.II.1+C.II.2)**	**22,44,430**	**26,22,203**	**26,35,084**	**27,44,950**	**27,48,289**	**32,21,064**	**33,45,084**	**33,45,084**
C.II.1	Demand Deposits	4,10,258	4,41,128	4,18,527	4,78,593	4,78,935	4,91,429	5,68,588	5,68,588
C.II.2	Time Deposits of Residents (C.II.2.1+C.II.2.2)	18,34,172	21,81,076	22,16,557	22,66,357	22,69,354	27,29,635	27,76,496	27,76,496
C.II.2.1	Short-term Time Deposits	8,25,378	9,81,484	9,97,451	10,19,861	10,21,209	12,28,336	12,49,423	12,49,423
C.II.2.1.1	Certificates of Deposits (CDs)	44,499	80,868	95,852	97,442	97,442	1,76,946	1,64,890	1,64,890
C.II.2.2	Long-term Time Deposits	10,08,795	11,99,592	12,19,106	12,46,496	12,48,144	15,01,299	15,27,073	15,27,073
C.III	**'Other' Deposits with RBI**	**6,869**	**4,968**	**4,750**	**5,384**	**7,496**	**4,860**	**5,284**	**9,065**
C.IV	**Call/Term Funding from Financial Institutions**	**83,144**	**86,904**	**88,876**	**85,836**	**85,836**	**1,07,610**	**1,05,857**	**1,05,857**
Sources									
S.I	**Domestic Credit (S.I.1+S.I.2)**	**25,94,668**	**29,98,665**	**30,20,744**	**30,91,499**	**30,99,467**	**35,16,442**	**35,61,921**	**36,19,843**
S.I.1	Net Bank Credit to the Government (S.I.1.1+S.I.1.2)	7,57,632	8,16,175	8,12,462	8,19,891	8,28,887	8,55,603	8,35,901	8,93,914
S.I.1.1	Net RBI credit to the Government	8,136	-19,801	-3,378	-2,802	5,752	-1,61,454	-1,68,235	-1,10,223
S.I.1.2	Credit to the Government by the Banking System	7,49,495	8,35,976	8,15,841	8,22,693	8,23,135	10,17,057	10,04,137	10,04,137
S.I.2	Bank Credit to the Commercial Sector (S.I.2.1+S.I.2.2)	18,37,037	21,82,490	22,08,281	22,71,607	22,70,580	26,60,839	27,26,020	27,25,929
S.I.2.1	RBI Credit to the Commercial Sector	4,385	1,384	1,433	1,537	1,537	1,383	1,879	1,788
S.I.2.2	Credit to the Commercial Sector by the Banking System	18,32,652	21,81,106	22,06,848	22,70,070	22,69,043	26,59,455	27,24,141	27,24,141
S.I.2.2.1	Other Investments (Non-SLR Securities)	1,44,303	1,45,917	1,49,955	1,49,417	1,49,417	1,86,109	1,77,488	1,77,488
S.II	**Government's Currency Liabilities to the Public**	**8,754**	**8,148**	**8,148**	**8,261**	**8,261**	**9,228**	**9,228**	**9,228**
S.III	**Net Foreign Exchange Assets of the Banking Sector (S.III.1+S.III.2)**	**6,27,368**	**7,96,677**	**8,07,206**	**8,25,541**	**8,25,541**	**11,56,987**	**11,66,487**	**11,64,901**
S.III.1	Net Foreign Exchange Assets of the RBI	6,72,983	8,59,767	8,63,541	8,66,153	8,66,153	12,37,461	12,37,716	12,36,130
S.III.2	Net Foreign Currency Assets of the Banking System	-45,616	-63,091	-56,334	-40,612	-40,612	-80,474	-71,229	-71,229
S.IV	**Capital Account**	**3,18,544**	**3,89,189**	**3,90,408**	**3,84,250**	**3,84,250**	**4,86,962**	**4,76,618**	**4,73,017**
S.V	**Other items (net)**	**1,64,661**	**2,15,919**	**2,25,989**	**2,20,773**	**2,24,421**	**2,91,799**	**2,36,430**	**2,93,064**

Notes : 1. Data are provisional.

2. Monetary Aggregates as at end-March incorporate data on i) scheduled commercial banks as on last reporting Friday and ii) the Reserve Bank of India pertaining to the last working day of the fiscal year.

3. Government balances as on March 31, 2008 are before closure of accounts.

No.11C: Reserve Bank of India Survey

(Rs. crore)

Item		Outstandings as on							
		Mar. 31 2006	Mar. 2 2007	Mar. 16 2007	Mar. 30 2007	Mar. 31 2007	Mar. 14 2008	Mar. 28 2008	Mar. 31 2008
1		2	3	4	5	6	7	8	9
Components									
C.I	Currency in Circulation	4,30,676	5,00,835	5,07,977	5,05,036	5,04,199	5,90,850	5,91,283	5,90,805
C.II	Bankers' Deposits with the RBI	1,35,511	1,64,954	1,76,341	1,91,330	1,97,295	2,68,378	2,72,526	3,28,447
C.II.1	Scheduled Commercial Banks	1,27,061	1,55,124	1,66,444	1,80,222	1,86,322	2,53,293	2,57,122	3,11,880
C.III	'Other' Deposits with the RBI	6,869	4,968	4,750	5,384	7,496	4,860	5,284	9,065
C.IV	**Reserve Money (C.I+C.II+C.III = S.I + S.II + S.III - S.IV - S.V)**	**5,73,055**	**6,70,757**	**6,89,068**	**7,01,750**	**7,08,990**	**8,64,088**	**8,69,093**	**9,28,317**
Sources									
S.I	**RBI's Domestic Credit (S.I.1+S.I.2+S.I.3)**	**15,319**	**-16,629**	**2,400**	**6,306**	**14,925**	**-1,59,568**	**-1,62,357**	**-1,03,845**
S.I.1	Net RBI Credit to the Government (S.I.1.1+S.I.1.2)	8,136	-19,801	-3,378	-2,802	5,752	-1,61,454	-1,68,235	-1,10,223
S.I.1.1	Net RBI Credit to the Central Government (S.I.1.1.1+S.I.1.1.2+S.I.1.1.3+S.I.1.1.4-S.I.1.1.5)	5,160	-19,760	-3,337	-2,761	2,136	-1,61,412	-1,68,194	-1,10,353
S.I.1.1.1	Loans and Advances to the Central Government	–	–	–	–	–	–	–	–
S.I.1.1.2	Investments in Treasury Bills	–	–	–	–	–	–	–	–
S.I.1.1.3	Investments in Dated Government Securities	70,409	44,804	88,434	96,861	97,172	55,911	83,707	1,14,593
S.I.1.1.3.1	Central Government Securities	69,362	43,757	87,388	95,815	96,126	54,864	82,660	1,13,547
S.I.1.1.4	Rupee Coins	154	58	36	13	12	168	137	132
S.I.1.1.5	Deposits of the Central Government	65,404	64,621	91,807	99,635	95,048	2,17,491	2,52,037	2,25,079
S.I.1.2	Net RBI Credit to State Governments	2,977	-41	-41	-41	3,616	-41	-41	130
S.I.2	RBI's Claims on Banks	2,797	1,788	4,345	7,570	7,635	502	4,000	4,590
S.I.2.1	Loans and Advances to Scheduled Commercial Banks	1,488	557	3,027	6,245	6,310	483	4,000	4,571
S.I.3	RBI's Credit to Commercial Sector	4,385	1,384	1,433	1,537	1,537	1,383	1,879	1,788
S.I.3.1	Loans and Advances to Primary Dealers	–	–	49	–	153	–	495	405
S.I.3.2	Loans and Advances to NABARD	2,998	–	–	–	–	–	–	–
S.II	**Government's Currency Liabilities to the Public**	**8,754**	**8,148**	**8,148**	**8,261**	**8,261**	**9,228**	**9,228**	**9,228**
S.III	**Net Foreign Exchange Assets of the RBI**	**6,72,983**	**8,59,767**	**8,63,541**	**8,66,153**	**8,66,153**	**12,37,461**	**12,37,716**	**12,36,130**
S.III.1	Gold	25,674	30,499	30,499	29,573	29,573	38,154	38,154	40,124
S.III.2	Foreign Currency Assets	6,47,327	8,29,286	8,33,059	8,36,597	8,36,597	11,99,324	11,99,579	11,96,023
S.IV	**Capital Account**	**1,16,647**	**1,64,277**	**1,65,214**	**1,57,279**	**1,57,279**	**1,95,420**	**1,82,782**	**1,79,181**
S.V	**Other Items (net)**	**7,354**	**16,252**	**19,807**	**21,691**	**23,069**	**27,613**	**32,713**	**34,016**

Note : 1. Data are provisional.
2. Government balances as on March 31, 2008 are before closure of accounts.

No. 11D: Liquidity Aggregates (Outstanding Amounts)

(Rs. Crore)

Month/Year	NM_3	Postal Deposits	L_1	Liabilities of Financial Institutions				L_2	Public Deposits with NBFCs	L_3
				Term Money Borrowings	CDs	Term Deposits	Total			
1	2	3	**4=(2+3)**	5	6	7	8=(5+6+7)	**9=(4+8)**	10	**11=(9+10)**
2006-07										
April	27,84,883	10,47,00	**28,89,583**	2,656	31	245	2,932	**28,92,515**		
May	27,88,335	1,05,852	**28,94,187**	2,656	31	245	2,932	**28,97,119**		
June	28,01,951	1,07,171	**29,09,122**	2,656	31	245	2,932	**29,12,054**	22,623	**29,34,677**
July	28,46,735	1,08,492	**29,55,227**	2,656	31	245	2,932	**29,58,159**		
August	28,90,723	1,09,931	**30,00,654**	2,656	31	245	2,932	**30,03,586**		
September	29,65,093	1,11,023	**30,76,116**	2,656	31	245	2,932	**30,79,048**	25,578	**31,04,625**
October	29,59,194	1,11,997	**30,71,191**	2,656	31	245	2,932	**30,74,123**		
November	30,03,278	1,13,240	**31,16,518**	2,656	31	245	2,932	**31,19,450**		
December	30,21,785	1,14,365	**31,36,150**	2,656	31	245	2,932	**31,39,082**	24,623	**31,63,706**
January	30,84,631	1,14,759	**31,99,390**	2,656	31	245	2,932	**32,02,322**		
February	31,52,769	1,14,804	**32,67,573**	2,656	31	245	2,932	**32,70,505**		
March	33,24,598	1,15,549	**34,40,147**	2,656	31	245	2,932	**34,43,079**	24,697	**34,67,776**
2007- 08										
April	33,28,180	1,15,589	**34,43,769**	2,656	31	245	2,932	**34,46,701**		
May	33,43,121	1,16,135	**34,59,256**	2,656	31	245	2,932	**34,62,188**		
June	33,96,184	1,16,573	**35,12,757**	2,656	31	245	2,932	**35,15,689**	25,619	**35,41,308**
July	34,59,813	1,16,874	**35,76,687**	2,656	31	245	2,932	**35,79,619**		
August	34,93,497	1,16,886	**36,10,383**	2,656	31	245	2,932	**36,13,315**		
September	35,91,368	1,16,882	**37,08,250**	2,656	31	245	2,932	**37,11,182**	25,968	**37,37,150**
October	36,15,079	1,16,886	**37,31,965**	2,656	31	245	2,932	**37,34,897**		
November	36,81,864	1,16,994	**37,98,858**	2,656	31	245	2,932	**38,01,790**		
December	37,16,837	1,16,901	**38,33,738**	2,656	31	245	2,932	**38,36,670**	25,968	**38,62,638**
January	38,17,379	1,15,871	**39,33,250**	2,656	31	245	2,932	**39,36,182**		
February	38,94,764	1,14,579	**40,09,343**	2,656	31	245	2,932	**40,12,275**		
March	40,27,891	1,14,579	**41,42,470**	2,656	31	245	2,932	**41,45,402**	25,968	**41,71,370**

CDs: Certificates of Deposit; L_1, L_2 and L_3: Liquidity Aggregates; NBFCs: Non-Banking Financial Companies.

Notes :
1. Postal Deposits comprise post office savings bank deposits, post office time deposits, post office recurring deposits, other deposits and post office cumulative time deposits.
2. Financial Institutions (FIs) here, comprise IFCI, EXIM Bank, IIBI, SIDBI, NABARD, NHB, TFCI and IDFC. Since October 2004, data on FIs do not include that of IDBI, reflecting its conversion into a banking entity.
3. Since July 2001, the term money borrowings of the FIs comprise borrowings from corporate and others.
4. Since August 2002, Term Deposits include CP and Others.
5. Estimates of public deposits with NBFCs are generated on the basis of returns received from all NBFCs with public deposits of Rs. 20 crore and more as had been recommended by the Working Group.
6. While L_1 and L_2 are compiled on a monthly basis, L_3 is compiled on a quarterly basis.
7. Data are provisional. Wherever data are not available, the estimates for the last available month have been repeated.

No.12: Reserve Money and its Components

(Rs. crore)

Outstandings as on March 31/ each Friday/ last reporting Friday of the month			Currency in Circulation		'Other' Deposits with RBI	Bankers' Deposits with RBI	**Reserve Money (2+4+5)**
			Total	o / w cash with banks			
1			2	3	4	5	6
2005-06			4,30,676	17,557	6,869	1,35,511	**5,73,055**
2006-07			5,04,199	21,293	7,496	1,97,295	**7,08,990**
2007-08			5,90,805	23,059	9,065	3,28,447	**9,28,317**
March	2,	2007	5,00,835	16,593	4,968	1,64,954	**6,70,757**
March	9,	2007	5,06,760	–	4,884	1,77,776	**6,89,421**
March	16,	2007	5,07,977	17,048	4,750	1,76,341	**6,89,068**
March	23,	2007	5,06,610	–	4,802	1,88,131	**6,99,544**
March	30,	2007	5,05,036	20,999	5,384	1,91,330	**7,01,750**
March	31,	2007	5,04,199	21,293	7,496	1,97,295	**7,08,990**
November		2007	5,47,305	21,766	4,795	2,40,726	**7,92,826**
December		2007	5,54,549	20,153	4,776	2,48,590	**8,07,915**
January		2008	5,66,489	22,098	4,773	2,67,055	**8,38,318**
February		2008	5,75,525	21,267	5,023	2,70,106	**8,50,655**
March	7,	2008	5,85,587	–	4,856	2,82,784	**8,73,227**
March	14,	2008	5,90,850	20,609	4,860	2,68,378	**8,64,088**
March	21,	2008	5,93,693	–	4,920	2,95,730	**8,94,344**
March	28,	2008	5,91,283	23,059	5,284	2,72,526	**8,69,093**
March	31,	2008	5,90,805	23,059	9,065	3,28,447	**9,28,317**

See 'Notes on Table'.

No.13: Sources of Reserve Money

(Rs. crore)

Outstanding as on March 31/each Friday/ last reporting Friday of the month	Reserve Bank's claims on				Net Foreign Exchange Assets of RBI (3)	Government's Currency Liabilities to the Public	Net non-monetary Liabilities of RBI (3)	**Reserve Money (2+3+4+5 +6+7-8)**
	Government (net) (1)	Commercial and Co-operative Banks	National Bank for Agriculture and Rural Development	Commercial Sector (2)				
1	2	3	4	5	6	7	8	**9**
2005-06	8,136	2,797	2,998	1,387	6,72,983	8,754	1,24,001	**5,73,055**
2006-07	5,752	7,635	–	1,537	8,66,153	8,261	1,80,348	**7,08,990**
2007-08	-1,10,223	4,590	–	1,788	12,36,130	9,228	2,13,197	**9,28,317**
March 2, 2007	-19,801	1,788	–	1,384	8,59,767	8,148	1,80,529	**6,70,757**
March 9, 2007	-1,349	1,701	–	1,384	8,58,589	8,148	1,79,052	**6,89,421**
March 16, 2007	-3,378	4,345	–	1,433	8,63,541	8,148	1,85,021	**6,89,068**
March 23, 2007	-149	7,506	–	1,646	8,62,496	8,148	1,80,103	**6,99,544**
March 30, 2007	-2,802	7,570	–	1,537	8,66,153	8,261	1,78,970	**7,01,750**
March 31, 2007	5,752	7,635	–	1,537	8,66,153	8,261	1,80,348	**7,08,990**
November 2007	-1,42,122	174	–	1,704	10,75,465	9,026	1,51,422	**7,92,826**
December 2007	-1,40,213	842	–	1,472	10,77,520	9,093	1,40,799	**8,07,915**
January 2008	-1,55,879	4,319	–	1,571	11,17,179	9,151	1,38,024	**8,38,318**
February 2008	-1,72,322	797	–	1,703	12,00,808	9,228	1,89,559	**8,50,655**
March 7, 2008	-1,50,024	1,147	–	1,383	12,27,575	9,228	2,16,082	**8,73,227**
March 14, 2008	-1,61,454	502	–	1,383	12,37,461	9,228	2,23,033	**8,64,088**
March 21, 2008	-1,39,020	6,269	–	2,305	12,29,993	9,228	2,14,432	**8,94,344**
March 28, 2008	-1,68,235	4,000	–	1,879	12,37,716	9,228	2,15,495	**8,69,093**
March 31, 2008	-1,10,223	4,590	–	1,788	12,36,130	9,228	2,13,197	**9,28,317**

Note : Government balances as on March 31, 2008 are before closure of accounts.

See 'Notes on Table'.

No.14: Daily Call Money Rates

As on	Range of Rates		Weighted Average Rates	
	Borrowings	Lendings	Borrowings	Lendings
1	2	3	4	5
March 1, 2008	6.50 - 7.60	6.50 - 7.60	7.34	7.34
March 3, 2008	5.60 - 7.50	5.60 - 7.50	7.25	7.25
March 4, 2008	5.00 - 7.10	5.00 - 7.10	6.84	6.84
March 5, 2008	5.25 - 8.25	5.25 - 8.25	6.36	6.36
March 6, 2008	5.25 - 8.25	5.25 - 8.25	6.36	6.36
March 7, 2008	5.00 - 6.50	5.00 - 6.50	6.29	6.29
March 8, 2008	2.50 - 6.05	2.50 - 6.05	5.97	5.97
March 10, 2008	5.00 - 6.30	5.00 - 6.30	6.16	6.16
March 11, 2008	5.00 - 6.15	5.00 - 6.15	6.05	6.05
March 12, 2008	5.00 - 9.70	5.00 - 9.70	6.04	6.04
March 13, 2008	4.50 - 6.05	4.50 - 6.05	6.00	6.00
March 14, 2008	5.00 - 6.50	5.00 - 6.50	6.24	6.24
March 15, 2008	6.00 - 9.00	6.00 - 9.00	8.15	8.15
March 17, 2008	6.50 - 9.00	6.50 - 9.00	8.14	8.14
March 18, 2008	6.05 - 9.37	6.05 - 9.37	7.74	7.74
March 19, 2008	7.00 - 9.00	7.00 - 9.00	8.30	8.30
March 20, 2008	7.00 - 9.00	7.00 - 9.00	8.30	8.30
March 21, 2008	7.00 - 9.00	7.00 - 9.00	8.30	8.30
March 22, 2008	7.00 - 9.00	7.00 - 9.00	8.30	8.30
March 24, 2008	6.65 - 8.15	6.65 - 8.15	7.92	7.92
March 25, 2008	6.10 - 9.00	6.10 - 9.00	7.62	7.62
March 26, 2008	6.00 - 7.85	6.00 - 7.85	7.47	7.47
March 27, 2008	4.00 - 8.00	4.00 - 8.00	7.21	7.21
March 28, 2008	5.00 - 7.25	5.00 - 7.25	6.86	6.86
March 29, 2008	7.25 - 10.30	7.25 - 10.30	9.30	9.30
March 31, 2008	6.15 - 9.30	6.15 - 9.30	8.77	8.77
April 2, 2008	5.50 - 8.00	5.50 - 8.00	7.34	7.34
April 3, 2008	4.25 - 7.50	4.25 - 7.50	6.20	6.20
April 4, 2008	3.50 - 6.10	3.50 - 6.10	5.80	5.80
April 5, 2008	1.00 - 6.10	1.00 - 6.10	5.63	5.63
April 7, 2008	3.00 - 6.05	3.00 - 6.05	5.78	5.78
April 8, 2008	3.00 - 6.50	3.00 - 6.50	5.49	5.49
April 9, 2008	3.00 - 6.05	3.00 - 6.05	5.26	5.26
April 10, 2008	3.50 - 6.10	3.50 - 6.10	5.83	5.83
April 11, 2008	3.00 - 6.10	3.00 - 6.10	5.55	5.55
April 12, 2008	4.00 - 7.60	4.00 - 7.60	6.29	6.29
April 14, 2008	4.00 - 7.60	4.00 - 7.60	6.29	6.29
April 15, 2008	4.50 - 6.20	4.50 - 6.20	6.04	6.04

No. 15: Average Daily Turnover in Call Money Market

(Rs. crore)

Fortnight ended			Average Daily Call Money Turnover				
			Banks		Primary Dealers		Total
			Borrowings	Lendings	Borrowings	Lendings	
1			2	3	4	5	6
March	16,	2007	9,790	11,341	1,646	95	**22,873**
March	30,	2007	10,325	11,304	1,131	152	**22,912**
April	13,	2007	14,046	16,030	2,083	100	**32,259**
April	27,	2007	14,352	15,349	1,147	150	**30,997**
May	11,	2007	10,236	10,943	756	49	**21,985**
May	25,	2007	9,522	10,064	624	82	**20,292**
June	8,	2007	5,836	6,399	612	49	**12,896**
June	22,	2007	8,914	9,340	433	6	**18,693**
July	6,	2007	8,735	9,217	494	11	**18,457**
July	20,	2007	9,043	9,589	555	9	**19,195**
August	3,	2007	7,089	7,723	661	27	**15,501**
August	17,	2007	12,047	12,412	492	126	**25,077**
August	31,	2007	10,757	11,286	559	30	**22,633**
September	14,	2007	9,598	10,435	854	17	**20,904**
September	28,	2007	10,594	11,732	1,175	37	**23,539**
October	15,	2007	7,804	8,648	867	22	**17,341**
October	26,	2007	8,618	9,603	989	5	**19,214**
November	9,	2007	9,535	10,929	1,396	2	**21,862**
November	23,	2007	7,867	9,013	1,166	21	**18,066**
December	7,	2007	7,420	8,819	1,428	29	**17,697**
December	21,	2007	7,237	8,564	1,357	30	**17,185**
January	4,	2008	8,972	10,297	1,425	96	**20,786**
January	18,	2008	9,574	11,049	1,548	74	**22,245**
February	1,	2008	13,854	15,452	1,709	111	**31,127**
February	15,	2008	10,618	11,906	1,327	40	**23,891**
February	29,	2008	9,897	10,734	854	17	**21,501**
March	14,	2008	8,493	9,688	1,202	8	**19,391**
March	28,	2008	13,366	14,339	973	–	**28,678**
April	11,	2008	6,289	7,285	1,055	59	**14,688**

Notes : 1. Data are provisional.
2. Since August 6, 2005 eligible participants are Banks and Primary Dealers.

No. 16: Issue of Certificates of Deposit by Scheduled Commercial Banks

(Amount in Rs. crore)

Fortnight ended		Total Amount Outstanding	Range of Discount Rate (per cent) @	Fortnight ended		Total Amount Outstanding	Range of Discount Rate (per cent) @	Fortnight ended		Total Amount Outstanding	Range of Discount Rate (per cent) @
1		2	3	1		2	3	1		2	3
2005-06				**2006-07**				**2007-08**			
April	1	14,975	4.75 - 6.60	April	14	38,568	6.00 - 8.90	April	13	93,808	9.50 - 11.50
	15	14,106	4.10 - 6.60		28	44,059	6.00 - 8.45		27	95,980	9.40 - 11.50
	29	16,602	4.24 - 6.50	May	12	48,515	6.50 - 7.90	May	11	97,292	10.05 - 11.50
May	13	17,420	4.29 - 6.75		26	50,228	6.37 - 8.67		25	99,715	7.00 - 10.82
	27	17,689	4.29 - 6.75	June	9	53,863	5.75 - 7.96	June	8	99,287	6.13 - 10.95
June	10	18,503	5.47 - 7.00		23	56,390	5.50 - 8.16		22	98,337	7.00 - 10.20
	24	19,270	5.58 - 7.50	July	7	57,256	6.00 - 8.70	July	6	1,02,992	6.25 - 9.69
July	8	20,509	4.50 - 7.00		21	59,167	4.35 - 8.21		20	1,05,317	5.50 - 10.82
	22	20,768	4.25 - 7.00	August	4	64,748	6.00 - 8.62	August	3	1,03,750	6.05 - 10.75
August	5	21,062	4.75 - 7.00		18	65,621	4.75 - 8.50		17	1,06,350	6.87 - 8.91
	19	23,568	4.66 - 7.00	September	1	66,340	4.60 - 8.50		31	1,09,224	6.87 - 10.75
September	2	21,935	4.66 - 7.00		15	63,864	7.13 - 8.50	September	14	1,13,892	6.87 - 10.00
	16	25,604	4.66 - 7.00		29	65,274	7.25 - 8.50		28	1,18,481	6.87 - 10.00
	30	27,641	4.39 - 7.00	October	13	64,482	4.75 - 8.50	October	12	1,22,142	6.87 - 10.00
October	14	27,626	4.66 - 7.75		27	65,764	6.00 - 8.50		26	1,24,232	6.85 - 10.00
	28	29,193	5.25 - 7.75	November	10	67,694	6.75 - 8.50	November	9	1,25,653	6.87 - 9.00
November	11	29,345	5.25 - 6.50		24	68,911	7.50 - 8.33		23	1,27,143	6.87 - 9.03
	25	27,457	5.25 - 7.50	December	8	69,664	6.00 - 8.36	December	7	1,25,327	8.05 - 9.25
December	9	30,445	5.35 - 7.75		22	68,619	7.25 - 8.90		21	1,23,466	8.05 - 10.00
	23	32,806	5.50 - 7.25	January	5	68,928	8.26 - 9.25	January	4	1,27,154	6.87 - 9.82
January	6	34,432	4.40 - 7.75		19	70,149	8.00 - 9.55		18	1,29,123	7.90 - 9.21
	20	34,521	5.40 - 7.75	February	2	70,727	8.41 - 9.80	February	1	1,32,395	7.90 - 9.85
February	3	33,986	4.35 - 7.90		16	72,795	9.40 - 10.83		14	1,35,097	6.83 - 9.75
	17	34,487	4.35 - 8.16	March	2	77,971	9.90 - 11.30		29	1,39,160	9.22 - 10.27
March	17	36,931	4.35 - 8.81		16	92,468	10.30 - 11.25	March	14	1,43,714	7.00 - 10.48
	31	43,568	6.50 - 8.94		30	93,272	10.23 - 11.90		28	1,47,792	9.00 - 10.75

@ : Effective discount rate range per annum.

No. 17: Issue of Commercial Paper* By Companies

(Amount in Rs. crore)

Fortnight ended		Total Amount Outstanding	Rate of Interest (per cent) @	Fortnight ended		Total Amount Outstanding	Rate of Interest (per cent) @	Fortnight ended		Total Amount Outstanding	Rate of Interest (per cent) @
1		2	3	1		2	3	1		2	3
2005-06				**2006-07**				**2007-08**			
April	15	15,213.90	5.55 – 6.33	April	15	12,968.25	6.77 – 8.95	April	15	19,012.70	10.00 –14.00
	30	15,597.90	5.50 – 6.65		30	16,550.15	6.35 – 9.25		30	18,759.00	9.65 – 11.75
May	15	16,077.90	5.38 – 6.65	May	15	17,264.35	6.32 – 7.95	May	15	19,288.00	9.25–11.45
	31	17,181.90	5.40 – 6.65		31	17,066.51	6.40 – 9.25		31	22,024.00	8.71–12.00
June	15	17,521.90	5.42 – 6.65	June	15	18,932.51	6.44 – 9.25	June	15	25,499.75	7.00–10.80
	30	17,796.90	5.45 – 6.51		30	19,649.51	6.59 – 9.25		30	26,256.25	7.35–12.00
July	15	18,156.51	5.57 – 7.50	July	15	21,652.30	6.25 – 8.30	July	15	28,129.25	4.00–11.50
	31	18,349.11	5.25 – 7.50		31	21,110.30	6.50 – 8.25		31	30,631.25	7.05–11.50
August	15	201,116.71	5.50 – 7.50	August	15	23,084.30	6.25 – 8.10	August	15	31,784.25	7.59–13.50
	31	19,507.71	5.45 – 7.50		31	23,299.30	6.60 – 9.00		31	31,527.00	8.30–10.25
September	15	20,018.71	5.50 – 6.56	September	15	24,011.30	6.40 – 8.17	September	15	33,227.00	6.35–10.90
	30	19,724.71	5.45 – 6.65		30	24,444.30	7.10 – 9.25		30	33,614.05	7.70–12.00
October	15	18,701.71	5.69 – 7.50	October	15	23,521.00	7.20 – 8.65	October	15	38,494.55	7.00–13.00
	31	18,725.51	5.63 – 7.50		31	23,171.00	7.00 – 8.75		31	42,182.55	6.70–12.00
November	15	17,902.51	5.75 – 6.60	November	15	23,450.20	7.25 – 9.25	November	15	41,677.55	7.50–12.00
	30	18,013.35	5.90 – 6.79		30	24,238.20	7.50 – 9.50		30	41,307.55	8.05–11.50
December	15	17,431.35	6.21 – 7.75	December	15	23,827.20	7.50 – 8.75	December	15	40,913.55	8.22–11.50
	31	17,234.34	6.20 – 7.75		31	23,536.20	7.74–10.00		31	40,231.17	8.40–11.70
January	15	17,415.15	6.50 – 7.75	January	15	23,758.20	8.30 – 9.58	January	15	42,391.55	7.35–12.50
	31	16,431.35	6.65 – 8.50		31	24,398.20	8.25–10.50		31	50,063.05	7.55–16.00
February	15	16,203.35	7.03 – 8.50	February	15	23,999.20	8.00–11.25	February	15	43,920.58	6.95–11.00
	28	15,876.35	7.22 – 8.75		28	21,167.20	8.70–12.00		29	40,642.05	7.40–11.00
March	15	12,877.35	7.75 – 8.95	March	15	19,102.20	7.50–13.35	March	15	37,282.76	9.50–11.00
	31	12,718.25	6.69 – 9.25		31	17,688.20	10.25–13.00		31	32,591.55	9.50–14.25

* : Issued at face value by companies.
@ : Typical effective discount rate range per annum on issues during the fortnight.

Government Accounts

No. 18 : Union Government Accounts at a Glance

(Amount in Rs. crore)

Item	Financial Year	April - February			
	2007-08 (Budget Estimates)	2006-07 (Actuals)	2007-08 (Actuals)	Percentage to Budget Estimates	
				2006-07	2007-08
1	2	3	4	5	6
1. Revenue Receipts	**4,86,422**	**3,44,050**	**4,36,389**	**85.3**	**89.7**
2. Tax Revenue (Net)	4,03,872	2,76,932	3,52,356	84.6	87.2
3. Non-Tax Revenue	82,550	67,118	84,033	88.0	101.8
4. Capital Receipts	**1,94,099**	**1,26,794**	**1,47,744**	**79.0**	**76.1**
5. Recovery of Loans	1,500	4,972	4,542	62.2	302.8
6. Other Receipts	41,651	5	37,800	0.1	90.8
7. Borrowings and Other Liabilities	1,50,948	1,21,817	1,05,402	81.9	69.8
8. Total Receipts (1+4)	**6,80,521**	**4,70,844**	**5,84,133**	**83.5**	**85.8**
9. Non-Plan Expenditure	**4,75,421**	**3,34,933**	**4,12,850**	**85.6**	**86.8**
10. On Revenue Account *of which* :	3,83,546	3,11,675	3,45,686	90.5	90.1
(i) Interest Payments	1,58,995	1,25,969	1,44,340	90.1	90.8
11. On Capital Account	91,875	23,258	67,164	49.7	73.1
12. Plan Expenditure	**2,05,100**	**1,35,911**	**1,71,283**	**78.7**	**83.5**
13. On Revenue Account	1,74,354	1,14,786	1,45,669	79.8	83.5
14. On Capital Account	30,746	21,125	25,614	72.9	83.3
15. Total Expenditure (9+12)	**6,80,521**	**4,70,844**	**5,84,133**	**83.5**	**85.8**
16. Revenue Expenditure (10+13)	5,57,900	4,26,461	4,91,355	87.4	88.1
17. Capital Expenditure (11+14)	1,22,621	44,383	92,778	58.6	75.7
18. Revenue Deficit (16-1)	**71,478**	**82,411**	**54,966**	**97.3**	**76.9**
19. Fiscal Deficit {15-(1+5+6)}	**1,50,948**	**1,21,817**	**1,05,402**	**81.9**	**69.8**
20. Gross Primary Deficit [19-10(i)]	**-8,047**	**-4,152**	**-38,938**	**-46.8**	**483.9**

Notes : 1. Financial year runs from "April to March".
2. Actuals are unaudited figures.

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

Government Securities Market

No. 19: Government of India : 91 Day Treasury Bills (Outstanding at Face Value)

(Rs. crore)

March 31/ Last Friday/ Friday	Reserve Bank of India			Banks		State Governments		Others		Foreign Central Banks	
	Tap*		Auction	Tap*	Auction	Tap*	Auction	Tap*	Auction	Tap*	Auction
	Re-discounted	Ad hocs									
1	2	3	4	5	6	7	8	9	10	11	12
Mar. 31, 2000	—	—	288	—	557	—	—	—	455	—	220
Mar. 31, 2001	—	—	67	—	868	—	—	—	153	—	630
Mar. 31, 2002	—	—	154	—	2,292	—	450	—	360	—	1,301
Mar. 31, 2003	—	—	—	—	6,427	—	800	—	780	—	700
Mar. 31, 2004	—	—	—	—	3,948	—	600	—	1,452	—	39
Mar. 31, 2005	—	—	—	—	21,176	—	1,755	—	4,829	—	32
Mar. 31, 2006	—	—	—	—	5,943	—	9,762	—	576	—	37
Mar. 31, 2007	—	—	—	—	12,684	—	24,250	—	6,743	—	5
Nov. 2006	—	—	—	—	13,887	—	13,035	—	3,933	—	10
Dec. 2006	—	—	—	—	12,521	—	15,543	—	2,538	—	5
Jan. 2007	—	—	—	—	12,734	—	15,343	—	2,855	—	5
Feb. 2007	—	—	—	—	12,810	—	12,793	—	5,762	—	5
Mar. 2007	—	—	—	—	12,684	—	24,250	—	6,743	—	5
Apr. 2007	—	—	—	—	16,126	—	24,050	—	6,927	—	5
May 2007	—	—	—	—	14,956	—	22,303	—	9,075	—	1
Jun. 2007	—	—	—	—	26,331	—	27,246	—	12,378	—	1
Jul. 2007	—	—	—	—	25,736	—	32,296	—	12,764	—	1
Aug. 2007	—	—	—	—	27,491	—	33,596	—	12,509	—	—
Sep. 2007	—	—	—	—	22,194	—	27,953	—	9,807	—	—
Oct. 2007	—	—	—	—	23,927	—	26,503	—	15,573	—	—
Nov. 2007	—	—	—	—	21,013	—	24,028	—	12,397	—	—
Dec. 2007	—	—	—	—	13,999	—	21,978	—	8,501	—	20
Jan. 2008	—	—	—	—	11,143	—	23,278	—	6,946	—	20
Feb. 2008	—	—	—	—	8,503	—	26,135	—	8,629	—	—
Week Ended											
Mar. 7, 2008	—	—	—	—	7,582	—	25,935	—	8,550	—	—
Mar. 14, 2008	—	—	—	—	8,246	—	24,335	—	7,886	—	—
Mar. 21, 2008	—	—	—	—	7,867	—	17,035	—	7,764	—	—
Mar. 28, 2008	—	—	—	—	6,057	—	23,825	—	10,075	—	—

* : The rate of discount is 4.60 per cent per annum.

No. 21: Auctions of 91 Day Government of India Treasury Bills

(Amount in Rs. crore)

Date of Auction	Date of Issue	Notified Amount	Bids Received			Bids Accepted			Devolvement on PDs/SDs*	Total Issue (8+9+10)	Cut-off Price	Implicit Yield at Cut-off Price (per cent)	Amount Outstanding as on the Date of Issue (Face Value)
			Number	Total Face Value		Number	Total Face Value						
				Competitive	Non-Competitive		Competitive	Non-Competitive					
1	2	3	4	5	6	7	8	9	10	11	12	13	14
2007-08													
Apr. 4	Apr. 7	2,000	111	8,612.05	1,200.00	15	2,000.00	1,200.00	—	3,200.00	98.06	7.9353	46,428.57
Apr. 11	Apr. 13	2,000	138	7,215.42	500.00	19	2,000.00	500.00	—	2,500.00	98.20	7.3521	44,928.57
Apr. 18	Apr. 20	2,000	71	2,714.35	1,000.00	31	709.35	1,000.00	—	1,709.35	98.17	7.4769	45,206.77
Apr. 25	Apr. 27	2,000	96	4,416.73	100.00	36	2,000.00	100.00	—	2,100.00	98.20	7.3521	46,686.36
May 3	May 4	2,000	54	2,501.03	—	45	2,000.00	—	—	2,000.00	98.12	7.6851	47,986.79
May 9	May 11	2,000	75	4,794.50	—	47	2,000.00	—	—	2,000.00	98.14	7.6018	45,986.79
May 16	May 18	2,000	74	4,353.66	1,403.00	39	2,000.00	1,403.00	—	3,403.00	98.13	7.6435	46,684.35
May 23	May 25	2,000	71	5,324.50	1,551.00	50	2,000.00	1,551.00	—	3,551.00	98.13	7.6435	46,335.35
May 30	June 1	2,000	103	6,333.30	1,350.00	60	2,000.00	1,350.00	—	3,350.00	98.19	7.3937	43,435.35
June 6	June 8	3,500	148	9,986.80	5,993.08	34	3,500.00	5,993.08	—	9,493.08	98.23	7.2274	50,928.43
June 11	June 13	3,000	119	6,492.00	—	88	3,000.00	—	—	3,000.00	98.11	7.7268	53,928.43
June 13	June 15	3,500	119	9,997.75	1,600.00	47	3,500.00	1,600.00	—	5,100.00	98.10	7.7685	52,027.93
June 20	June 22	3,500	170	13,942.63	11,450.00	29	3,500.00	11,450.00	—	14,950.00	98.24	7.1858	64,356.43
June 25	June 27	5,000	190	18,850.00	—	32	5,000.00	—	—	5,000.00	98.25	7.1443	69,356.43
June 27	June 29	3,500	143	11,682.00	1,100.00	52	3,500.00	1,100.00	—	4,600.00	98.19	7.3937	65,956.43
July 4	July 6	500	106	6,246.00	7,100.00	22	500.00	7,100.00	—	7,600.00	98.48	6.1908	70,356.43
July 11	July 13	2,000	133	7,253.00	250.00	36	2,000.00	250.00	—	2,250.00	98.74	5.1183	70,106.43
July 18	July 20	2,000	101	9,177.47	500.00	15	2,000.00	500.00	—	2,500.00	98.89	4.5022	70,897.08
July 25	July 27	2,000	78	6,468.08	—	32	2,000.00	—	—	2,000.00	98.90	4.4612	70,797.08
Aug. 1	Aug. 3	2,000	97	4,932.24	200.00	56	2,000.00	200.00	—	2,200.00	98.41	6.4805	70,997.08
Aug. 8	Aug. 10	2,000	86	4,295.00	2,500.00	29	2,000.00	2,500.00	—	4,500.00	98.39	6.5634	73,497.08
Aug. 14	Aug. 17	2,000	94	3,450.47	303.00	61	2,000.00	303.00	—	2,303.00	98.35	6.7292	72,397.08
Aug. 22	Aug. 24	2,000	82	3,990.50	2,050.00	14	2,000.00	2,050.00	—	4,050.00	98.33	6.8121	72,896.08
Aug. 29	Aug. 31	3,500	104	7,552.50	550.00	26	3,500.00	550.00	—	4,050.00	98.26	7.1027	73,596.08
Sep. 5	Sep. 7	3,500	103	7,985.00	2,100.00	52	3,500.00	2,100.00	—	5,600.00	98.27	7.0612	69,703.00
Sep. 12	Sep. 14	3,500	110	8,870.92	4,300.00	53	3,500.00	4,300.00	—	7,800.00	98.26	7.1027	69,403.00
Sep. 19	Sep. 21	3,500	88	7,838.25	7,100.00	33	3,500.00	7,100.00	—	10,600.00	98.29	6.9781	65,053.00
Sep. 26	Sep. 28	3,500	82	4,255.14	1,000.00	69	3,500.00	1,000.00	—	4,500.00	98.24	7.1858	59,953.00

No. 21: Auctions of 91 day Government of India Treasury Bills *(Concld.)*

(Amount in Rs. crore)

Date of Auction	Date of Issue	Notified Amount	Bids Received			Bids Accepted			Devolvement on PDs/SDs*	Total Issue (8+9+10)	Cut-off Price	Implicit Yield at Cut-off Price (per cent)	Amount Outstanding as on the Date of Issue (Face Value)
			Number	Total Face Value		Number	Total Face Value						
				Competitive	Non-Competitive		Competitive	Non-Competitive					
1	2	3	4	5	6	7	8	9	10	11	12	13	14
2007-08													
Oct . 3	Oct. 5	3,500	94	5,383.00	4,000.00	80	3,500.00	4,000.00	—	7,500.00	98.25	7.1443	59,853.00
Oct . 10	Oct. 12	3,500	117	13,193.00	1,200.00	32	3,500.00	1,200.00	—	4,700.00	98.29	6.9781	62,303.00
Oct . 17	Oct. 19	3,500	122	7,672.50	1,100.00	68	3,500.00	1,100.00	—	4,600.00	98.26	7.1027	64,403.00
Oct . 24	Oct. 26	3,500	110	7,803.33	100.00	60	3,500.00	100.00	—	3,600.00	98.28	7.0196	66,003.00
Oct. 31	Nov. 2	3,500	89	3,701.78	380.99	31	500.00	380.99	—	880.99	98.21	7.3105	64,683.99
Nov. 7	Nov. 8	3,500	98	7,154.50	600.00	3	500.00	600.00	—	1,100.00	98.21	7.3105	61,283.99
Nov. 14	Nov. 16	3,500	80	6,860.57	203.00	49	3,500.00	203.00	—	3,703.00	98.16	7.5186	62,683.99
Nov. 21	Nov. 23	2,000	69	2,437.85	970.00	15	500.00	970.00	—	1,470.00	98.16	7.5186	60,103.99
Nov. 28	Nov. 30	2,000	70	2,618.50	994.47	13	500.00	994.47	—	1,494.47	98.16	7.5186	57,548.46
Dec. 5	Dec. 7	2,000	63	2,609.00	2,400.00	33	1,500.00	2,400.00	—	3,900.00	98.16	7.5186	55,848.46
Dec. 12	Dec. 14	500	52	2,481.62	1,800.00	10	500.00	1,800.00	—	2,300.00	98.18	7.4353	50,348.46
Dec. 19	Dec. 20	500	54	3,179.50	7,300.00	9	500.00	7,300.00	—	7,800.00	98.20	7.3521	47,548.46
Dec. 26	Dec. 28	500	55	2,510.00	950.00	16	500.00	950.00	—	1,450.00	98.20	7.3521	44,498.46
Jan. 2	Jan. 4	500.00	71	3,411.05	1,000.00	7	500.00	1,000.00	—	1,500.00	98.28	7.0196	38,498.46
Jan. 9	Jan. 11	3,500.00	77	6,274.10	3,500.00	40	3,500.00	3,500.00	—	7,000.00	98.28	7.0196	40,798.46
Jan. 16	Jan. 18	3,500.00	75	3,674.40	200.00	64	3,000.00	200.00	—	3,200.00	98.26	7.1027	39,398.46
Jan. 23	Jan. 25	3,500.00	61	2,974.00	3,000.00	54	2,589.00	3,000.00	—	5,589.00	98.24	7.1858	41,387.46
Jan. 30	Feb. 1	2,000.00	50	1,616.58	883.32	26	500.00	883.32	—	1,383.32	98.22	7.2689	41,889.79
Feb. 6	Feb. 8	2,000.00	66	2,540.28	2,300.00	58	2,000.00	2,300.00	—	4,300.00	98.22	7.2689	45,089.79
Feb. 13	Feb. 15	2,500.00	70	2,488.37	703.00	29	1,042.77	703.00	—	1,745.77	98.22	7.2689	43,132.56
Feb. 20	Feb. 22	500.00	51	2,110.66	1,350.00	11	500.00	1,350.00	—	1,850.00	98.19	7.3937	43,512.56
Feb. 27	Feb. 29	500.00	58	1,733.37	748.97	28	500.00	748.97	—	1,248.97	98.18	7.4353	43,267.06
Mar. 5	Mar. 7	500.00	65	2,417.51	2,200.00	31	500.00	2,200.00	—	2,700.00	98.19	7.3937	42,067.06
Mar. 12	Mar. 14	500.00	64	2,120.72	200.00	23	500.00	200.00	—	700.00	98.19	7.3937	40,467.06
Mar. 19	Mar. 24	500.00	55	1,573.75	700.00	14	500.00	700.00	—	1,200.00	98.21	7.3105	33,867.06
Mar. 26	Mar. 28	500.00	62	1,833.15	7,040.00	9	500.00	7,040.00	—	7,540.00	98.23	7.2274	39,957.06

* : Effective from auction dated May 14,1999, devolvement would be on RBI only.

Note : The presentation of implicit yield at cut-off price has been changed from actual/364-day count convention to actual/365-day count convention from auction dated October 27, 2004.

No. 22: Auctions of 182-day Government of India Treasury Bills

(Amount in Rs. crore)

Date of Auction	Date of Issue	Notified Amount	Bids Received			Bids Accepted			Devolvement on PDs/	Total Issue (8+9+10)	Cut-off Price	Implicit Yield at Cut-off Price (per cent)	Amount Outstanding as on the Date of Issue (Face Value)
			Number	Total Face Value		Number	Total Face Value						
				Competitive	Non-Competitive		Competitive	Non-Competitive					
1	2	3	4	5	6	7	8	9	10	11	12	13	14
2006-07													
Feb. 7	Feb. 9	1,500	57	3,790.00	—	12	1,500.00	—	—	1,500.00	96.34	7.619	20,112.83
Feb. 21	Feb. 23	1,500	55	3,903.00	—	8	1,500.00	—	—	1,500.00	96.29	7.7271	19,612.83
Mar. 7	Mar. 9	1,500	54	2,265.00	500.00	50	1,500.00	500.00	—	2,000.00	96.28	7.7487	19,112.83
Mar. 21	Mar. 23	1,500	109	4,195.00	325.00	15	530.00	325.00	—	855.00	96.07	8.204	17,205.69
2007-08													
Apr. 4	Apr. 7	1,500	88	7,005.00	—	5	1,500.00	—	—	1,500.00	96.17	7.9869	17,205.69
Apr. 18	Apr. 20	1,500	67	3,085.00	524.16	23	1,500.00	524.16	—	2,024.16	96.28	7.7487	18,109.85
May 3	May 4	1,500	52	3,550.50	126.33	16	1,500.00	126.33	—	1,626.33	96.29	7.7271	19,066.67
May 16	May 18	1,500	66	3,740.00	—	21	1,500.00	—	—	1,500.00	96.28	7.7487	19,248.67
May 30	Jun. 1	1,500	67	4,295.00	235.95	44	1,500.00	235.95	—	1,735.95	96.34	7.619	18,711.44
Jun. 11	Jun. 13	2,000	113	7,145.00	—	56	2,000.00	—	—	2,000.00	96.25	7.8136	20,711.44
Jun. 13	Jun. 15	2,500	114	9,925.00	—	15	2,500.00	—	—	2,500.00	96.25	7.8136	21,711.44
Jun. 27	Jun. 29	2,500	120	11,687.00	—	33	2,500.00	—	—	2,500.00	96.32	7.6622	23,701.44
Jul. 11	Jul. 13	1,500	78	4,005.67	—	30	1,500.00	—	—	1,500.00	97.07	6.0535	23,301.44
Jul. 25	Jul. 27	1,500	71	4,085.00	900.00	15	1,500.00	900.00	—	2,400.00	97.18	5.8196	25,141.44
Aug. 8	Aug. 10	1,500	52	1,985.00	500.00	47	1,500.00	500.00	—	2,000.00	96.50	7.2738	25,641.44
Aug. 22	Aug. 24	1,500	69	2,235.00	1,500.00	54	1,500.00	1,500.00	—	3,000.00	96.41	7.4678	27,141.44
Sep. 5	Sep. 7	2,500	105	4,573.00	855.00	62	2,500.00	855.00	—	3,355.00	96.44	7.4031	28,496.44
Sep. 19	Sep. 21	2,500	102	9,980.00	—	38	2,500.00	—	—	2,500.00	96.51	7.2523	30,141.44
Oct. 3	Oct. 5	2,500	71	4,990.00	—	48	2,500.00	—	—	2,500.00	96.48	7.3169	31,141.44
Oct. 17	Oct. 19	2,500	98	4,815.00	500.00	79	2,500.00	500.00	—	3,000.00	96.42	7.4462	32,117.28
Oct. 31	Nov. 2	2,500	75	3,165.00	—	18	500.00	—	—	500.00	96.36	7.5758	30,990.95
Nov. 14	Nov. 16	2,500	81	3,071.00	—	14	500.00	—	—	500.00	96.35	7.5974	29,990.95
Nov. 28	Nov. 30	1,500	71	2,310.00	—	18	500.00	—	—	500.00	96.30	7.7054	28,755.00
Dec. 12	Dec. 14	500	53	2,535.30	125.00	5	500.00	125.00	—	625.00	96.35	7.5974	24,880.00
Dec. 26	Dec. 28	500	57	2,135.50	—	22	500.00	—	—	500.00	96.35	7.5974	22,880.00
Jan. 9	Jan. 11	1,500	62	3,102.00	—	29	1,500.00	—	—	1,500.00	96.52	7.2308	22,880.00
Jan. 23	Jan. 25	2,500	60	2,855.00	—	41	2,105.00	—	—	2,105.00	96.51	7.2523	22,585.00
Feb. 6	Feb. 8	1,500	60	3,267.00	—	26	1,500.00	0.00	—	1,500.00	96.50	7.2738	22,085.00
Feb. 20	Feb. 22	500	40	1,822.00	—	12	500.00	0.00	—	500.00	96.38	7.5326	19,585.00
Mar. 5	Mar. 7	500	57	1,827.50	855.00	34	500.00	855.00	—	1,355.00	96.38	7.5326	17,585.00
Mar. 19	Mar. 24	500	42	2,340.00	1,200.00	6	500.00	1,200.00	—	1,700.00	96.46	7.3600	16,785.00

Notes :
1. Outstanding amount is net of redemption during the week.
2. The presentation of implicit yield at cut-off price has been changed from actual/364-day count convention to actual/365-day count convention from auction dated April 6, 2005.
3. The auctions of 182-day Treasury Bills (TBs) which were discontinued effective May 14, 2001 have been reintroduced from April 6, 2005 onwards.

No. 23: Auctions of 364-day Government of India Treasury Bills

(Amount in Rs. crore)

Date of Auction	Date of Issue	Notified Amount	Bids Received			Bids Accepted			Devolvement on PDs/ SDs*	Total Issue (8+9+10)	Cut-off Price	Implicit Yield at Cut-off Price (per cent)	Amount Outstanding as on the Date of Issue (Face Value)
			Number	Total Face Value		Number	Total Face Value						
				Competitive	Non-Competitive		Competitive	Non-Competitive					
1	2	3	4	5	6	7	8	9	10	11	12	13	14
2007-08													
Apr. 11	Apr. 13	2,000	112	8,010.00	130.00	10	2,000	130.00	—	2,130.00	92.87	7.6985	54,942.61
Apr. 25	Apr. 27	2,000	82	4,625.00	300.00	45	2,000	300.00	—	2,300.00	92.83	7.7450	55,942.61
May 9	May 11	2,000	64	5,100.00	—	24	2,000	—	—	2,000.00	92.81	7.7683	56,942.61
May 23	May 25	2,000	61	4,211.00	—	44	2,000	—	—	2,000.00	92.78	7.8032	56,292.61
Jun. 6	Jun. 8	3,000	120	10,936.40	118.54	28	3,000	118.54	—	3,118.54	92.88	7.6900	55,744.37
Jun. 20	Jun. 22	3,000	131	12,910.00	495.96	47	3,000	495.96	—	3,495.96	92.91	7.6500	56,324.50
Jul. 4	Jul. 6	1,000	93	6,255.00	—	20	1,000	—	—	1,000.00	93.33	7.1663	55,324.50
Jul. 18	Jul. 20	2,000	96	7,415.49	583.43	25	2,000	583.43	—	2,583.43	93.84	6.5824	55,627.43
Aug. 1	Aug. 3	2,000	84	4,675.00	—	43	2,000	—	—	2,000.00	93.26	7.2470	55,627.43
Aug. 14	Aug. 17	2,000	104	4,685.00	—	33	2,000	—	—	2,000.00	93.05	7.4896	55,619.43
Aug. 29	Aug. 31	2,000	115	5,415.00	33.27	39	2,000	33.27	—	2,033.27	93.02	7.5244	55,642.70
Sep. 12	Sep. 14	3,000	133	11,145.00	—	30	3,000	—	—	3,000.00	93.07	7.4665	56,542.70
Sep. 26	Sep. 28	3,000	97	5,846.00	375.00	66	3,000	375.00	—	3,375.00	93.04	7.5012	57,317.70
Oct. 10	Oct. 12	3,000	154	11,231.50	—	31	3,000	—	—	3,000.00	93.15	7.3739	58,300.50
Oct. 24	Oct. 26	3,000	125	8,141.00	24.00	36	3,000	24.00	—	3,024.00	93.16	7.3624	60,039.50
Nov. 7	Nov. 8	3,000	92	4,425.00	—	64	3,000	—	—	3,000.00	92.82	7.7567	61,039.50
Nov. 21	Nov. 23	2,000	90	4,550.00	—	17	1,000	—	—	1,000.00	92.83	7.7450	60,039.50
Dec. 5	Dec. 7	2,000	97	5,711.70	—	50	2,000	—	—	2,000.00	92.86	7.7101	60,039.50
Dec. 19	Dec. 20	1,000	79	4,485.00	250.00	18	1,000	250.00	—	1,250.00	92.90	7.6636	59,039.50
Jan. 2	Jan. 4	1,000	98	6,415.00	—	8	1,000	—	—	1,000.00	93.14	7.3855	58,034.40
Jan. 16	Jan. 18	3,000	118	6,897.00	118.75	59	3,000	118.75	—	3,118.75	93.14	7.3855	59,595.95
Jan. 30	Feb. 1	2,000	75	3,185.00	—	42	2,000	—	—	2,000.00	93.05	7.4896	60,345.95
Feb. 13	Feb. 15	3,000	114	9,149.00	503.70	46	3,000	503.70	—	3,503.70	93.06	7.4780	61,753.65
Feb. 27	Feb. 29	1,000	71	3,690.00	—	14	1,000	—	—	1,000.00	93.00	7.5476	60,753.65
Mar. 12	Mar. 14	1,000	85	5,816.82	272.65	5	1,000	272.65	—	1,272.65	93.09	7.4433	59,755.30
Mar. 26	Mar. 28	1,000	79	5,573.36	—	5	1,000	—	—	1,000.00	93.17	7.3508	57,205.30

* : Effective from auction dated May 19, 1999, devolvement would be on RBI only.

Notes : 1. Outstanding amount is net of redemption during the week.

2. The presentation of implicit yield at cut-off price has been changed from actual/364-day count convention to actual/365-day count convention from auction dated October 27, 2004.

No. 24: Turnover in Government Securities Market (Face Value) at Mumbai @

(Rs. crore)

Week / Month +	Govt. of India Dated Securities	State Govt. Securities	Treasury Bills			RBI*
			91 Day	182 Day	364 Day	
1	2	3	4	5	6	7
2005-06						
April	1,05,957.84	2,816.60	39,451.32	2,892.32	46,996.86	263.33
May	1,10,288.70	4,792.84	13,962.04	1,839.76	30,696.52	325.25
June	1,84,346.88	5,115.40	13,220.68	2,693.08	16,656.62	925.00
July	1,36,973.70	3,354.56	10,214.14	3,331.72	14,745.80	563.29
August	1,18,444.96	2,694.06	12,781.18	4,997.92	28,388.16	34.60
September	1,76,385.80	5,637.28	7,375.44	4,360.84	24,728.22	342.42
October	82,481.98	3,035.63	10,873.84	5,723.80	16,002.88	123.68
November	87,190.44	2,003.52	5,972.90	4,973.52	11,500.24	78.67
December	1,08,378.46	2,522.96	5,665.48	5,243.44	13,946.10	58.76
January	87,274.56	1,672.48	2,966.46	2,728.50	11,688.64	660.40
February	74,163.70	1,768.04	3,482.62	2,455.74	7,594.94	733.54
March	75,119.10	4,721.14	5,219.72	2,913.10	11,656.42	1,254.66
2006-07						
April	1,10,559.28	851.16	2,193.88	2,046.40	16,666.50	922.00
May	1,00,542.72	4,781.64	6,217.52	4,076.30	10,766.88	1,453.00
June	77,255.06	2,395.66	5,996.84	8,689.56	12,871.16	883.00
July	65,538.70	1,376.06	5,206.80	3,761.72	8,127.34	387.88
August	1,48,081.02	1,048.40	10,290.66	8,646.20	12,898.72	166.48
September	2,84,464.66	1,893.48	8,821.54	6,014.18	17,127.28	279.19
October	1,22,101.80	776.32	5,898.98	3,134.06	9,134.16	233.42
November	2,57,667.60	1,358.46	4,857.48	8,209.80	13,484.26	151.08
December	2,39,765.16	3,072.80	6,087.18	2,928.06	9,965.98	58.44
January	1,40,660.36	1,319.26	6,006.94	3,306.44	6,204.12	551.14
February	1,13,360.08	1,362.28	4,998.06	2,854.74	4,948.44	72.88
March	1,10,983.52	4,861.96	5,968.82	4,739.42	6,464.76	1,405.99
2007-08						
April	1,29,393.26	3,090.88	9,866.80	2,869.22	5,782.54	333.23
May	1,14,658.96	2,481.32	7,160.10	1,498.68	3,183.70	680.35
June	2,20,172.02	2,078.77	29,236.33	7,998.44	10,091.95	266.57
July	3,83,106.46	1,906.39	19,820.37	3,291.27	22,143.25	715.20
August	2,41,706.99	2,514.20	11,899.44	6,877.99	13,643.66	482.50
September	1,74,533.46	1,201.42	5,521.12	8,768.86	10,539.40	428.36
October	1,45,814.85	1,714.00	22,191.33	13,299.05	20,733.58	531.41
November	1,73,573.07	3,058.32	8,788.32	6,219.26	14,338.14	193.03
December	2,12,467.87	2,344.34	5,998.32	2,498.72	13,450.44	5,372.60
January	5,54,272.55	4,412.28	5,581.92	6,000.66	21,903.31	5,344.63
February	4,34,802.32	4,730.56	2,810.06	4,485.10	11,915.60	2,998.80
Week-Ended						
March 7, 2008	56,094.96	161.50	669.82	273.84	1,828.62	2,135.35
March 14, 2008	50,020.54	717.58	727.64	283.78	3,251.01	869.87
March 21, 2008	18,076.00	170.10	130.28	381.52	986.72	55.43
March 28, 2008	48,377.18	913.20	1,364.52	1,115.55	2,102.19	369.32

@ : Based on SGL outright transactions in government securities in secondary market at Mumbai. It excludes repo transactions.

\+ : Turnover upto the last Friday of the month over the last Friday of preceding month.

* : RBI's Sales and Purchases include transactions in other offices also. It excludes transactions relating to the Government of India and the Welfare Commissioner, Bhopal.

No. 25: Repo / Reverse Repo Auctions Under Liquidity Adjustment Facility

(Amount in Rs. crore)

LAF Date	Repo/ Reverse Repo Period (Day(s))	REPO (Injection)					REVERSE REPO (Absorption)					Net Injection (+)/ Absorption (–) of liquidity [(6)–(11)]	Outstanding Amount @
		Bids Received		Bids Accepted		Cut-off Rate (%)	Bids Received		Bids Accepted		Cut-off Rate (%)		
		Number	Amount	Number	Amount		Number	Amount	Number	Amount			
1	2	3	4	5	6	7	8	9	10	11	12	13	14
March 3, 2008	1	–	–	–	–	–	1	2,500	1	2,500	6.00	–2,500	2,500
March 4, 2008	1	–	–	–	–	–	2	2,515	2	2,515	6.00	–2,515	2,515
March 5, 2008	2	–	–	–	–	–	2	5,500	2	5,500	6.00	–5,500	5,500
March 7, 2008	3	–	–	–	–	–	9	8,045	9	8,045	6.00	–8,045	8,045
March 10, 2008	1	–	–	–	–	–	23	31,985	23	31,985	6.00	–31,985	31,985
March 11, 2008	1	–	–	–	–	–	23	34,805	23	34,805	6.00	–34,805	34,805
March 12, 2008	1	–	–	–	–	–	22	28,165	22	28,165	6.00	–28,165	28,165
March 13, 2008	1	–	–	–	–	–	26	30,335	26	30,335	6.00	–30,335	30,335
March 14, 2008	3	1	200	1	200	7.75	6	1,155	6	1,155	6.00		
March 14, 2008 *	3	–	–	–	–	–	17	5,370	17	5,370	6.00	–6,325	6,325
March 17, 2008	1	17	32,400	17	32,400	7.75	2	255	2	255	6.00	32,145	
March 17, 2008 *	7	8	4,200	8	4,200	7.75	–	–	–	–	–	4,200	–36,345
March 18, 2008	1	18	24,080	18	24,080	7.75	–	–	–	–	–	24,080	–28,280
March 19, 2008	5	29	43,925	29	43,925	7.75	–	–	–	–	–	43,925	–48,125
March 24, 2008	1	20	26,785	20	26,785	7.75	–	–	–	–	–	26,785	–26,785
March 25, 2008	1	3	3,975	3	3,975	7.75	4	1,580	4	1,580	6.00	2,395	–2,395
March 26, 2008	1	5	8,025	5	8,025	7.75	–	–	–	–	–	8,025	–8,025
March 27, 2008	1	3	2,800	3	2,800	7.75	1	200	1	200	6.00	2,600	–2,600
March 28, 2008	3	11	20,585	11	20,585	7.75	2	60	2	60	6.00	20,525	–20,525
March 31, 2008	2	39	56,820	39	56,820	7.75	5	2,825	5	2,825	6.00	53,995	
March 31, 2008 *	2	–	–	–	–	–	6	3,645	6	3,645	6.00	–3,645	–50,350

* : Additional LAF conducted.

No. 26: Open Market Operations of Reserve Bank of India*

(Rs. crore)

Month End		Government of India Dated Securities – Face Value			Treasury Bills		
		Purchase	Sale	Net Purchases (+) / Net Sales (–)	Purchase	Sale	Net Purchases (+) / Net Sales (–)
1		2	3	4	5	6	7
2005-06							
April	2005	—	263.33	–263.33	—	—	—
May	2005	—	686.46	–686.46	—	—	—
June	2005	—	832.91	–832.91	—	—	—
July	2005	—	323.66	–323.66	—	—	—
August	2005	—	121.19	–121.19	—	—	—
September	2005	—	255.85	–255.85	—	—	—
October	2005	—	123.68	–123.68	—	—	—
November	2005	—	107.92	–107.92	—	—	—
December	2005	—	29.51	–29.51	—	—	—
January	2006	—	674.41	–674.41	—	—	—
February	2006	215.00	522.56	–307.56	—	—	—
March	2006	525.00	711.23	–186.23	—	—	—
2006-07							
April	2006	405.00	516.80	–111.80	—	—	—
May	2006	85.00	1,386.74	–1,301.74	—	—	—
June	2006	55.00	809.88	–754.88	—	—	—
July	2006	25.00	374.36	–349.36	—	—	—
August	2006	80.00	127.64	–47.64	—	—	—
September	2006	40.00	237.24	–197.24	—	—	—
October	2006	—	191.10	–191.10	—	—	—
November	2006	10.00	140.20	–130.20	—	—	—
December	2006	15.00	36.41	–21.41	—	—	—
January	2007	—	571.36	–571.36	—	—	—
February	2007	—	118.09	–118.09	—	—	—
March	2007	5.00	1,335.56	–1,330.56	—	—	—

Year / Month	Government of India Dated Securities – Face Value					Treasury bills				
	Purchase		Sale		Net purchase (+)/net sale (–)	Purchase		Sale		Net purchase (+)/net sale (-)
	Market	State Governments	Market	State Governments		Market	State Governments	Market	State Governments	
1	2	3	4	5	6	7	8	9	10	11
2007-08										
April	10.00	—	—	332.24	–322.24	—	—	—	—	—
May	—	—	—	742.80	–742.80	—	—	—	—	—
June	—	—	—	254.86	–254.86	—	—	—	—	—
July	25.00	—	—	656.74	–631.74	—	—	—	—	—
August	—	—	—	456.28	–456.28	—	—	—	—	—
September	15.00	—	—	413.35	–398.35	—	—	—	—	—
October	—	—	—	539.93	–539.93	—	—	—	—	—
November	—	—	—	184.51	–184.51	—	—	—	—	—
December	5,485.00	—	—	167.44	5,317.56	—	—	—	—	—
January	2,535.00	—	—	2,577.82	–42.82	—	—	—	—	—
February	2,660.00	—	—	290.27	2,369.73	—	—	—	—	—
March	2,780.00	—	—	970.93	1,809.07	—	—	—	—	—

* : Excluding transactions of RBI with the Government of India and the Welfare Commissioner, Bhopal.

No. 27 A : Secondary Market Outright Transactions in Government dated Securities (Face Value)

(Amount in Rs. Crore)

Week ended	Government of India Dated Securities - Maturing in the Year										State Govt. Securities
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-16	2016-17	2017-18	Beyond 2018	
1	2	3	4	5	6	7	8	9	10	11	12
I. March 7, 2008											
a. Amount	–	90.00	1,795.04	627.90	15.15	30.19	1,276.83	530.55	14,344.35	9,337.47	80.75
b. YTM *											
Min.	–	8.1223	7.4101	7.4697	7.5523	7.5320	7.4726	7.5198	7.5034	7.7365	7.6399
Max.	–	8.1300	7.5274	7.5851	7.5704	7.6445	7.7038	7.6351	7.6614	8.5129	8.0837
II. March 14, 2008											
a. Amount	–	80.01	4,158.55	250.38	85.48	102.40	1,311.11	555.37	11,582.57	6,884.40	358.79
b. YTM *											
Min.	–	7.3110	7.4038	7.5563	7.5219	7.5639	7.4726	7.5448	7.5161	7.7844	7.7008
Max.	–	8.1523	7.5868	7.6007	8.5547	7.6758	7.6017	7.6264	7.6351	8.5933	8.2898
III. March 21, 2008											
a. Amount	–	132.06	993.92	204.00	614.86	53.08	266.91	11.79	5436.20	1325.18	85.05
b. YTM *											
Min.	–	8.2000	7.4655	7.4777	7.5083	7.5396	7.5159	7.5945	7.5425	7.5435	8.1966
Max.	–	8.2500	7.5339	7.5247	8.5579	7.5396	7.7287	7.7033	7.8018	8.5800	8.2261
IV. March 28, 2008											
a. Amount	–	249.90	6,589.95	604.63	15.25	756.45	975.67	14.56	11,777.06	3,205.13	456.60
b. YTM *											
Min.	–	7.1831	7.3479	7.4700	7.5217	7.4689	7.5276	7.7586	7.5738	7.7649	7.6508
Max.	–	8.0600	7.5757	7.5819	7.6218	8.6512	7.8747	7.8084	7.8442	8.8054	8.6794

* Minimum and maximum YTMs (% PA) indicative have been given excluding transactions of non-standard lot size (less than Rs.5 Crore).

No. 27 B: Secondary Market Outright Transactions in Treasury Bills

(Amount in crore, YTM in per cent per annum)

Week ended	Treasury Bills Residual Maturity in days			
	up to 14 days	15-91 days	92-182 days	183 - 364 days
1	2	3	4	5
I. March 7, 2008				
a. Amount	10.10	712.38	446.30	217.36
b. YTM *				
Min.	5.7524	5.9996	7.2699	6.4500
Max.	5.7524	7.3521	7.5110	7.4000
II. March 14, 2008				
a. Amount	15.00	485.51	626.60	1,004.11
b. YTM *				
Min.	5.7510	6.0006	7.2600	6.3934
Max.	5.7510	7.3521	7.4100	7.7500
III. March 21, 2008				
a. Amount	130.00	260.14	170.76	188.36
b. YTM *				
Min.	2.8355	6.9601	7.2400	6.7800
Max.	7.5015	7.1501	7.3800	7.3601
IV. March 28, 2008				
a. Amount	148.70	1,193.15	527.84	421.45
b. YTM *				
Min.	6.5979	6.0008	7.1799	6.7800
Max.	7.0495	7.3001	7.4500	7.5500

* Minimum and maximum YTMs (% PA) indicative have been given excluding transactions of non-standard lot size (less than Rs.5 Crore).

No. 27 C: Month-end Yield to Maturity of SGL Transactions in Central Government Dated Securities for Various Residual Maturities

(Per cent)

Term to Maturity (in years)	2007									2008		
	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
1	2	3	4	5	6	7	8	9	10	11	12	13
1	7.9308	7.8277	7.5803	7.1362	7.6839	7.6836	7.6895	7.7597	7.6573	7.4307	7.4481	7.4252
2	8.0842	7.8559	7.6867	7.2619	7.7159	7.7759	7.7266	7.8157	7.6615	7.5106	7.5449	7.5140
3	8.1280	7.8864	7.8031	7.3610	7.7479	7.8006	7.7420	7.8257	7.6656	7.5426	7.5749	7.5433
4	8.1213	7.9610	7.8106	7.3621	7.7774	7.8014	7.7529	7.8349	7.6698	7.5281	7.5699	7.5429
5	8.1120	8.0125	7.9072	7.3980	7.7944	7.8022	7.7639	7.8441	7.6740	7.5137	7.5649	7.5424
6	8.1027	8.0619	8.0046	7.5420	7.8114	7.8100	7.7825	7.8542	7.6944	7.5061	7.6111	7.5534
7	8.0939	8.1052	8.0843	7.6543	7.8577	7.8680	7.8189	7.8672	7.7159	7.5084	7.6674	7.5640
8	8.1010	8.1059	8.0946	7.6890	7.9041	7.8750	7.8356	7.8802	7.7371	7.5180	7.5376	7.5742
9	8.1137	8.1117	8.1234	7.8113	7.9103	7.8902	7.8464	7.8937	7.7727	7.5375	7.5760	7.5816
10	8.1316	8.1225	8.1559	7.9108	7.9194	7.9155	7.8699	7.9218	7.8057	7.5737	7.6268	7.6367
11	8.1550	8.1557	8.1871	7.9338	7.9463	7.9762	7.9217	7.9727	7.8411	7.6318	7.6775	7.7147
12	8.1784	8.1889	8.2182	7.9568	7.9732	8.0369	7.9735	8.0236	7.8765	7.6900	7.7282	7.7928
13	8.2017	8.2220	8.2493	7.9798	8.0002	8.0976	8.0252	8.0745	7.9118	7.7482	7.7789	7.8708
14	8.2251	8.2552	8.2789	8.0028	8.0271	8.1583	8.0770	8.1254	7.9472	7.7492	7.8277	7.8804
15	8.2485	8.2873	8.2940	8.0265	8.0540	8.1915	8.1135	8.1523	8.0368	7.7489	7.8371	7.8321
16	8.2616	8.2993	8.3092	8.0529	8.0810	8.2079	8.1325	8.1728	8.0733	7.7585	7.8494	7.8492
17	8.2743	8.3112	8.3243	8.0793	8.1079	8.2242	8.1515	8.1934	8.0782	7.7682	7.8618	7.8664
18	8.2869	8.3231	8.3395	8.1057	8.1349	8.2406	8.1704	8.2139	8.0831	7.7779	7.8741	7.8836
19	8.2995	8.3351	8.3547	8.1321	8.1618	8.2569	8.1894	8.2345	8.0880	7.7875	7.8865	7.9008
20	8.3121	8.3470	8.3698	8.1585	8.1887	8.2733	8.2083	8.2550	8.0929	7.7972	7.8988	7.9180
21	8.3248	8.3589	8.3850	8.1849	8.2157	8.2897	8.2273	8.2756	8.0977	7.8068	7.9111	7.9352
22	8.3374	8.3708	8.4001	8.2114	8.2426	8.3060	8.2462	8.2961	8.1026	7.8165	7.9235	7.9523
23	8.3500	8.3828	8.4153	8.2378	8.2696	8.3224	8.2652	8.3167	8.1075	7.8261	7.9358	7.9695
24	8.3626	8.3947	8.4304	8.2642	8.2965	8.3387	8.2841	8.3372	8.1124	7.8358	7.9482	7.9867
25	8.3752	8.4066	8.4456	8.2906	8.3232	8.3551	8.3002	8.3516	8.1159	7.8431	7.9603	7.9988
26	8.3879	8.4185	8.4607	8.2954	8.3232	8.3714	8.3024	8.3483	8.1168	7.8473	7.9723	8.0072
27	8.4005	8.4305	8.4759	8.2983	8.3232	8.3878	8.3047	8.3449	8.1176	7.8515	7.9843	8.0155
28	8.4131	8.4424	8.4911	8.3013	8.3232	8.4041	8.3069	8.3415	8.1185	7.8557	7.9964	8.0239
29	8.4257	8.4543	8.5062	8.3043	8.3231	8.4205	8.3092	8.3381	8.1193	7.8599	8.0084	8.0323
30	8.4384	8.4662	–	–	–	–	–	–	–	–	–	–

No. 28: Redemption Yield on Government of India Securities Based on SGL Transactions*

(per cent per annum)

Sr. No	Nomenclature of the loan	2005-06	2006-07	2007-08	2007		2007-08			
					February	March	December	January	February	March
1	2	3	4	5	6	7	8	9	10	11
A)	**Terminable Under 5 years**									
1	06.00% 2008	..	..	..	..	..	..	..	..	..
2	09.50% 2008	6.59	7.14	7.32	..	7.37	..	..	..	..
3	10.80% 2008	6.56	6.65	7.43	..	..	..	7.24	..	7.51
4	11.40% 2008	6.40	7.22	7.26	7.77	7.90	..	6.98	7.37	..
5	11.50% 2008	6.38	7.08	7.81	7.72	7.65	7.79	7.79	8.69	..
6	12.00% 2008	6.41	7.04	7.60	7.57	7.65	7.74	7.35	7.35	8.70
7	12.10% 2008	6.62	7.54	7.86	..	7.86	..	..	..	7.35
8	12.15% 2008	6.32	7.75	..	8.77	..	..	..	..	..
9	12.22% 2008	6.35	6.86	..	..	..	..	..	..	..
10	12.25% 2008	6.55	7.07	8.15	8.73	7.73	7.54	7.53	9.93	7.41
11	05.48% 2009	6.87	6.88	7.63	..	..	7.76	7.44	7.41	7.48
12	06.65% 2009	6.54	7.51	7.66	..	7.93	7.75	7.45	7.46	7.50
13	06.99% 2009	..	..	..	..	..	..	..	..	..
14	07.00% 2009	6.73	7.50	8.09	7.95	8.63	8.13	7.35	8.00	8.62
15	11.50% 2009	6.71	7.52	7.95	8.24	7.86	..	..	8.67	..
16	11.99% 2009	6.59	7.25	7.65	..	7.83	7.75	7.34	7.70	7.51
17	05.87% 2010	6.57	..	7.63	..	..	7.77	7.45	7.43	7.51
18	06.00% 2010	..	..	..	..	..	..	..	..	..
19	06.20% 2010	..	..	..	..	..	..	..	..	..
20	07.50% 2010	6.89	7.77	7.35	8.16	..	..	7.80	7.43	7.73
21	07.55% 2010	6.69	7.42	7.69	7.69	7.83	7.79	7.62	7.42	7.51
22	08.75% 2010	6.95	7.98	..	..	9.25	..	..	..	..
23	11.30% 2010	6.85	7.39	7.70	7.83	..	7.80	7.52	7.49	7.54
24	11.50% 2010	6.85	7.43	7.70	7.71	..	..	7.42	7.62	7.58
25	12.25% 2010	6.86	7.45	7.55	..	..	..	7.42	7.51	7.48
26	12.29% 2010	6.85	7.50	7.78	7.98	7.95	..	7.54	7.55	7.55
27	05.03% 2011	..	..	..	..	..	..	..	..	..
28	06.57% 2011	–	–	7.37	-	..	-	7.33	7.45	..
29	08.00% 2011	7.10	7.86	7.93	8.09	8.12	7.80	..	..	..
30	09.39% 2011	6.86	7.52	7.78	7.83	7.99	7.80	7.49	7.60	7.53
31	10.95% 2011	6.96	7.33	7.94	..	..	..	7.55	7.68	..
32	11.50% 2011	6.98	7.43	7.82	..	..	6.87	..	..	7.71
33	12.00% 2011	7.03	7.97	7.95	8.12	8.02	..	..	..	7.71
34	12.32% 2011	6.89	7.59	7.85	8.34	8.02	..	7.80	7.61	..
35	06.72% 2007/2012@	6.51	6.93	7.87	7.86	7.04	..	..	8.52	..
36	06.85% 2012	6.86	7.58	7.80	..	8.08	7.83	7.48	7.56	7.59
37	07.40% 2012	6.95	7.55	7.83	7.76	7.91	7.81	7.49	7.44	7.74
38	09.40% 2012	6.96	7.60	7.87	..	8.33	..	..	7.55	7.72
39	10.25% 2012	7.06	7.88	8.08	8.18	8.39	8.77	..	..	7.60
40	11.03% 2012	7.02	7.81	8.10	8.37	8.05	8.28	..	7.66	7.95
B)	**Between 5 and 10 years**									
41	07.27% 2013	6.98	7.58	7.66	7.65	8.00	7.78	7.50	7.48	7.53
42	09.00% 2013	7.06	7.86	8.25	8.04	8.49	9.48	..	..	..
43	09.81% 2013	7.11	7.85	8.11	8.08	8.14	..	..	..	..
44	12.40% 2013	7.17	7.93	7.99	8.17	7.99	7.98	8.05	7.61	7.70
45	06.72% 2014	7.05	8.05	7.89	..	..	..	..	..	..
46	07.37% 2014	7.04	7.74	7.86	7.90	8.20	7.80	7.52	7.52	7.60

No. 28: Redemption Yield on Government of India Securities Based on SGL Transactions* *(concld.)*

(per cent per annum)

Sr. No	Nomenclature of the loan	2005-06	2006-07	2007-08	2007		2007-08			
					February	March	December	January	February	March
1	2	3	4	5	6	7	8	9	10	11
47	10.00% 2014	7.22	7.71	8.09	7.91	7.93	9.57	7.83	7.52	7.37
48	10.50% 2014	7.28	7.83	7.85	..	8.51	..	7.72	7.67	7.50
49	11.83% 2014	7.17	7.84	7.94	7.95	8.15	7.87	7.68	7.59	7.73
50	07.38% 2015	7.06	7.70	7.95	..	8.08	7.81	7.74	7.48	7.61
51	09.85% 2015	7.24	7.76	8.01	7.70	8.25	..	..	..	7.40
52	10.47% 2015	7.22	7.59	8.06	..	..	..	8.01	..	..
53	10.79% 2015	7.22	7.65	8.02	..	7.95	..	..	..	..
54	11.43% 2015	7.19	7.92	8.06	7.89	..	7.87	..	..	..
55	11.50% 2015	7.27	7.91	8.12	7.86	8.46	8.56	7.90	7.80	7.72
56	05.59% 2016	7.17	7.66	8.18	..	..	..	..	..	..
57	07.59% 2016	-	7.79	7.91	7.87	7.97	7.84	7.58	7.59	7.69
58	10.71% 2016	7.26	7.95	7.89	..	..	7.95	7.39	7.43	..
59	12.30% 2016	7.26	8.21	8.41	7.83	8.15	8.42	..	8.20	8.05
60	07.46% 2017	7.25	7.81	7.88	7.95	7.97	7.99	7.66	7.54	7.58
61	07.49% 2017	7.25	7.82	7.87	7.80	8.06	7.88	7.60	7.53	7.61
62	07.99% 2017	–	–	7.85	–	..	7.87	7.57	7.53	7.65
63	08.07% 2017	7.22	7.80	7.93	7.87	7.98	7.89	7.62	7.51	7.75
C)	**Between 10 and 15 years**									
64	05.69% 2018	7.29	7.95	7.99	7.88	8.17	7.97	7.74	7.69	7.74
65	06.25% 2018	7.23	7.91	8.03	7.93	8.14	8.04	7.75	7.68	7.77
66	10.45% 2018	7.34	8.05	8.19	8.11	8.04	8.14	..	..	..
67	12.60% 2018	7.61	7.91	..	..	..	..	..	..	..
68	05.64% 2019	7.27	8.12	8.07	7.79	8.11	8.08	7.93	7.59	7.87
69	06.05% 2019	7.27	7.91	8.11	8.07	8.16	7.99	7.85	7.62	7.89
70	10.03% 2019	7.38	7.83	8.22	7.82	8.01	..	..	..	..
71	06.35% 2020	7.33	7.95	8.12	7.95	8.18	8.06	..	7.97	7.87
72	10.70% 2020	7.46	8.00	8.48	8.01	8.09	..	..	..	..
73	11.60% 2020	7.36	7.73	8.00	..	..	8.03	7.84	7.62	..
74	07.94% 2021	-	8.07	8.11	8.01	8.12	8.26	7.73	7.57	7.74
75	10.25% 2021	7.46	8.07	8.11	8.20	8.23	8.15	8.12	7.92	7.89
76	05.87% 2022	7.51	8.02	6.87	8.05	..	6.24	6.17	..	..
77	08.08%2022	..	..	7.90	..	..	..	..	..	7.90
78	08.13%2022	..	..	7.90	..	..	..	..	..	7.90
79	08.20% 2022	-	-	7.95	..	..	8.05	7.74	7.71	7.90
80	08.35% 2022	7.41	8.02	7.99	8.03	8.23	8.06	7.73	7.72	7.86
D)	**Over 15 years**									
81	06.17% 2023	7.38	8.01	8.18	7.95	8.23	8.10	7.91	7.94	7.91
82	06.30% 2023	7.36	8.01	8.08	8.04	8.29	8.07	7.85	8.15	7.92
83	10.18% 2026	7.49	7.86	8.26	7.98	8.25	8.31	8.10	8.48	8.05
84	08.24% 2027	–	8.19	8.06	8.19	8.18	..	8.06	..	..
85	08.26%2027	..	..	8.21	..	..	..	..	..	8.21
86	06.01% 2028	7.38	8.02	8.28	8.06	8.36	8.28	7.97	7.90	8.03
87	06.13% 2028	7.42	8.02	8.31	8.10	8.2	8.27	7.98	7.92	8.01
88	07.95% 2032	7.57	8.07	8.19	8.19	8.16	8.24	7.88	7.84	8.02
89	08.32%2032	..	..	7.94	..	..	..	..	7.94	..
89	07.5% 2034	7.54	8.19	8.38	8.07	8.36	8.60	7.88	8.11	8.06
90	07.40% 2035	7.55	8.14	8.27	8.25	8.31	8.29	8.05	7.90	8.07
91	08.33% 2036	–	8.13	8.28	8.13	8.29	8.24	7.89	7.85	8.14

* : Monthly redemption yield is computed from April 2000 as the mean of the daily weighted average yields of the transactions in each traded security. The weight is calculated as the share of the transaction in a given security in the aggregated value of transactions in the said security. Prior to April 2000, the redemption yield was not weighted and was computed as an average of daily prices of each security.

@ : GOI Securities issued with call and put options exercisable on or after 5 years from the date of issue.

\- : Indicates that the relevant security was not available for trading.

.. : Indicates that trading in the relevant security was nil/negligible during the month.

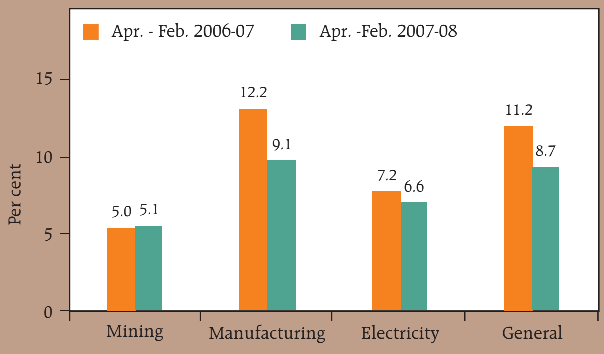
Production

No. 29: Group-Wise Index Number of Industrial Production (Base : 1993-94=100)

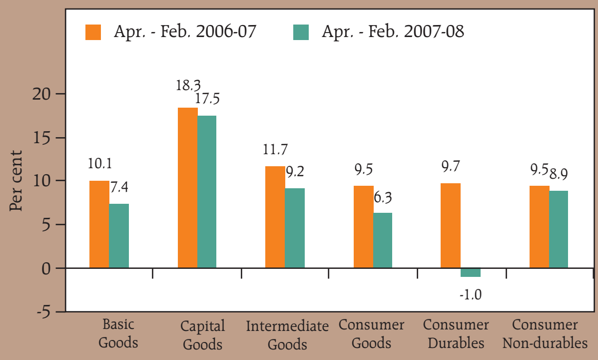
Sr. No.	Industry	Weight	Annual			Cumulative		Monthly	
			2004-05	2005-06	2006-07(P)	April-February		February	
						2006-07	2007-08 (P)	2007	2008 (P)
1	2	3	4	5	6	7	8	9	10
	General Index	**100.00**	**204.8**	**221.5**	**247.1**	**243.2**	**264.3**	**252.2**	**273.9**
I.	**Sectoral Classification**								
1	Mining and Quarrying	10.47	153.4	154.9	163.2	160.2	168.3	170.1	182.8
2	Manufacturing	79.36	214.6	234.2	263.5	259.3	283.0	270.7	293.9
3	Electricity	10.17	181.5	190.9	204.7	203.4	216.9	192.5	211.3
II.	**Use-Based Classification**								
1	Basic Goods	35.57	177.9	189.8	209.3	206.7	221.9	210.9	226.4
2	Capital Goods	9.26	229.6	265.8	314.2	301.7	354.6	322.3	355.8
3	Intermediate Goods	26.51	211.1	216.4	242.4	240.3	262.4	239.0	258.5
4	Consumer Goods	28.66	224.4	251.4	276.8	272.8	289.9	293.4	320.3
4(a)	Consumer Durables	5.36	303.5	349.9	382.0	378.8	374.9	377.9	390.2
4(b)	Consumer Non-Durables	23.30	206.2	228.8	252.6	248.4	270.4	274.0	304.2

Source : Central Statistical Organisation, Government of India.

Sectoral Growth of Industrial Production



Growth in IIP : Use-based Classification

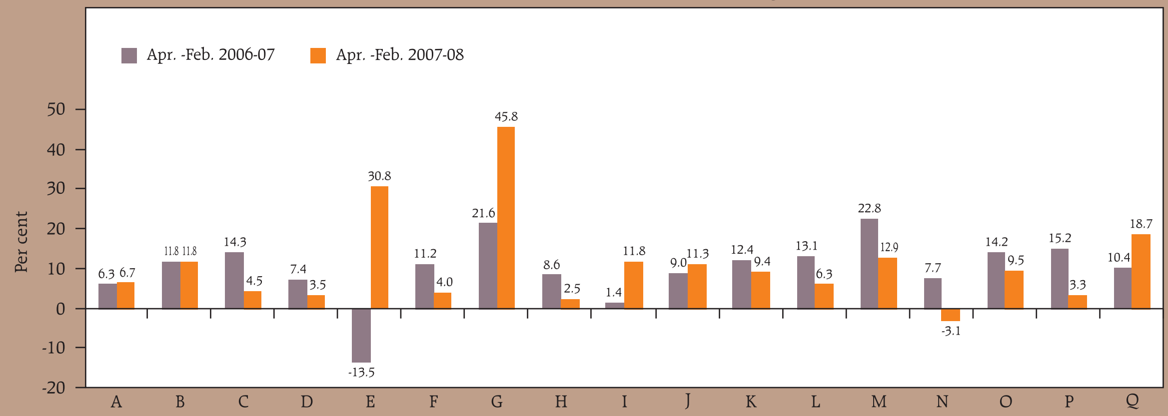


No. 30 : IIP - Seventeen Major Industry Groups of Manufacturing Sector
(Base : 1993-94=100)

Industry Group	Industry	Weight	Annual			Cumulative		Monthly	
			2004-05	2005-06	2006-07 (P)	April-February		February	
						2006-07	2007-08 (P)	2007	2008 (P)
1	2	3	4	5	6	7	8	9	10
	Manufacturing Index	**79.36**	**214.6**	**234.2**	**263.5**	**259.3**	**283.0**	**270.7**	**293.9**
20-21	Food products	9.08	167.3	170.6	185.2	177.1	189.0	262.5	291.1
22	Beverages, tobacco and related products	2.38	345.9	400.3	444.5	443.4	495.7	446.8	494.4
23	Cotton textiles	5.52	126.3	137.0	157.3	156.6	163.7	153.8	160.5
24	Wool, silk and man-made fibre textiles	2.26	249.0	248.9	268.4	266.8	276.2	254.5	270.2
25	Jute and other vegetable fibre textiles (except cotton)	0.59	107.2	107.7	90.7	92.1	120.5	12.8	123.4
26	Textile products (including wearing apparel)	2.54	219.6	255.5	285.0	282.9	294.3	293.4	288.3
27	Wood and wood products, furniture and fixtures	2.70	74.8	70.5	91.0	86.1	125.5	133.7	115.3
28	Paper and paper products and printing, publishing and allied industries	2.65	230.7	228.6	248.6	247.6	253.8	231.4	242.4
29	Leather and leather & fur products	1.14	156.9	149.3	150.2	150.8	168.6	139.9	166.2
30	Basic chemicals and chemical products (except products of petroleum and coal)	14.00	238.6	258.5	283.4	281.9	313.7	262.1	303.1
31	Rubber, plastic, petroleum and coal products	5.73	192.2	200.5	226.3	224.0	245.0	221.5	245.8
32	Non-metallic mineral products	4.40	244.3	271.1	305.8	301.3	320.3	304.2	315.5
33	Basic metal and alloy industries	7.45	196.1	227.0	278.9	273.8	309.1	293.2	316.6
34	Metal products and parts, except machinery and equipment	2.81	166.3	164.4	183.2	175.4	170.0	172.6	204.0
35-36	Machinery and equipment other than transport equipment	9.57	279.4	312.8	357.1	348.1	381.3	371.7	383.8
37	Transport equipment and parts	3.98	283.7	319.7	367.7	362.1	374.1	376.2	397.5
38	Other manufacturing industries	2.56	221.2	276.9	298.4	293.7	348.7	283.1	323.3

Source : Central Statistical Organisation, Government of India.

Growth Performance of Manufacturing Industries



A Food products
B Beverages, tobacco and related products
C Cotton textiles
D Wool, silk and man-made fibre textiles
E Jute and other vegetable fibre textiles (except Cotton)
F Textile products (including wearing apparel)
G Wood and wood products, furniture & fixtures
H Paper and paper products and printing, publishing and allied industries
I Leather and leather & fur products
J Basic chemicals and chemical products (except products of petroleum & coal)
K Rubber, plastic, petroleum and coal products
L Non-metallic mineral products
M Basic metal and alloy industries
N Metal products and parts (except machinery and equipment)
O Machinery and equipment other than transport equipment
P Transport equipment and parts
Q Other manufacturing industries

Capital Market

No.31: New Capital Issues By Non-Government Public Limited Companies

(Amount in Rs. crore)

Security & Type of Issue	2005-06 (April-March)		2006-07 (April-March)		2006-07 (April-February)		2007-08 (April-February)	
	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
1) Equity Shares (a+b)	128	20,899.3	115	30,753.0	110	29,311.0	103	55,116.9
	(118)	(18,793.0)	(110)	(20,612.8)	(105)	(19,307.9)	(96)	(53,058.5)
a) Prospectus	92	16,801.4	82	28,172.0	78	26,800.0	81	47,001.6
	(89)	(15,354.5)	(82)	(18,519.5)	(78)	(17,283.5)	(79)	(45,695.7)
b) Rights	36	4,097.9	33	2,581.0	32	2,511.0	22	8,115.3
	(29)	(3,438.5)	(28)	(2,093.3)	(27)	(2,024.4)	(17)	(7,362.8)
2) Preference Shares (a+b)	1	10.0	–	–	–	–	1	5,480.8
a) Prospectus	1	10.0	–	–	–	–	–	–
b) Rights	–	–	–	–	–	–	1	5,480.8
3) Debentures (a+b)	2	245.1	3	847.0	3	847.0	–	–
a) Prospectus	1	127.0	–	–	–	–	–	–
b) Rights	1	118.1	3	847.0	3	847.0	–	–
of which:								
I) Convertible (a+b)	–	–	–	–	–	–	–	–
a) Prospectus	–	–	–	–	–	–	–	–
b) Rights	–	–	–	–	–	–	–	–
II) Non-Convertible (a+b)	2	245.1	3	847.0	3	847.0	–	–
a) Prospectus	1	127.0	–	–	–	–	–	–
b) Rights	1	118.1	3	847.0	3	847.0	–	–
4) Bonds (a+b)	–	–	–	–	–	–	1	500.0
a) Prospectus	–	–	–	–	–	–	1	500.0
b) Rights	–	–	–	–	–	–	–	–
5) Total (1+2+3+4)	**131**	**21,154.4**	**118**	**31,600.0**	**113**	**30,158.0**	**105**	**61,097.7**
a) Prospectus	94	16,938.4	82	28,172.0	78	26,800.0	82	47,501.6
b) Rights	37	4,216.0	36	3,428.0	35	3,358.0	23	13,596.1

Note : Figures in brackets indicate data in respect of premium on capital issues which are included in respective totals.

Source : Data are compiled from prospectus/circulars/advertisements issued by companies, replies given by the companies to the Reserve Bank's questionnaire, information received from SEBI, stock exchanges, press reports, *etc.*

Also see 'Notes on Tables'.

No. 32: Index Numbers of Ordinary Share Prices

Year / Month		BSE Sensitive Index (Base: 1978-79=100)			BSE - 100 (Base: 1983-84=100)			S&P CNX Nifty * (Base: Nov 3, 1995=1000)		
		Average	High	Low	Average	High	Low	Average	High	Low
1		2	3	4	5	6	7	8	9	10
2005-06		8280.08	11307.04	6134.86	4393.54	5904.17	3310.14	2513.44	3418.95	1902.50
2006-07		12277.33	14652.09	8929.44	6242.73	7413.22	4535.00	3572.44	4224.25	2632.80
2007-08		16568.89	20873.33	12455.37	8691.47	11509.96	6287.69	4896.60	6287.85	3633.60
March	2007	12857.74	13308.03	12415.04	6465.26	6686.15	6223.12	3731.13	3875.90	3576.50
April	2007	13477.79	14228.88	12455.37	6800.70	7171.33	6287.69	3947.28	4177.85	3633.60
May	2007	14156.47	14544.46	13765.46	7244.49	7468.70	7015.37	4184.39	4295.80	4066.80
June	2007	14334.30	14650.51	14003.03	7392.34	7605.37	7188.38	4222.17	4318.30	4113.05
July	2007	15253.42	15794.92	14664.26	7897.30	8155.29	7625.71	4474.18	4620.75	4313.75
August	2007	14779.05	15318.60	13989.11	7594.81	7897.92	7179.39	4301.36	4464.00	4074.90
September	2007	16046.02	17291.10	15422.05	8292.69	8967.41	7924.29	4659.92	5021.35	4474.75
October	2007	18500.31	19977.67	17328.62	9587.50	10391.19	8998.60	5456.62	5905.90	5068.95
November	2007	19259.55	19976.23	18526.32	10211.50	10531.67	9868.75	5748.58	5937.90	5519.35
December	2007	19827.28	20375.87	19079.64	10795.30	11154.28	10422.15	5963.57	6159.30	5742.30
January	2008	19325.65	20873.33	16729.94	10526.54	11509.96	8895.64	5756.35	6287.85	4899.30
February	2008	17727.54	18663.16	16608.01	9435.60	9969.59	8785.88	5201.56	5483.90	4838.25
March	2008	15838.38	16677.88	14809.49	8363.58	8907.23	7828.01	4769.50	4953.00	4503.10

*: NSE - 50, *i.e.*, Nifty has been rechristened as ' S & P CNX Nifty with effect from July 28, 1998.

Sources : 1. Bombay Stock Exchange Ltd.
2. National Stock Exchange of India Ltd.

No. 33: Volume in Corporate Debt Traded at NSE*

(Rs. crore)

Week / Month / Year (April-March)			Volume
1			2
2005 - 06			**10,619.36**
2006 - 07			**6,639.78**
2007 - 08			**8,576.11**
2006 - 2007			
April	2006		298.82
May	2006		994.09
June	2006		377.56
July	2006		311.61
August	2006		596.69
September	2006		371.20
October	2006		222.22
November	2006		493.40
December	2006		389.42
January	2007		718.14
February	2007		796.76
March	2007		1,069.87
2007 - 2008			
April	2007		550.52
May	2007		716.98
June	2007		769.88
July	2007		1,344.21
August	2007		616.47
September	2007		606.03
October	2007		601.11
November	2007		259.64
December	2007		277.94
January	2008		1,987.67
February	2008		352.68
March	2008		492.98
Week ended			
February	1,	2008	26.93
February	8,	2008	145.84
February	15,	2008	27.93
February	22,	2008	72.99
February	29,	2008	89.53
March	7,	2008	26.65
March	14,	2008	55.55
March	19,	2008	164.75
March	28,	2008	162.27

* Excluding trade in commercial papers.
Source : National Stock Exchange of India Ltd.

No. 34 : Assistance Sanctioned and Disbursed by All-India Financial Institutions

(Rs. crore)

	April-September		April-March	
	2003-04	2004-05	2002-03	2003-04
1	2	3	4	5
Sanctions				
All-India Development Banks	**9,831.9**	**12,860.0**	**22,318.1**	**23,444.3**
1. IDBI	2,860.2	6,314.4	5,898.2	5,630.8
2. IFCI	132.1	—	2,005.8	1,451.9
3. SIDBI	2,607.9	2,991.8	10,903.7	8,223.7
4. IIBI	1,392.8	0.9	1,206.4	2,411.9
5. IDFC	2,838.9	3,552.9	2,304.0	5,726.0
Investment Institutions	13,025.1	7,805.5	5,666.5	29,479.2
6. LIC	12,291.1	7,135.3	4,341.5	27,748.0
7. GIC	324.3	93.0	369.3	674.0
8. National Ins. Co. Ltd.	115.6	87.3	200.0	373.0
9. New India Ass. Co Ltd.	84.1	179.3	138.0	199.1
10. Oriental Ins. Co. Ltd.	93.3	28.2	123.9	134.8
11. United India Ins. Co. Ltd.	116.7	282.4	493.8	350.3
Total	**22,857.0**	**20,665.5**	**27,984.6**	**52,923.5**
Disbursements				
All India Development Banks	5,750.2	5,027.1	17,225.2	14,056.6
1. IDBI	637.2	2,085.1	6,614.9	4,409.1
2. IFCI	176.3	43.8	1,779.9	279.0
3. SIDBI	1,742.2	1,358.3	6,789.5	4,412.7
4. IIBI	1,216.5	7.6	1,091.9	2,251.8
5. IDFC	978.0	1,532.3	949.0	2,704.0
Investment Institutions	4,615.6	5,421.3	7,487.6	17,400.2
6. LIC	3,829.2	4,871.0	6,205.7	15,781.6
7. GIC	328.4	108.0	328.4	657.7
8. National Ins. Co. Ltd.	118.4	17.3	177.6	224.4
9. New India Ass. Co Ltd.	85.6	115.2	78.0	195.6
10. Oriental Ins. Co. Ltd.	135.0	27.4	241.5	187.1
11. United India Ins. Co. Ltd.	119.0	282.4	456.4	353.8
Total	**10,365.8**	**10,448.4**	**24,712.8**	**31,456.8**

Note : Data are provisional. Monthly data are not adjusted for inter-institutional flows.
Source : Industrial Development Bank of India.

Prices

No. 35: Bullion Prices (Spot) – Mumbai

As on the last Friday / Friday (1)		Standard Gold (Rs. per 10 grams)		Silver (Rs. per kilogram)	
		Opening	Closing	Opening	Closing
1		2	3	4	5
1990-91		3,470	3,440	6,668	6,663
1998-99		4,270	4,250	7,675	7,670
1999-00		4,400	4,380	7,900	7,900
2000-01		4,230	4,225	7,270	7,270
April	1999	4,440	4,430	8,185	8,215
May	1999	4,250	4,250	7,780	7,755
June	1999	4,120	4,120	7,965	7,940
July	1999	4,060	4,060	8,225	8,250
August	1999	4,040	4,050	8,005	8,040
September	1999	4,150	4,150	8,125	8,125
October	1999	4,650	4,640	8,205	8,190
November	1999	4,660	4,665	8,125	8,130
December	1999	4,530	4,530	8,260	8,225
January	2000	4,525	4,540	8,230	8,245
February	2000	4,700	4,700	8,185	8,130
March	2000	4,400	4,380	7,900	7,900
April	2000	4,370	4,370	7,850	7,870
May	2000	4,350	4,345	7,790	7,830
June	2000	4,580	4,570	7,985	7,980
July	2000	4,500	4,480	7,975	7,970
August	2000	4,515	4,520	7,990	7,990
September	2000	4,540	4,535	8,125	8,125
October	2000	4,530	4,530	7,975	7,970
November	2000	4,485	4,480	7,815	7,815
December	2000	4,560	4,550	7,715	7,720
January	2001	4,430	4,430	7,850	7,830
February	2001	4,325	4,325	7,420	7,440
March	2001	4,230	4,225	7,270	7,270
April	2001	4,305	4,320	7,410	7,435
May	2001	4,540	4,560	7,620	7,640
Week Ended					
June 1,	2001	4,350	4,350	7,495	7,500
June 8,	2001	4,360	4,350	7,400	7,400
June 15,	2001	4,445	4,430	7,515	7,490

Note : Information on bullion prices for the period subsequent to June 15, 2001 is not reported in this Table as the Bombay Bullion Association Ltd. has discontinued the release of these data.

Source : Bombay Bullion Association Ltd.

Also see 'Notes on Tables'.

No. 36: Consumer Price Index Numbers for Industrial Workers - All India and Selected Centres

(Base : 2001=100)

Centre	New Linking Factor (1)	1990-91 @	2006-07	2007-08	2007				2008		
					Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
1	2	3	4	5	6	7	8	9	10	11	12
All India (2)	**4.63**	**193**	**125**	**133**	**133**	**134**	**134**	**134**	**134**	**135**	**137**
Ahmedabad	4.62	196	123	131	131	133	132	132	131	132	133
Alwaye(Ernakulam)	4.52	176	127	133	132	132	133	135	137	136	136
Asansol	4.37	189	128	141	143	144	143	144	142	144	146
Bangalore	4.51	183	128	138	137	138	138	139	142	142	143
Bhavnagar	4.76	198	122	131	133	133	131	130	131	131	131
Bhopal	4.83	196	130	136	136	137	137	136	136	136	140
Chandigarh	5.26	189	127	132	133	133	133	132	133	134	136
Chennai	4.95	189	119	126	125	126	126	127	128	128	129
Coimbatore	4.49	178	121	129	128	128	128	129	130	132	133
Delhi	5.60	201	124	130	132	131	130	129	128	129	132
Faridabad	4.79	187	124	133	135	136	135	134	134	135	139
Guwahati	4.80	195	117	120	121	121	123	123	122	121	119
Howrah	5.42	212	124	132	133	135	134	133	132	134	134
Hyderabad	4.79	182	118	125	124	124	125	125	127	127	128
Jaipur	4.25	190	130	136	136	137	137	137	138	139	141
Jamshedpur	4.23	187	128	134	136	136	135	134	135	136	138
Kolkata	5.12	203	123	134	136	138	137	136	135	136	137
Ludhiana	4.12	193	131	136	135	137	136	134	136	137	142
Madurai	4.51	192	117	123	121	121	124	125	125	125	127
Monghyr-Jamalpur	4.30	189	128	136	141	142	142	139	136	136	140
Mumbai	5.18	201	128	136	136	138	137	138	137	138	140
Mundakayam	4.37	184	126	132	129	130	131	134	135	137	138
Nagpur	4.68	201	134	142	143	145	142	142	141	142	148
Pondicherry	4.88	204	125	133	131	131	133	134	137	136	138
Rourkela	4.03	179	127	140	140	141	145	143	143	141	141
Kanpur	4.50	195	127	133	134	134	133	133	133	134	137
Solapur	4.73	197	127	141	143	142	144	145	144	143	143
Srinagar	5.62	184	120	126	126	127	127	125	128	128	128

@ : Base 1982=100

Note : New series of Consumer Price Index for Industrial Workers with base 2001 = 100 was released in January 2006 by Labour Bureau, Shimla. Linking Factors betwen old and new series as published by the Labour Bureau are reproduced in column 2.

For (1) and (2) See 'Notes on Tables'.

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

No. 37: Consumer Price Index Numbers for Urban Non-manual Employees – All-India and Selected Centres

(Base : 1984-85=100)

Centre	1990-91	2006-07	2007-08	2007					2008		
				Mar.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
1	2	3	4	5	6	7	8	9	10	11	12
All India (1)	**161**	**486**	**515**	**498**	**516**	**520**	**519**	**518**	**520**	**523**	**528**
Mumbai	154	478	504	490	502	506	508	510	509	510	513
Delhi	156	499	521	508	522	528	523	523	525	529	532
Kolkata	164	439	476	449	481	486	480	479	479	482	484
Chennai	168	569	605	585	606	607	609	607	610	611	618
Hyderabad	164	526	560	541	558	561	565	564	564	568	574
Bangalore	161	513	546	527	545	544	547	551	559	563	566
Lucknow	158	465	484	471	488	487	482	480	480	486	492
Ahmedabad	153	426	449	435	450	454	453	454	452	453	459
Jaipur	165	477	515	491	517	519	521	519	527	532	545
Patna	167	451	484	466	490	494	495	492	496	496	501
Srinagar	150	475	513	496	511	517	515	513	524	528	538
Thiruvananthapuram	152	507	535	512	528	530	535	542	548	552	555
Cuttack	154	479	507	492	507	511	512	510	510	509	510
Bhopal	166	458	482	461	481	488	490	488	490	493	502
Chandigarh	176	637	665	649	672	672	669	666	668	671	678
Shillong	179	499	565	528	566	571	572	571	580	582	584
Shimla	163	490	511	506	517	519	511	508	507	508	513
Jammu	161	480	511	492	512	514	512	507	515	523	533
Amritsar	152	402	423	412	431	433	425	422	423	427	431
Kozhikode (Calicut)	150	447	465	452	462	464	469	469	473	475	483
Kanpur	165	450	481	462	490	489	483	479	478	483	489
Indore	170	485	507	490	513	515	510	507	510	516	526
Pune	162	509	547	517	546	549	555	555	554	560	563
Jabalpur	164	437	467	452	473	476	473	471	467	471	478
Jodhpur	168	465	487	476	490	492	489	490	489	492	501

See 'Notes on Tables'.
Source : Central Statistical Organisation, Government of India.

No. 38: Consumer Price Index Numbers for Agricultural / Rural Labourers

A : Consumer Price Index Numbers For Agricultural Labourers
(Base : July 1986 - June 1987 = 100)

State	1990-91(1)	Linking Factor (2)	2005-06	2006-07	2007				2008		
					Mar.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
1	2	3	4	5	6	7	8	9	10	11	12
All India	**830**	**5.89**	**358**	**388**	**392**	**413**	**414**	**413**	**413**	**417**	**423**
Andhra Pradesh	657	4.84	371	401	405	424	427	427	426	430	435
Assam	854	(3)	362	388	395	419	420	416	410	412	417
Bihar	858	6.22	347	384	394	415	413	411	409	413	416
Gujarat	742	5.34	369	403	408	428	425	421	419	422	425
Haryana		(5)	376	403	406	447	443	441	441	448	459
Himachal Pradesh		(5)	343	367	370	387	384	375	369	370	370
Jammu & Kashmir	843	5.98	359	392	399	413	412	408	409	414	418
Karnataka	807	5.81	341	367	373	398	402	402	404	405	409
Kerala	939	6.56	356	374	376	389	394	399	404	405	411
Madhya Pradesh	862	6.04	352	388	390	405	407	409	406	409	418
Maharashtra	801	5.85	368	402	405	425	427	428	431	431	437
Manipur		(5)	328	337	334	362	364	362	366	366	370
Meghalaya		(5)	382	410	412	439	443	438	439	435	441
Orissa	830	6.05	334	365	366	401	398	398	392	397	401
Punjab	930	(4)	380	417	421	446	439	435	436	445	454
Rajasthan	885	6.15	377	413	423	434	433	434	437	440	447
Tamil Nadu	784	5.67	355	371	375	390	395	398	401	406	412
Tripura		(5)	351	383	386	416	411	413	404	399	404
Uttar Pradesh	960	6.60	371	408	415	429	428	424	423	431	441
West Bengal	842	5.73	342	365	365	394	396	391	390	394	402

See 'Notes on Tables'.

No. 38: Consumer Price Index Numbers for Agricultural / Rural Labourers

B : Consumer Price Index Numbers For Rural Labourers
(Base : July 1986 - June 1987 = 100)

State	1995-96(7)	2005-06	2006-07	2007					2008		
				Mar.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
1	2	3	4	5	6	7	8	9	10	11	12
All India	**240**	**360**	**389**	**393**	**410**	**413**	**414**	**413**	**414**	**417**	**423**
Andhra Pradesh	244	371	401	404	420	423	426	426	425	429	434
Assam	243	364	390	397	417	423	423	419	413	415	419
Bihar	223	348	384	394	408	415	413	411	409	413	417
Gujarat	241	371	403	409	425	429	425	422	419	422	425
Haryana	237	378	404	408	439	446	441	439	439	446	457
Himachal Pradesh	221	350	377	380	391	396	392	385	379	381	384
Jammu & Kashmir	225	359	393	400	409	414	413	409	410	415	419
Karnataka	250	341	367	373	398	398	403	403	405	405	409
Kerala	260	359	378	379	390	391	395	401	405	407	412
Madhya Pradesh	239	358	392	394	404	408	410	412	410	413	421
Maharashtra	247	368	400	403	420	421	423	424	427	427	433
Manipur	245	328	338	335	361	363	365	363	367	367	370
Meghalaya	250	379	408	410	432	436	440	435	436	433	439
Orissa	236	335	366	367	395	401	398	398	393	398	401
Punjab	247	384	419	422	447	447	441	437	439	446	454
Rajasthan	239	375	412	422	428	432	431	432	436	438	445
Tamil Nadu	244	355	370	374	388	389	394	397	400	405	410
Tripura	219	344	373	374	402	407	403	406	397	393	397
Uttar Pradesh	231	372	409	415	431	430	429	424	424	432	441
West Bengal	232	346	368	368	392	397	399	394	393	397	405

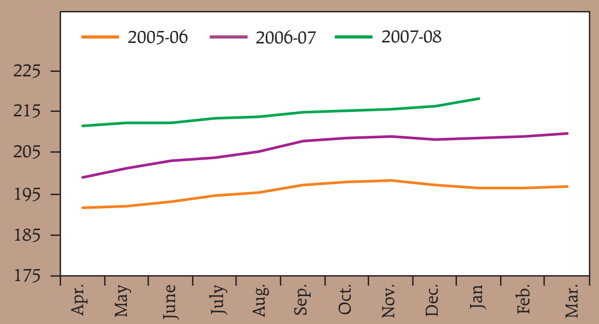
Source : Labour Bureau, Ministry of Labour, Government of India.

No. 39: Index Numbers of Wholesale Prices in India - by Groups and Sub-Groups (Averages)

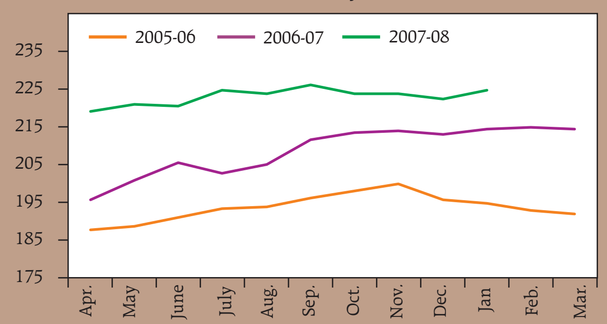
(Base : 1993-94 = 100)

Average of months/ Average of weeks ended Saturday	Weight	1994-95	2005-06	2006-07	2007						2008
		April-March			Jan.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.
1	2	3	4	5	6	7	8	9	10	11	12
ALL COMMODITIES	**100.000**	**112.6**	**195.6**	**206.1**	**208.8**	**213.8**	**215.1**	**215.2**	**215.9**	**216.4**	**218.2**
I. PRIMARY ARTICLES	**22.025**	**115.8**	**193.6**	**208.6**	**214.2**	**223.8**	**226.0**	**223.9**	**223.9**	**222.5**	**224.6**
(A) Food Articles	**15.402**	**112.8**	**195.3**	**210.3**	**215.2**	**222.6**	**225.5**	**223.3**	**223.0**	**220.1**	**219.7**
a. Foodgrains (Cereals+Pulses)	5.009	114.7	186.9	205.9	213.6	215.6	215.5	216.3	216.9	216.3	217.7
a1. Cereals	4.406	113.6	185.8	199.3	207.0	211.1	211.5	212.6	213.9	213.7	215.7
a2. Pulses	0.603	122.2	194.6	253.8	261.0	248.6	244.4	243.2	239.2	235.2	232.1
b. Fruits & Vegetables	2.917	108.0	219.3	227.9	228.7	243.6	258.3	242.3	234.2	222.1	218.5
b1. Vegetables	1.459	110.4	191.6	197.9	183.1	268.7	259.0	231.3	218.1	198.7	186.8
b2. Fruits	1.458	105.7	247.0	258.0	274.3	218.5	257.6	253.3	250.4	245.7	250.2
c. Milk	4.367	110.3	184.3	195.8	197.9	212.2	212.6	213.9	216.1	216.1	216.1
d. Eggs, Meat & Fish	2.208	116.1	217.2	226.9	233.2	232.8	233.7	234.0	237.2	234.6	233.1
e. Condiments & Spices	0.662	126.2	176.9	227.9	246.7	241.1	241.0	243.9	242.8	242.8	243.0
f. Other Food Articles	0.239	111.6	129.9	154.3	152.1	153.8	152.9	154.3	154.6	154.6	154.6
(B) Non-Food Articles	**6.138**	**124.2**	**179.1**	**188.2**	**195.6**	**210.5**	**211.5**	**209.5**	**210.3**	**211.8**	**217.3**
a. Fibres	1.523	150.0	149.7	155.9	151.4	179.0	180.1	176.1	177.1	180.7	185.0
b. Oil seeds	2.666	118.5	167.1	175.7	194.5	215.5	216.8	212.9	213.3	215.8	225.6
c. Other Non-Food Articles	1.949	112.0	218.5	230.6	231.7	228.1	228.7	231.0	232.0	230.5	231.2
(C) Minerals	**0.485**	**104.9**	**322.8**	**413.2**	**417.6**	**429.8**	**424.7**	**424.8**	**424.7**	**433.8**	**471.1**
a. Metallic Minerals	0.297	103.8	453.1	598.7	604.9	622.7	618.2	618.2	618.2	626.6	691.6
b. Other Minerals	0.188	106.7	117.0	120.4	121.9	125.2	119.2	119.3	119.2	129.3	122.9
II. Fuel, Power, Light & Lubricants	**14.226**	**108.9**	**306.8**	**324.9**	**322.1**	**322.4**	**321.9**	**323.7**	**327.1**	**331.7**	**334.5**
a. Coal Mining	1.753	105.1	231.6	231.6	231.6	231.6	231.6	231.6	231.6	243.8	251.9
b. Minerals Oils	6.990	106.1	359.8	388.1	381.8	384.0	383.1	386.9	393.7	400.1	403.5
c. Electricity	5.484	113.6	263.4	271.7	274.7	272.7	272.7	272.7	272.7	272.7	272.9

Monthly Movement in the Index of
WPI - All Commodities



Monthly Movement in the Index of
WPI - Primary Articles

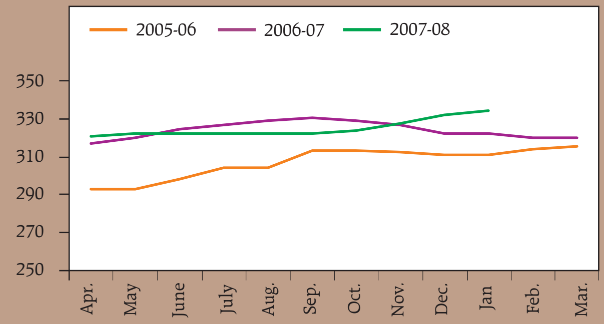


No. 39 : Index Numbers of Wholesale Prices in India - by Groups and Sub-Groups (Averages) *(Contd.)*

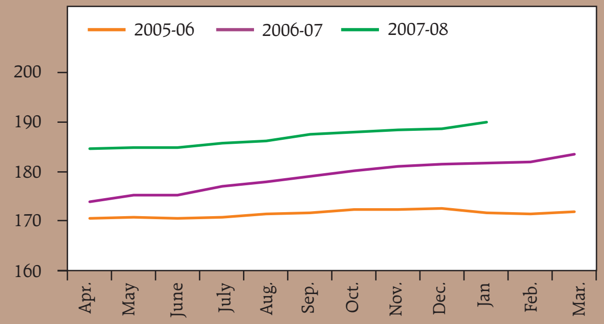
(Base : 1993-94 = 100)

Average of months/ Average of weeks ended Saturday	Weight	1994-95	2005-06	2006-07	2007						2008
		April-March			Jan.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.
1	2	3	4	5	6	7	8	9	10	11	12
III MANUFACTURED PRODUCTS	**63.749**	**112.3**	**171.5**	**179.0**	**181.7**	**186.1**	**187.5**	**188.0**	**188.3**	**188.6**	**190.0**
(A) Food Products	**11.538**	**114.1**	**176.9**	**182.5**	**185.1**	**187.0**	**188.2**	**189.6**	**191.3**	**192.3**	**196.5**
a. Dairy Products	0.687	117.0	206.5	217.3	219.2	233.1	233.1	231.9	236.1	237.0	241.0
b. Canning, Preserving & Processing of Fish	0.047	100.0	273.1	283.7	283.1	293.8	293.8	293.8	293.8	293.8	293.8
c. Grain Mill Products	1.033	103.7	187.8	219.6	236.5	227.6	227.0	234.7	238.2	235.7	238.3
d. Bakery Products	0.441	107.7	175.8	184.3	186.4	192.2	192.2	192.2	194.9	201.0	201.0
e. Sugar, Khandsari & Gur	3.929	119.1	178.8	179.8	170.4	155.1	156.0	156.4	152.7	151.4	151.6
f. Manufacture of Common Salts	0.021	104.8	235.1	223.0	218.6	219.3	219.3	218.3	219.1	218.3	233.2
g. Cocoa, Chocolate, Sugar & Confectionery	0.087	118.3	177.2	183.1	183.0	188.1	188.1	188.1	188.1	188.1	188.1
h. Edible Oils	2.775	110.9	146.1	154.6	163.8	171.1	171.1	172.3	174.9	176.6	182.5
i. Oil Cakes	1.416	121.6	189.8	196.6	204.3	239.2	246.1	249.7	263.2	270.8	288.1
j. Tea & Coffee Proccessing	0.967	104.4	197.3	178.9	190.7	197.0	197.0	197.0	197.0	197.1	195.4
k. Other Food Products n.e.c.	0.154	111.6	190.1	198.1	198.7	214.7	214.7	214.7	214.8	220.7	233.1
(B) Beverages, Tobacco & Tobacco Products	**1.339**	**118.3**	**226.8**	**243.5**	**205.4**	**265.0**	**265.1**	**269.5**	**273.8**	**272.1**	**274.0**
a. Wine Industries	0.269	150.2	246.1	288.7	306.9	308.8	308.8	309.9	310.9	310.5	310.9
b. Malt Liquor	0.043	109.1	195.9	204.1	202.7	197.0	197.0	197.0	197.0	197.0	197.0
c. Soft Drinks & Carbonated Water	0.053	109.1	164.8	176.3	186.7	187.1	188.1	188.1	188.1	188.1	188.1
d. Manufacture of Bidi, Cigarettes, Tobacco & Zarda	0.975	110.4	226.2	236.4	240.3	260.2	260.2	265.9	271.6	269.3	271.8

Monthly Movement in the Index of the WPI - Fuel, Power, Light & Lubricants



Monthly Movement in the Index of WPI - Manufactured Products



No. 39 : Index Numbers of Wholesale Prices in India - by Groups and Sub-Groups (Averages) *(Contd.)*

(Base : 1993-94 = 100)

Average of months/ Average of weeks ended Saturday	Weight	1994-95	2005-06	2006-07	2007						2008
		April-March			Jan.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.
1	2	3	4	5	6	7	8	9	10	11	12
(C) Textiles	**9.800**	**118.2**	**129.5**	**132.3**	**133.0**	**132.8**	**132.9**	**132.2**	**131.1**	**128.2**	**127.9**
a. Cotton Textiles	4.215	132.7	154.3	159.1	160.4	160.1	160.5	158.3	155.9	150.5	149.9
a1. Cotton Yarn	3.312	136.2	150.0	156.4	157.9	158.0	158.6	155.8	152.5	145.7	145.0
a2. Cotton Cloth (Mills)	0.903	119.9	170.2	169.4	169.4	168.1	167.5	167.5	167.9	167.9	168.0
b. Man Made Textiles	4.719	105.9	94.7	96.2	95.8	97.7	97.7	98.8	98.3	97.0	97.2
b1. Man Made Fibre	4.406	105.6	91.6	93.4	92.9	95.1	95.1	96.3	95.8	94.4	94.6
b2. Man Made Cloth	0.313	109.9	138.6	136.2	136.3	134.4	133.8	133.8	133.8	133.8	133.0
c. Woolen Textiles	0.190	132.6	181.4	174.1	170.3	170.3	170.8	170.9	170.9	170.9	170.9
d. Jute, Hemp & Mesta Textiles	0.376	110.3	206.4	217.3	227.2	209.1	205.8	199.6	203.2	206.2	201.4
e. Other Misc. Textiles	0.300	109.0	199.6	189.8	190.7	181.8	182.0	182.1	182.6	183.1	181.6
(D) Wood & Wood Products	**0.173**	**110.9**	**194.6**	**206.4**	**209.4**	**215.9**	**215.9**	**215.9**	**215.9**	**215.9**	**215.9**
(E) Paper & Paper Products	**2.044**	**106.1**	**178.4**	**190.7**	**192.9**	**194.8**	**197.7**	**194.8**	**194.7**	**194.7**	**194.9**
a. Paper & pulp	1.229	108.7	157.5	170.2	173.7	176.5	176.3	176.3	176.2	176.2	176.6
b. Manufacture of Boards	0.237	110.9	135.3	165.6	163.8	164.3	164.8	164.8	164.8	164.8	164.8
c. Printing & Publishing of Newspapers, Periodicals, *etc*	0.578	98.5	240.6	244.6	245.8	246.3	246.3	246.3	246.3	246.3	246.0
(F) Leather & Leather Products	**1.019**	**109.7**	**166.8**	**159.4**	**165.5**	**167.3**	**167.3**	**167.3**	**167.3**	**167.3**	**166.6**
(G) Rubber & Plastic Products	**2.388**	**106.4**	**139.1**	**148.2**	**151.4**	**154.6**	**159.0**	**160.2**	**161.0**	**162.4**	**163.6**
a. Tyres & Tubes	1.286	104.1	131.1	141.5	143.9	150.2	158.1	160.2	160.7	161.9	162.8
a1. Tyres	1.144	103.4	122.5	130.4	132.1	136.8	145.4	147.7	148.2	148.7	148.8
a2. Tubes	0.142	110.0	201.0	231.4	239.4	258.0	260.6	261.2	261.2	268.8	275.7
b. Plastic Products	0.937	106.8	139.1	146.7	152.5	152.0	152.5	152.6	154.0	155.8	157.7
c. Other Rubber & Plastic Products	0.165	121.0	201.5	209.8	203.8	202.8	202.8	202.8	202.8	202.8	202.8
(H) Chemicals & Chemical Products	**11.931**	**116.6**	**188.3**	**193.9**	**194.0**	**202.8**	**204.1**	**204.8**	**204.8**	**206.6**	**208.3**
a. Basic Heavy Inorganic Chemicals	1.446	112.2	174.4	171.0	169.8	177.6	185.4	192.5	190.9	201.5	213.5
b. Basic Heavy Organic Chemicals	0.455	118.7	164.2	180.2	190.2	173.9	176.5	168.5	170.3	176.9	172.3
c. Fertilisers & Pesticides	4.164	117.7	171.6	171.6	171.3	172.8	173.0	173.5	173.7	173.7	174.2
c1. Fertilisers	3.689	115.8	174.9	177.2	178.1	179.8	180.0	180.6	180.8	180.8	181.4
c2. Pesticides	0.475	132.5	145.9	127.9	118.1	118.5	118.5	118.5	118.5	118.5	118.5
d. Paints, Varnishes & Lacquers	0.496	101.3	124.0	128.1	128.3	146.4	146.4	146.4	146.3	146.1	146.1
e. Dyestuffs & Indigo	0.175	108.4	110.8	105.8	105.2	112.7	112.7	112.7	112.7	112.7	112.7
f. Drugs & Medicines	2.532	129.4	278.1	293.1	290.5	315.6	315.6	315.6	315.6	315.5	315.4
g. Perfumes, Cosmetics, Toiletries, *etc.*	0.978	118.0	204.9	223.6	225.6	238.4	238.4	238.5	238.6	242.0	242.2
h. Turpentine, Synthetic Resins, Plastic Material, *etc.*	0.746	107.6	131.8	133.4	137.3	141.3	144.5	144.6	145.9	141.2	142.6
i. Matches, Explosives & Other Chemicals n.e.c.	0.940	98.3	128.8	136.0	136.7	142.5	142.2	142.2	142.2	146.2	148.0

No. 39: Index Numbers of Wholesale Prices in India - by Groups and Sub-Groups (Averages) *(Contd.)*

(Base : 1993-94 = 100)

Average of months/ Average of weeks ended Saturday	Weight	1994-95	2005-06	2006-07	2007						2008
		April-March			Jan.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.
1	2	3	4	5	6	7	8	9	10	11	12
(I) Non-Metallic Mineral Products	**2.516**	**110.9**	**170.0**	**191.8**	**193.5**	**207.5**	**210.4**	**210.6**	**210.4**	**210.2**	**211.6**
a. Structural Clay Products	0.230	100.0	189.7	195.2	197.3	211.7	211.7	211.7	211.7	211.7	217.3
b. Glass, Earthernware, Chinaware & their Products	0.237	113.3	159.4	160.7	168.6	168.6	168.6	168.6	168.6	166.8	166.4
c. Cement	1.731	112.4	166.7	197.3	198.4	215.6	219.8	220.0	219.7	219.7	221.1
d. Cement, Slate & Graphite Products	0.319	108.8	181.6	182.9	182.3	188.9	189.8	189.7	189.7	189.7	189.7
(J) Basic Metals Alloys & Metals Products	**8.342**	**108.4**	**218.7**	**233.3**	**241.5**	**243.5**	**247.0**	**247.4**	**247.5**	**247.2**	**248.3**
a. Basic Metals & Alloys	6.206	107.0	232.4	236.3	241.3	246.6	252.6	253.5	254.1	254.4	256.2
a1. Iron & Steel	3.637	106.0	250.7	254.4	260.0	267.5	276.7	277.6	278.4	279.2	279.9
a2. Foundries for Casting, Forging & Structurals	0.896	106.7	231.8	228.5	236.0	238.3	293.3	242.1	242.1	242.1	242.5
a3. Pipes, Wires Drawing & Others	1.589	109.5	193.1	204.1	206.3	208.3	210.2	209.9	210.5	210.1	214.9
a4. Ferro Alloys	0.085	104.5	186.2	148.5	150.7	156.2	156.2	156.2	156.2	156.2	156.2
b. Non-Ferrous Metals	1.466	115.9	194.7	258.3	282.4	270.6	264.8	263.3	260.9	257.6	256.8
b1. Aluminium	0.853	114.7	210.9	253.6	269.5	252.3	245.8	241.4	241.4	241.4	241.4
b2. Other Non-Ferrous Metals	0.613	117.7	172.2	264.8	300.2	296.0	291.4	293.8	288.0	280.2	278.2
c. Metal Products	0.669	105.0	144.1	149.8	153.8	155.5	156.4	156.8	156.8	156.8	156.8
(K) Machinery & Machine Tools	**8.363**	**106.0**	**147.5**	**155.6**	**159.6**	**166.7**	**167.7**	**167.5**	**167.7**	**167.4**	**167.7**
a. Non-Electrical Machinery & Parts	3.379	108.6	188.3	194.8	196.5	198.4	199.8	200.4	200.5	200.7	200.9
a1. Heavy Machinery & Parts	1.822	111.0	199.2	201.8	204.0	205.0	207.7	208.9	209.0	208.9	208.9
a2. Industrial Machinery for Textiles, *etc.*	0.568	108.5	245.6	255.2	255.2	260.9	260.9	260.9	260.9	260.9	261.1
a3. Refrigeration & Other Non-Electrical Machinery	0.989	104.3	135.2	147.3	149.1	150.4	149.9	150.0	150.2	150.8	151.5
b. Electrical Machinery	4.985	104.2	119.6	129.0	134.6	145.2	145.9	145.3	145.5	144.9	145.2
b1. Electrical Industrial Machinery	1.811	105.2	142.4	150.4	153.0	162.8	163.9	162.0	162.0	162.3	163.3
b2. Wires & Cables	1.076	109.0	145.7	179.0	199.4	231.3	233.7	233.8	234.2	231.0	231.0
b3. Dry & Wet Batteries	0.275	105.8	130.5	148.5	155.3	162.8	162.8	163.4	165.1	165.0	165.0
b4. Electrical Apparatus & Appliances	1.823	100.1	80.0	75.3	74.8	74.1	73.7	73.7	73.7	73.7	73.7
(L) Transport Equipment & Parts	**4.295**	**107.4**	**159.9**	**162.4**	**163.0**	**164.9**	**165.3**	**165.9**	**166.2**	**170.4**	**170.9**
a. Locomotives, Railway Wagons & Parts	0.318	105.3	124.8	125.2	122.2	131.6	131.6	135.3	135.3	135.3	135.3
b. Motor Vehicles, Motorcycles, Scooters, Bicycles & Parts	3.977	107.6	162.7	165.4	166.3	167.6	168.0	168.3	168.7	173.2	173.7

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

No. 40: Index Numbers of Wholesale Prices in India - by Groups and Sub-groups (Month-end / Year-end)

(Base : 1993-94 = 100)

Last Week of month / year ended Saturday	Weight	1994-95	2005-06	2006-07	2007				2008		
		April - March			Mar.	Oct.	Nov.	Dec.	Jan.	Feb. (P)	Mar. (P)
1	2	3	4	5	6	7	8	9	10	11	12
ALL COMMODITIES	**100.000**	**117.1**	**195.8**	**206.6**	**210.4**	**215.4**	**215.6**	**216.7**	**219.0**	**219.5**	**226.0**
I. Primary Articles	**22.025**	**120.8**	**194.0**	**209.6**	**215.9**	**224.3**	**223.7**	**221.8**	**228.4**	**228.4**	**235.1**
(A) Food Articles	**15.402**	**114.9**	**195.7**	**211.1**	**214.2**	**224.1**	**222.3**	**219.0**	**220.8**	**224.9**	**227.2**
a. Foodgrains (Cereals+Pulses)	5.009	118.9	187.8	206.5	211.3	217.3	216.8	216.9	218.8	219.8	222.8
a1. Cereals	4.406	118.2	186.4	199.8	205.6	213.9	213.8	214.7	217.0	217.8	219.3
a2. Pulses	0.603	123.9	197.5	255.2	253.2	242.2	238.3	233.0	232.3	234.3	248.7
b. Fruits & Vegetables	2.917	103.1	218.6	228.6	221.5	239.8	230.9	216.6	221.1	226.9	239.9
b1. Vegetables	1.459	95.0	191.8	199.1	180.0	227.7	212.0	192.2	188.4	186.1	208.5
b2. Fruits	1.458	111.2	245.5	258.2	263.3	252.0	249.9	241.0	253.9	267.7	271.4
c. Milk	4.367	111.3	184.4	196.5	202.7	216.1	216.1	216.1	216.1	220.3	218.2
d. Eggs, Meat & Fish	2.208	122.1	218.1	227.6	236.3	236.1	237.4	233.0	233.7	244.3	239.8
e. Condiments & Spices	0.662	131.6	177.6	230.0	229.7	243.0	240.5	240.8	247.0	244.8	248.0
f. Other Food Articles	0.239	127.4	130.4	154.8	149.0	161.0	154.6	154.6	154.6	154.6	154.6
(B) Non-Food Articles	**6.138**	**136.9**	**179.1**	**189.6**	**203.9**	**209.0**	**211.4**	**212.2**	**218.4**	**221.0**	**226.6**
a. Fibres	1.523	168.7	149.5	157.0	171.4	175.1	177.2	181.0	186.5	187.3	195.0
b. Oil seeds	2.666	127.8	167.0	178.0	201.9	211.3	216.2	216.0	227.4	232.7	239.7
c. Other Non-Food Articles	1.949	124.4	218.8	231.0	232.2	232.4	231.7	231.4	231.1	231.2	233.5
(C) Minerals	**0.485**	**104.2**	**329.5**	**416.9**	**420.3**	**424.7**	**424.7**	**433.8**	**594.8**	**433.8**	**595.8**
a. Metallic Minerals	0.297	102.5	464.0	604.7	608.1	618.2	618.2	626.6	894.9	626.6	891.0
b. Other Minerals	0.188	107.0	117.1	120.4	123.8	119.2	119.2	129.3	120.8	129.3	129.5
II. Fuel, Power, Light & Lubricants	**14.226**	**109.1**	**307.4**	**324.0**	**320.1**	**323.7**	**327.7**	**332.7**	**334.8**	**336.9**	**341.4**
a. Coal Mining	1.753	106.2	231.6	231.6	231.6	231.6	231.6	251.9	251.9	251.9	251.9
b. Minerals Oils	6.990	106.2	361.0	388.3	379.7	386.9	394.9	400.0	404.1	408.5	414.7
c. Electricity	5.484	113.6	263.4	271.6	272.4	272.7	272.7	272.7	272.9	272.9	276.5
III. Manufactured Products	**63.749**	**117.6**	**171.5**	**179.3**	**184.0**	**188.2**	**187.8**	**189.0**	**189.9**	**190.3**	**197.1**
(A) Food Products	**11.538**	**113.2**	**176.9**	**182.9**	**186.1**	**190.1**	**191.3**	**193.5**	**196.3**	**196.8**	**203.0**
a. Dairy Products	0.687	129.0	206.7	217.7	219.8	233.6	236.9	237.4	240.8	240.0	240.3
b. Canning, Preserving & Processing of Fish	0.047	100.0	273.4	284.0	293.8	293.8	293.8	293.8	293.8	293.8	293.8

See 'Notes on Tables'.

No. 40: Index Numbers of Wholesale Prices in India - by Groups and Sub-groups (Month-end / Year-end) *(Contd.)*

(Base : 1993-94 = 100)

Last Week of month / year ended Saturday	Weight	1994-95	2005-06	2006-07	2007				2008		
		April - March			Mar.	Oct.	Nov.	Dec.	Jan.	Feb. (P)	Mar. (P)
1	2	3	4	5	6	7	8	9	10	11	12
c. Grain Mill Products	1.033	109.0	188.0	219.6	228.0	234.7	238.2	235.5	238.0	238.4	240.0
d. Bakery Products	0.441	111.0	175.6	184.8	192.2	192.2	197.6	201.3	199.9	201.3	201.3
e. Sugar, Khandsari & Gur	3.929	109.5	179.0	179.2	163.9	156.7	151.8	151.5	152.0	151.6	156.7
f. Manufacture of Common Salts	0.021	114.1	236.9	222.8	220.0	218.3	219.3	218.3	232.2	230.5	232.2
g. Cocoa, Chocolate, Sugar & Confectionery	0.087	124.1	177.5	183.1	188.1	188.1	188.1	188.1	188.1	188.1	188.1
h. Edible Oils	2.775	118.4	145.9	155.1	163.5	173.0	175.9	176.8	181.4	185.3	196.3
i. Oil Cakes	1.416	118.3	189.8	199.8	235.8	250.6	262.7	281.6	285.5	286.7	299.9
j. Tea & Coffee Proccessing	0.967	99.5	197.7	179.6	187.8	197.0	197.0	193.6	199.7	193.9	193.9
k. Other Food Products n.e.c.	0.154	117.3	190.1	198.4	201.4	214.7	214.8	222.9	230.3	234.0	234.0
(B) Beverages, Tobacco & Tobacco Products	**1.339**	**124.3**	**227.2**	**243.9**	**256.3**	**273.8**	**273.8**	**273.8**	**273.9**	**273.8**	**274.0**
a. Wine Industries	0.269	163.5	247.5	289.8	306.9	310.9	310.9	310.9	310.9	310.9	310.9
b. Malt Liquor	0.043	125.5	195.8	204.0	202.7	197.0	197.0	197.0	197.0	197.0	197.0
c. Soft Drinks & Carbonated Water	0.053	109.1	164.8	176.2	186.7	188.1	188.1	188.1	188.1	188.1	188.1
d. Manufacture of Bidi, Cigarettes, Tobacco & Zarda	0.975	114.2	226.4	236.6	248.4	271.6	271.6	271.6	271.7	271.6	271.8
(C) Textiles	**9.800**	**128.1**	**129.6**	**132.3**	**133.5**	**132.2**	**127.9**	**127.2**	**127.9**	**128.1**	**127.9**
a. Cotton Textiles	4.215	148.3	154.5	159.1	159.9	158.1	148.8	148.6	150.6	151.6	151.7
a1. Cotton Yarn	3.312	152.1	150.2	156.3	157.3	155.5	143.6	143.3	145.8	147.1	147.3
a2. Cotton Cloth (Mills)	0.903	134.4	169.6	169.4	169.4	167.5	167.9	167.9	168.0	168.0	168.0
b. Man Made Textiles	4.719	110.9	94.6	96.2	96.1	98.9	97.8	96.5	96.7	96.6	96.2
b1. Man Made Fibre	4.406	110.6	91.5	93.3	93.2	96.4	95.2	93.9	94.1	94.0	93.6
b2. Man Made Cloth	0.313	114.7	138.4	136.2	136.2	133.8	133.8	133.8	133.0	133.0	133.0
c. Woolen Textiles	0.190	139.9	181.1	173.4	170.3	170.9	170.9	170.9	170.9	170.9	170.9
d. Jute, Hemp & Mesta Textiles	0.376	120.5	207.0	218.4	247.1	199.5	204.8	205.1	200.2	196.2	195.6
e. Other Misc. Textiles	0.300	117.9	199.5	189.3	184.8	182.1	183.1	183.3	181.6	181.6	181.6
(D) Wood & Wood Products	**0.173**	**113.3**	**196.3**	**205.9**	**215.9**	**215.9**	**215.9**	**215.9**	**215.9**	**215.9**	**215.9**
(E) Paper & Paper Products	**2.044**	**117.0**	**178.5**	**190.9**	**192.5**	**194.8**	**194.7**	**194.7**	**194.8**	**194.8**	**195.2**
a. Paper & pulp	1.229	122.9	157.6	170.4	172.8	176.3	176.2	176.2	176.7	176.3	177.4
b. Manufacture of Boards	0.237	113.0	135.4	165.6	163.2	164.8	164.8	164.8	164.8	164.8	164.8
c. Printing & Publishing of Newspapers, Periodicals, *etc.*	0.578	106.2	240.7	244.7	246.3	246.3	246.3	246.3	245.6	246.3	245.6

No. 40: Index Numbers of Wholesale Prices in India - by Groups and Sub-groups (Month-end / Year-end) *(Contd.)*

(Base : 1993-94 = 100)

Last Week of month / year ended Saturday	Weight	1994-95	2005-06	2006-07	2007				2008		
		April - March			Mar.	Oct.	Nov.	Dec.	Jan.	Feb. (P)	Mar. (P)
1	2	3	4	5	6	7	8	9	10	11	12
(F) Leather & Leather Products	**1.019**	**117.8**	**166.5**	**159.7**	**164.7**	**167.3**	**167.3**	**167.3**	**164.4**	**164.4**	**164.4**
(G) Rubber & Plastic Products	**2.388**	**117.0**	**139.2**	**148.8**	**154.9**	**160.3**	**160.8**	**163.5**	**163.6**	**163.6**	**163.6**
a. Tyres & Tubes	1.286	119.6	131.3	142.3	150.0	160.4	160.7	162.6	162.8	162.8	162.8
a1. Tyres	1.144	120.3	122.6	131.0	136.6	147.9	148.2	148.8	148.8	148.8	148.8
a2. Tubes	0.142	114.1	201.7	233.6	258.0	261.2	161.2	273.8	275.7	275.7	275.7
b. Plastic Products	0.937	108.8	139.1	147.0	153.0	152.6	153.5	157.7	157.7	157.7	157.7
c. Other Rubber & Plastic Products	0.165	143.9	201.5	209.5	203.8	202.8	202.8	202.8	202.8	202.8	202.8
(H) Chemicals & Chemical Products	**11.931**	**121.6**	**188.7**	**194.1**	**199.0**	**204.7**	**205.0**	**208.0**	**208.3**	**208.9**	**209.7**
a. Basic Heavy Inorganic Chemicals	1.446	125.6	174.5	170.8	166.3	191.4	190.0	212.1	213.6	216.1	221.5
b. Basic Heavy Organic Chemicals	0.455	131.4	164.9	180.1	179.1	168.5	170.3	180.8	171.6	175.9	179.0
c. Fertilisers & Pesticides	4.164	123.0	171.7	171.5	171.3	173.5	173.7	173.7	174.2	174.2	174.2
c1. Fertilisers	3.689	121.8	174.9	177.3	178.1	180.6	180.8	180.8	181.4	181.4	181.4
c2. Pesticides	0.475	132.5	146.4	126.2	118.2	118.5	118.5	118.5	118.5	118.5	118.5
d. Paints, Varnishes & Lacquers	0.496	101.4	124.3	128.3	131.8	146.4	146.1	146.1	146.1	146.1	146.1
e. Dyestuffs & Indigo	0.175	115.0	110.9	105.6	105.2	112.7	112.7	112.7	112.7	112.7	112.7
f. Drugs & Medicines	2.532	132.9	279.0	294.1	310.5	315.6	315.6	315.4	315.5	315.5	315.5
g. Perfumes, Cosmetics, Toiletries, *etc.*	0.978	119.0	206.0	224.0	237.9	238.6	238.6	242.0	242.3	242.3	242.3
h. Turpentine, Synthetic Resins, Plastic Material, *etc.*	0.746	111.9	132.0	132.9	137.5	144.3	149.8	141.2	142.5	143.7	144.3
i. Matches, Explosives & Other Chemicals n.e.c.	0.940	96.3	128.9	136.1	142.3	142.2	142.2	146.2	148.0	148.0	148.0
(I) Non-Metallic Mineral Products	**2.516**	**122.4**	**170.5**	**192.0**	**201.7**	**210.2**	**210.4**	**210.3**	**211.4**	**211.4**	**213.8**
a. Structural Clay Products	0.230	101.4	189.8	195.3	197.3	211.7	211.7	211.7	218.6	214.4	219.4
b. Glass, Earthernware, Chinaware & Their Products	0.237	126.3	159.2	160.6	168.6	168.6	168.6	166.4	166.4	166.4	166.4
c. Cement	1.731	126.9	167.4	197.6	210.4	219.5	219.7	219.9	220.6	221.2	221.2
d. Cement, Slate & Graphite Products	0.319	110.3	181.6	183.0	182.3	189.7	189.7	189.7	189.7	189.7	204.7

No. 40: Index Numbers of Wholesale Prices in India - by Groups and Sub-groups (Month-end / Year-end) *(Contd.)*

(Base : 1993-94 = 100)

Last Week of month / year ended Saturday	Weight	1994-95	2005-06	2006-07	2007				2008		
		April - March			Mar.	Oct.	Nov.	Dec.	Jan.	Feb. (P)	Mar. (P)
1	2	3	4	5	6	7	8	9	10	11	12
(J) Basic Metals Alloys & Metals Products	**8.342**	**115.6**	**218.1**	**233.8**	**242.3**	**247.6**	**247.0**	**247.1**	**248.5**	**249.6**	**290.8**
a. Basic Metals & Alloys	6.206	112.7	231.4	236.8	243.4	253.7	254.1	254.4	256.7	258.9	314.3
a1. Iron & Steel	3.637	112.6	249.6	255.0	262.9	277.9	278.4	279.1	280.1	282.8	352.8
a2. Foundries for Casting, Forging & Structurals	0.896	113.5	230.5	228.6	236.9	242.1	242.1	242.1	243.5	244.9	298.7
a3. Pipes, Wires Drawing & Others	1.589	112.9	192.9	204.3	207.4	210.1	210.5	210.1	215.8	217.5	243.5
a4. Ferro Alloys	0.085	102.9	184.5	148.5	150.7	156.2	156.2	156.2	156.2	156.2	156.2
b. Non-Ferrous Metals	1.466	130.8	195.8	259.5	277.8	263.1	258.3	257.5	255.7	252.6	252.4
b1. Aluminium	0.853	132.4	211.8	254.3	269.5	241.4	241.4	241.4	241.4	241.4	241.4
b2. Other Non-Ferrous Metals	0.613	128.6	173.5	266.7	289.4	293.2	281.7	279.9	275.6	268.3	267.6
c. Metal Products	0.669	108.7	144.4	150.0	153.8	156.0	156.8	156.8	156.8	157.4	157.4
(K) Machinery & Machine Tools	**8.363**	**109.0**	**147.4**	**155.9**	**162.3**	**167.6**	**167.7**	**167.6**	**167.7**	**167.8**	**168.2**
a. Non-Electrical Machinery & Parts	3.379	111.1	188.2	195.1	196.9	200.3	200.5	201.0	200.9	201.1	201.4
a1. Heavy Machinery & Parts	1.822	114.8	198.8	202.0	204.2	208.8	208.9	208.9	208.9	209.1	209.6
a2. Industrial Machinery for Textiles, *etc.*	0.568	108.4	246.1	255.3	257.5	260.9	260.9	260.9	261.2	260.9	261.2
a3. Refrigeration & Other Non-Electrical Machinery	0.989	106.0	135.2	147.6	148.7	150.0	150.2	151.9	151.6	151.9	151.8
b. Electrical Machinery	4.985	107.5	119.8	129.4	138.9	145.5	145.5	144.9	145.2	145.2	145.7
b1. Electrical Industrial Machinery	1.811	108.8	142.8	150.5	154.1	162.0	162.0	162.4	163.3	163.3	163.3
b2. Wires & Cables	1.076	119.0	146.4	180.8	216.9	234.2	234.2	231.0	231.0	231.0	233.2
b3. Dry & Wet Batteries	0.275	109.7	130.4	148.9	159.9	165.1	165.1	165.0	165.0	165.0	165.0
b4. Electrical Apparatus & Appliances	1.823	99.2	79.7	75.3	74.7	73.7	73.7	73.7	73.7	73.7	73.7
(L) Transport Equipment & Parts	**4.295**	**110.6**	**160.0**	**162.5**	**163.4**	**166.2**	**166.2**	**170.6**	**171.0**	**171.0**	**171.0**
a. Locomotives, Railway Wagons & Parts	0.318	105.4	125.1	125.0	122.2	135.3	135.3	135.3	135.3	135.3	135.3
b. Motor Vehicles, Motorcycles, Scooters, Bicycles & Parts	3.977	111.0	162.7	165.5	166.7	168.7	168.7	173.4	173.8	173.8	173.8

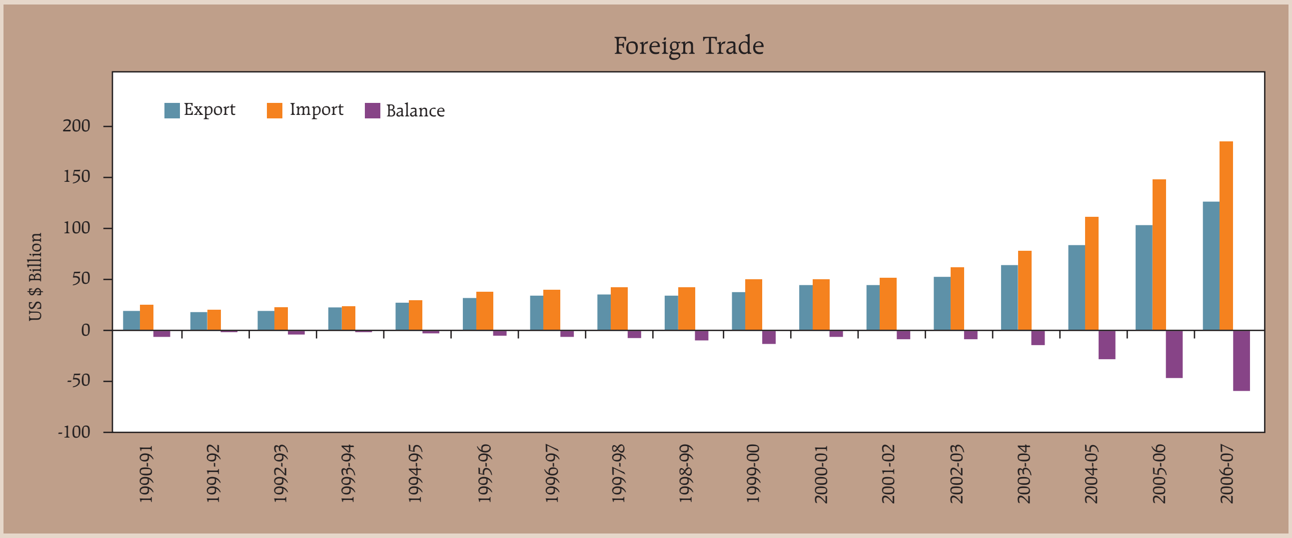
Source: Office of the Economic Adviser, Ministry of Commerce & Industry, Government of India.

Trade and Balance of Payments

No. 41: Foreign Trade (Annual and Monthly)

Year / Month	Rupees Crore			US Dollar Million			SDR Million		
	Export	Import	Balance	Export	Import	Balance	Export	Import	Balance
1	2	3	4	5	6	7	8	9	10
2002-03	2,55,137	2,97,206	-42,069	52,719	61,412	-8,693	39,785	46,345	-6,560
2003-04	2,93,367	3,59,108	-65,741	63,843	78,149	-14,307	44,663	54,672	-10,009
2004-05	3,75,340	5,01,065	-1,25,725	83,536	1,11,517	-27,981	56,081	74,866	-18,785
2005-06	4,56,418	6,60,409	-2,03,991	1,03,091	1,49,166	-46,075	70,774	102,405	-31,632
2006-07	5,71,779	8,40,506	-2,68,727	1,26,361	1,85,749	-59,388	85,018	124,975	-39,957
2006-07 R									
April	38,612	56,342	-17,729	8,590	12,535	-3,944	5,915	8,630	-2,716
May	45,588	64,963	-19,375	10,040	14,307	-4,267	6,741	9,606	-2,865
June	47,920	64,683	-16,764	10,405	14,044	-3,640	7,040	9,502	-2,463
July	48,934	67,558	-18,624	10,533	14,542	-4,009	7,128	9,841	-2,713
August	49,649	68,658	-19,009	10,669	14,753	-4,085	7,173	9,920	-2,746
September	49,486	77,611	-28,125	10,730	16,829	-6,098	7,242	11,358	-4,116
October	44,589	76,047	-31,458	9,807	16,725	-6,919	6,655	11,350	-4,695
November	43,943	68,812	-24,868	9,798	15,342	-5,545	6,580	10,304	-3,724
December	47,368	66,848	-19,479	10,612	14,977	-4,364	7,038	9,932	-2,894
January	48,357	60,992	-12,636	10,908	13,758	-2,850	7,294	9,200	-1,906
February	42,841	62,470	-19,629	9,702	14,147	-4,445	6,479	9,448	-2,969
March	56,628	75,445	-18,817	12,862	17,137	-4,274	8,534	11,370	-2,836
2007-08 P									
April	46,164	74,895	-28,731	10,953	17,769	-6,817	7,196	11,675	-4,479
May	49,974	78,760	-28,966	12,210	19,313	-7,103	8,046	12,726	-4,680
June	48,400	79,200	-30,800	11,870	19,424	-7,554	7,855	12,853	-4,999
July	50,331	74,091	-23,759	12,454	18,333	-5,879	8,144	11,989	-3,855
August	50,752	80,460	-29,707	12,433	19,710	-7,277	8,127	12,884	-4,757
September	49,069	68,252	-19,183	12,164	16,919	-4,755	7,880	10,961	-3,081
October	56,517	83,519	-27,002	14,304	21,138	-6,834	9,177	13,562	-4,385
November	50,461	80,343	-29,882	12,796	20,373	-7,577	8,065	12,841	-4,776
December	49,965	73,360	-23,395	12,669	18,601	-5,932	8,033	11,794	-3,761
January	51,740	88,608	-36,868	13,141	22,504	-9,364	8,296	14,208	-5,912
February	56,569	73,372	-16,803	14,237	18,466	-4,229	8,980	11,647	-2,667

Source : DGCI & S and Ministry of Commerce & Industry. R: Revised.
Notes : 1. Data conversion has been done using period average exchange rates.
2. Monthly data may not add up to the annual data on account of revision in monthly figures.
Also see 'Notes on Tables'.



No. 42: India's Overall Balance of Payments

(Rs. Crore)

Items	2006-07 PR			2005-06 R		
	Credit	Debit	Net	Credit	Debit	Net
1	2	3	4	5	6	7
A. CURRENT ACCOUNT						
I. MERCHANDISE	**5,79,128**	**8,65,404**	**-2,86,276**	**4,65,748**	**6,95,412**	**-2,29,664**
II. INVISIBLES (a+b+c)	**5,19,425**	**2,78,492**	**2,40,933**	**3,97,660**	**2,11,733**	**1,85,927**
a) Services	3,43,895	2,00,291	1,43,604	2,55,668	1,53,057	1,02,611
i) Travel	41,127	30,253	10,874	34,871	29,432	5,439
ii) Transportation	36,394	36,504	-110	28,023	36,928	-8,905
iii) Insurance	5,434	2,903	2,531	4,694	4,965	-271
iv) G.n.i.e.	1,130	1,825	-695	1,396	2,343	-947
v) Miscellaneous	2,59,810	1,28,806	1,31,004	1,86,684	79,389	1,07,295
of which						
Software Services	1,41,356	10,212	1,31,144	1,04,632	5,954	98,678
Business Services	86,928	76,929	9,999	41,356	34,428	6,928
Financial Services	13,062	9,352	3,710	5,355	4,265	1,090
Communication Services	9,506	2,980	6,526	7,000	1,285	5,715
b) Transfers	1,33,530	6,423	1,27,107	1,13,566	4,134	1,09,432
i) Official	2,877	1,858	1,019	2,970	2,103	867
ii) Private	1,30,653	4,565	1,26,088	1,10,596	2,031	1,08,565
c) Income	42,000	71,778	-29,778	28,426	54,542	-26,116
i) Investment Income	40,218	67,483	-27,265	27,633	51,112	-23,479
ii) Compensation of Employees	1,782	4,295	-2,513	793	3,430	-2,637
Total Current Account (I+II)	**10,98,553**	**11,43,896**	**-45,343**	**8,63,408**	**9,07,145**	**-43,737**
B. CAPITAL ACCOUNT						
1. Foreign Investment (a+b)	**5,98,106**	**5,27,663**	**70,443**	**3,42,778**	**2,73,996**	**68,782**
a) Foreign Direct Investment (i+ii)	1,03,610	65,057	38,553	40,690	27,265	13,425
i. In India	99,646	385	99,261	39,730	273	39,457
Equity	74,354	385	73,969	26,512	273	26,239
Reinvested Earnings	23,029	—	23,029	12,220	—	12,220
Other Capital	2,263	—	2,263	998	—	998
ii. Abroad	3,964	64,672	-60,708	960	26,992	-26,032
Equity	3,964	54,634	-50,670	960	17,678	-16,718
Reinvested Earnings	—	4,868	-4,868	—	4,834	-4,834
Other Capital	—	5,170	-5,170	—	4,480	-4,480
b) Portfolio Investment	4,94,496	4,62,606	31,890	3,02,088	2,46,731	55,357
In India	4,94,102	4,62,472	31,630	3,02,088	2,46,731	55,357
Abroad	394	134	260	—	—	—
2. Loans (a+b+c)	**2,46,908**	**1,36,279**	**1,10,629**	**1,74,729**	**1,40,332**	**34,397**
a) External Assistance	16,961	9,024	7,937	16,133	8,541	7,592
i) By India	73	163	-90	106	390	-284
ii) To India	16,888	8,861	8,027	16,027	8,151	7,876
b) Commercial Borrowings (MT&LT)	94,332	21,736	72,596	63,476	52,971	10,505
i) By India	2,936	4,290	-1,354	—	1,105	-1,105
ii) To India	91,396	17,446	73,950	63,476	51,866	11,610
c) Short Term to India	1,35,615	1,05,519	30,096	95,120	78,820	16,300
i) Suppliers' Credit > 180 days & Buyers' Credit	1,15,125	1,00,196	14,929	85,766	78,114	7,652
ii) Suppliers' Credit up to 180 days	20,490	5,323	15,167	9,354	706	8,648
3. Banking Capital (a+b)	**1,67,494**	**1,59,017**	**8,477**	**95,988**	**90,193**	**5,795**
a) Commercial Banks	1,65,656	1,58,660	6,996	91,200	89,569	1,631
i) Assets	64,972	80,726	-15,754	3,369	17,711	-14,342
ii) Liabilities	1,00,684	77,934	22,750	87,831	71,858	15,973
of which: Non-Resident Deposits	89,950	70,376	19,574	79,190	66,733	12,457
b) Others	1,838	357	1,481	4,788	624	4,164
4. Rupee Debt Service	**—**	**725**	**-725**	**—**	**2,557**	**-2,557**
5. Other Capital	**34,540**	**16,975**	**17,565**	**26,451**	**20,903**	**5,548**
Total Capital Account (1to5)	**10,47,048**	**8,40,659**	**2,06,389**	**6,39,946**	**5,27,981**	**1,11,965**
C. Errors & Omissions	**2,588**	**—**	**2,588**	**—**	**2,332**	**-2,332**
D. Overall Balance (Total Capital Account, Current Account and Errors & Omissions (A+B+C))	**21,48,189**	**19,84,555**	**1,63,634**	**15,03,354**	**14,37,458**	**65,896**
E. Monetary Movements (i+ii)	**—**	**1,63,634**	**-1,63,634**	**—**	**65,896**	**-65,896**
i) I.M.F.	—	—	—	—	—	—
ii) Foreign Exchange Reserves (Increase - / Decrease +)	—	1,63,634	-1,63,634	—	65,896	-65,896

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

Also see 'Notes on Tables'.

No. 42: India's Overall Balance of Payments *(Contd.)*

(Rs. Crore)

Items	Apr.-Dec. 2007 P			Apr.-Dec. 2006 PR		
	Credit	Debit	Net	Credit	Debit	Net
1	8	9	10	11	12	13
A. CURRENT ACCOUNT						
I. MERCHANDISE	**464479**	**732942**	**-268463**	**421433**	**650859**	**-229426**
II. INVISIBLES (a+b+c)	**404101**	**200510**	**203591**	**361663**	**196362**	**165301**
a) Services	247346	140918	106428	238755	139673	99082
i) Travel	31117	26104	5013	27884	22536	5348
ii) Transportation	26481	32688	-6207	26583	27709	-1126
iii) Insurance	4607	2944	1663	3861	2205	1656
iv) G.n.i.e.	1039	1293	-254	856	1361	-505
v) Miscellaneous	184102	77889	106213	179571	85862	93709
of which						
Software Services	110973	10218	100755	99224	6842	92382
Business Services	48875	45356	3519	60018	47338	12680
Financial Services	8884	8352	532	6622	4122	2500
Communication Services	7089	2305	4784	7028	2313	4715
b) Transfers	118165	5416	112749	94314	4590	89724
i) Official	1965	1623	342	2166	1341	825
ii) Private	116200	3793	112407	92148	3249	88899
c) Income	38590	54176	-15586	28594	52099	-23505
i) Investment Income	37470	51082	-13612	27501	49094	-21593
ii) Compensation of Employees	1120	3094	-1974	1093	3005	-1912
Total Current Account (I+II)	**868580**	**933452**	**-64872**	**783096**	**847221**	**-64125**
B. CAPITAL ACCOUNT						
1. Foreign Investment (a+b)	**727924**	**561420**	**166504**	**431452**	**373149**	**58303**
a) Foreign Direct Investment (i+ii)	79734	45916	33818	79288	44707	34581
i. In India	72733	334	72399	77188	76	77112
Equity	53263	334	52929	59132	76	59056
Reinvested Earnings	18086	—	18086	16999	—	16999
Other Capital	1384	—	1384	1057	—	1057
ii. Abroad	7001	45582	-38581	2100	44631	-42531
Equity	7001	38178	-31177	2100	37548	-35448
Reinvested Earnings	—	3284	-3284	—	3680	-3680
Other Capital	—	4120	-4120	—	3403	-3403
b) Portfolio Investment	648190	515504	132686	352164	328442	23722
In India	647449	515307	132142	351960	328405	23555
Abroad	741	197	544	204	37	167
2. Loans (a+b+c)	**232886**	**118259**	**114627**	**170794**	**95684**	**75110**
a) External Assistance	11243	6214	5029	11271	6709	4562
i) By India	61	158	-97	55	123	-68
ii) To India	11182	6056	5126	11216	6586	4630
b) Commercial Borrowings (MT&LT)	91472	25499	65973	59957	15380	44577
i) By India	4744	4738	6	2936	3354	-418
ii) To India	86728	20761	65967	57021	12026	44995
c) Short Term to India	130171	86546	43625	99566	73595	25971
i) Suppliers' Credit > 180 days & Buyers' Credit	113382	86546	26836	79076	73595	5481
ii) Suppliers' Credit up to 180 days	16789	—	16789	20490	—	20490
3. Banking Capital (a+b)	**139576**	**116279**	**23297**	**103948**	**102905**	**1043**
a) Commercial Banks	139564	114632	24932	102649	102548	101
i) Assets	49966	28792	21174	33676	45388	-11712
ii) Liabilities	89598	85840	3758	68973	57160	11813
of which: Non-Resident Deposits	75133	78847	-3714	67166	50454	16712
b) Others	12	1647	-1635	1299	357	942
4. Rupee Debt Service	—	**185**	**-185**	—	**314**	**-314**
5. Other Capital	**58945**	**33275**	**25670**	**13867**	**10707**	**3160**
Total Capital Account (1to5)	**1159331**	**829418**	**329913**	**720061**	**582759**	**137302**
C. Errors & Omissions	**5136**	—	**5136**	**116**	—	**116**
D. Overall Balance (Total Capital Account, Current Account and Errors & Omissions (A+B+C))	**2033047**	**1762870**	**270177**	**1503273**	**1429980**	**73293**
E. Monetary Movements (i+ii)	—	**270177**	**-270177**	—	**73293**	**-73293**
i) I.M.F.	—	—	—	—	—	—
ii) Foreign Exchange Reserves (Increase - / Decrease +)	—	270177	-270177	—	73293	-73293

No. 42: India's Overall Balance of Payments *(Contd.)*

(Rs. Crore)

Items	Apr.-Jun. 2007 PR			Jul.-Sep. 2007 PR		
	Credit	Debit	Net	Credit	Debit	Net
1	14	15	16	17	18	19
A. CURRENT ACCOUNT						
I. MERCHANDISE	**147421**	**232945**	**-85524**	**152354**	**235244**	**-82890**
II. INVISIBLES (a+b+c)	**120793**	**59670**	**61123**	**131746**	**68073**	**63673**
a) Services	78008	41623	36385	77111	46882	30229
i) Travel	8610	7756	854	9110	8522	588
ii) Transportation	7855	10276	-2421	8117	10747	-2630
iii) Insurance	1522	759	763	1325	1179	146
iv) G.n.i.e.	396	462	-66	288	539	-251
v) Miscellaneous	59625	22370	37255	58271	25895	32376
of which						
Software Services	36435	3282	33153	34649	3578	31071
Business Services	16576	13170	3406	16064	14759	1305
Financial Services	2598	2528	70	2837	2521	316
Communication Services	2115	825	1290	2598	762	1836
b) Transfers	33198	1785	31413	39605	1698	37907
i) Official	631	684	-53	608	462	146
ii) Private	32567	1101	31466	38997	1236	37761
c) Income	9587	16262	-6675	15030	19493	-4463
i) Investment Income	9298	15446	-6148	14613	18261	-3648
ii) Compensation of Employees	289	816	-527	417	1232	-815
Total Current Account (I+II)	**268214**	**292615**	**-24401**	**284100**	**303317**	**-19217**
B. CAPITAL ACCOUNT						
1. Foreign Investment (a+b)	**173097**	**133275**	**39822**	**216788**	**162278**	**54510**
a) Foreign Direct Investment (i+ii)	30096	21026	9070	19509	9073	10436
i. In India	27911	87	27824	16283	77	16206
Equity	21310	87	21223	9791	77	9714
Reinvested Earnings	6152	—	6152	6046	—	6046
Other Capital	449	—	449	446	—	446
ii. Abroad	2185	20939	-18754	3226	8996	-5770
Equity	2185	18065	-15880	3226	6743	-3517
Reinvested Earnings	—	1117	-1117	—	1098	-1098
Other Capital	—	1757	-1757	—	1155	-1155
b) Portfolio Investment	143001	112249	30752	197279	153205	44074
In India	142758	112224	30534	197255	153108	44147
Abroad	243	25	218	24	97	-73
2. Loans (a+b+c)	**68525**	**31311**	**37214**	**80251**	**42442**	**37809**
a) External Assistance	3184	2046	1138	3951	2116	1835
i) By India	21	54	-33	20	53	-33
ii) To India	3163	1992	1171	3931	2063	1868
b) Commercial Borrowings (MT&LT)	34134	5497	28637	25113	8546	16567
i) By India	1464	1196	268	1844	2038	-194
ii) To India	32670	4301	28369	23269	6508	16761
c) Short Term to India	31207	23768	7439	51187	31780	19407
i) Suppliers' Credit >180 days & Buyers' Credit	28382	23768	4614	44626	31780	12846
ii) Suppliers' Credit up to180 days	2825	—	2825	6561	—	6561
3. Banking Capital (a+b)	**35260**	**39049**	**-3789**	**54704**	**28490**	**26214**
a) Commercial Banks	35260	39024	-3764	54704	28202	26502
i) Assets	10486	11797	-1311	17239	1451	15788
ii) Liabilities	24774	27227	-2453	37465	26751	10714
of which : Non-Resident Deposits	21619	23462	-1843	28100	26605	1495
b) Others	—	25	-25	—	288	-288
4. Rupee Debt Service	**—**	**177**	**-177**	**—**	**8**	**-8**
5. Other Capital	**4070**	**7546**	**-3476**	**30823**	**13365**	**17458**
Total Capital Account (1to5)	**280952**	**211358**	**69594**	**382566**	**246583**	**135983**
C. Errors & Omissions	**990**	**—**	**990**	**1713**	**—**	**1713**
D. Overall Balance (Total Capital Account, Current Account and Errors & Omissions (A+B+C))	**550156**	**503973**	**46183**	**668379**	**549900**	**118479**
E. Monetary Movements (i+ii)	**—**	**46183**	**-46183**	**—**	**118479**	**-118479**
i) I.M.F.	—	—	—	—	—	—
ii) Foreign Exchange Reserves (Increase - / Decrease +)	—	46183	-46183	—	118479	-118479

No. 42: India's Overall Balance of Payments *(Contd.)*

(Rs. Crore)

Items	Oct.- Dec. 2007 P			Oct.- Dec. 2006 PR		
	Credit	Debit	Net	Credit	Debit	Net
1	20	21	22	23	24	25
A. CURRENT ACCOUNT						
I. MERCHANDISE	**164704**	**264753**	**-100049**	**139151**	**213496**	**-74345**
II. INVISIBLES (a+b+c)	**151562**	**72767**	**78795**	**132524**	**74723**	**57801**
a) Services	92227	52413	39814	87076	54534	32542
i) Travel	13397	9826	3571	11790	7368	4422
ii) Transportation	10509	11665	-1156	9465	9456	9
iii) Insurance	1760	1006	754	1318	904	414
iv) G.n.i.e.	355	292	63	391	436	-45
v) Miscellaneous	66206	29624	36582	64112	36370	27742
of which						
Software Services	39889	3358	36531	34197	3077	31120
Business Services	16235	17427	-1192	23482	20207	3275
Financial Services	3449	3303	146	2339	1237	1102
Communication Services	2376	718	1658	2168	1075	1093
b) Transfers	45362	1933	43429	35034	1534	33500
i) Official	726	477	249	1291	436	855
ii) Private	44636	1456	43180	33743	1098	32645
c) Income	13973	18421	-4448	10414	18655	-8241
i) Investment Income	13559	17375	-3816	9955	17598	-7643
ii) Compensation of Employees	414	1046	-632	459	1057	-598
Total Current Account (I+II)	**316266**	**337520**	**-21254**	**271675**	**288219**	**-16544**
B. CAPITAL ACCOUNT						
1. Foreign Investment (a+b)	**338039**	**265867**	**72172**	**173320**	**143369**	**29951**
a) Foreign Direct Investment (i+ii)	30129	15817	14312	44494	30597	13897
i. *In India*	28539	170	28369	43770	31	43739
Equity	22162	170	21992	36901	31	36870
Reinvested Earnings	5888	—	5888	6140	—	6140
Other Capital	489	—	489	729	—	729
ii. Abroad	1590	15647	-14057	724	30566	-29842
Equity	1590	13370	-11780	724	27764	-27040
Reinvested Earnings	—	1069	-1069	—	1210	-1210
Other Capital	—	1208	-1208	—	1592	-1592
b) Portfolio Investment	307910	250050	57860	128826	112772	16054
In India	307436	249975	57461	128768	112745	16023
Abroad	474	75	399	58	27	31
2. Loans (a+b+c)	**84110**	**44506**	**39604**	**66446**	**37175**	**29271**
a) External Assistance	4108	2052	2056	5002	2226	2776
i) By India	20	51	-31	18	40	-22
ii) To India	4088	2001	2087	4984	2186	2798
b) Commercial Borrowings (MT&LT)	32225	11456	20769	24557	6217	18340
i) By India	1436	1504	-68	2011	1552	459
ii) To India	30789	9952	20837	22546	4665	17881
c) Short Term to India	47777	30998	16779	36887	28732	8155
i) Suppliers' Credit > 180 days & Buyers' Credit	40374	30998	9376	25461	28732	-3271
ii) Suppliers' Credit up to180 days	7403	—	7403	11426	—	11426
3. Banking Capital (a+b)	**49612**	**48740**	**872**	**32209**	**46213**	**-14004**
a) Commercial Banks	49600	47406	2194	31237	46060	-14823
i) Assets	22241	15544	6697	2501	20378	-17877
ii) Liabilities	27359	31862	-4503	28736	25682	3054
of which : Non-Resident Deposits	25414	28780	-3366	28453	21871	6582
b) Others	12	1334	-1322	972	153	819
4. Rupee Debt Service	—	—	—	—	**9**	**-9**
5. Other Capital	**24052**	**12364**	**11688**	**7760**	**3563**	**4197**
Total Capital Account (1to5)	**495813**	**371477**	**124336**	**279735**	**230329**	**49406**
C. Errors & Omissions	**2433**	—	**2433**	**899**	**-**	**899**
D. Overall Balance (Total Capital Account, Current Account and Errors & Omissions (A+B+C))	**814512**	**708997**	**105515**	**552309**	**518548**	**33761**
E. Monetary Movements (i+ii)	—	**105515**	**-105515**	—	**33761**	**-33761**
i) I.M.F.	—	—	—	—	—	—
ii) Foreign Exchange Reserves (Increase - / Decrease +)	—	105515	-105515	—	33761	-33761

No. 43 : India's Overall Balance of Payments

(US $ million)

Items	2006-07 PR			2005-06 R		
	Credit	Debit	Net	Credit	Debit	Net
1	2	3	4	5	6	7
A. CURRENT ACCOUNT						
I. MERCHANDISE	**128083**	**191254**	**-63171**	**105152**	**157056**	**-51904**
II. INVISIBLES (a+b+c)	**115074**	**61669**	**53405**	**89687**	**47685**	**42002**
a) Services	76181	44371	31810	57659	34489	23170
i) Travel	9123	6685	2438	7853	6638	1215
ii) Transportation	8050	8068	-18	6325	8337	-2012
iii) Insurance	1202	642	560	1062	1116	-54
iv) G.n.i.e.	250	403	-153	314	529	-215
v) Miscellaneous	57556	28573	28983	42105	17869	24236
of which						
Software Services	31300	2267	29033	23600	1338	22262
Business Services	19266	17093	2173	9307	7748	1559
Financial Services	2913	2087	826	1209	965	244
Communication Services	2099	659	1440	1575	289	1286
b) Transfers	29589	1421	28168	25620	933	24687
i) Official	638	411	227	669	475	194
ii) Private	28951	1010	27941	24951	458	24493
c) Income	9304	15877	-6573	6408	12263	-5855
i) Investment Income	8908	14926	-6018	6229	11491	-5262
ii) Compensation of Employees	396	951	-555	179	772	-593
Total Current Account (I+II)	**243157**	**252923**	**-9766**	**194839**	**204741**	**-9902**
B. CAPITAL ACCOUNT						
1. Foreign Investment (a+b)	**132581**	**117040**	**15541**	**77298**	**61770**	**15528**
a) Foreign Direct Investment (i+ii)	22959	14480	8479	9178	6144	3034
i. In India	22078	87	21991	8962	61	8901
Equity	16481	87	16394	5976	61	5915
Reinvested Earnings	5091	—	5091	2760	—	2760
Other Capital	506	—	506	226	—	226
ii. *Abroad*	881	14393	-13512	216	6083	-5867
Equity	881	12168	-11287	216	3982	-3766
Reinvested Earnings	—	1076	-1076	—	1092	-1092
Other Capital	—	1149	-1149	—	1009	-1009
b) Portfolio Investment	109622	102560	7062	68120	55626	12494
In India	109534	102530	7004	68120	55626	12494
Abroad	88	30	58	—	—	—
2. Loans (a+b+c)	**54728**	**30194**	**24534**	**39479**	**31570**	**7909**
a) External Assistance	3763	1996	1767	3631	1929	1702
i) By India	16	36	-20	24	88	-64
ii) To India	3747	1960	1787	3607	1841	1766
b) Commercial Borrowings (MT&LT)	20973	4818	16155	14343	11835	2508
i) By India	648	950	-302	-	251	-251
ii) To India	20325	3868	16457	14343	11584	2759
c) Short Term to India	29992	23380	6612	21505	17806	3699
i) Suppliers' Credit >180 days & Buyers' Credit	25482	22175	3307	19372	17647	1725
ii) Suppliers' Credit up to180 days	4510	1205	3305	2133	159	1974
3. Banking Capital (a+b)	**37209**	**35296**	**1913**	**21658**	**20285**	**1373**
a) Commercial Banks	36799	35218	1581	20586	20144	442
i) Assets	14466	17960	-3494	772	3947	-3175
ii) Liabilities	22333	17258	5075	19814	16197	3617
of which: Non-Resident Deposits	19914	15593	4321	17835	15046	2789
b) Others	410	78	332	1072	141	931
4. Rupee Debt Service	**—**	**162**	**-162**	**—**	**572**	**-572**
5. Other Capital	**7724**	**3771**	**3953**	**5941**	**4709**	**1232**
Total Capital Account (1to5)	**232242**	**186463**	**45779**	**144376**	**118906**	**25470**
C. Errors & Omissions	**593**	**—**	**593**	**—**	**516**	**-516**
D. Overall Balance (Total Capital Account, Current Account and Errors & Omissions (A+B+C))	**475992**	**439386**	**36606**	**339215**	**324163**	**15052**
E. Monetary Movements (i+ii)	**—**	**36606**	**-36606**	**—**	**15052**	**-15052**
i) I.M.F.	—	—	—	—	—	—
ii) Foreign Exchange Reserves (Increase - / Decrease +)	—	36606	-36606	—	15052	-15052

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

Also see 'Notes on Tables'.

No. 43: India's Overall Balance of Payments *(Contd)*

(US $ million)

Items	Apr.-Dec. 2007 P			Apr.-Dec. 2006 PR		
	Credit	Debit	Net	Credit	Debit	Net
1	8	9	10	11	12	13
A. CURRENT ACCOUNT						
I. MERCHANDISE	**115084**	**181632**	**-66548**	**92383**	**142684**	**-50301**
II. INVISIBLES (a+b+c)	**100211**	**49709**	**50502**	**79359**	**43076**	**36283**
a) Services	61317	34945	26372	52379	30648	21731
i) Travel	7731	6474	1257	6125	4938	1187
ii) Transportation	6571	8100	-1529	5829	6077	-248
iii) Insurance	1142	730	412	846	484	362
iv) G.n.i.e.	257	319	-62	188	298	-110
v) Miscellaneous	45616	19322	26294	39391	18851	20540
of which						
Software Services	27494	2530	24964	21762	1504	20258
Business Services	12098	11252	846	13174	10394	2780
Financial Services	2204	2072	132	1455	903	552
Communication Services	1756	570	1186	1538	508	1030
b) Transfers	29319	1342	27977	20711	1006	19705
i) Official	487	401	86	477	294	183
ii) Private	28832	941	27891	20234	712	19522
c) Income	9575	13422	-3847	6269	11422	-5153
i) Investment Income	9297	12655	-3358	6029	10763	-4734
ii) Compensation of Employees	278	767	-489	240	659	-419
Total Current Account (I+II)	**215295**	**231341**	**-16046**	**171742**	**185760**	**-14018**
B. CAPITAL ACCOUNT						
1. Foreign Investment (a+b)	**181135**	**139737**	**41398**	**94853**	**82060**	**12793**
a) Foreign Direct Investment (i+ii)	19748	11346	8402	17453	9873	7580
i. In India	18019	83	17936	16994	17	16977
Equity	13200	83	13117	13035	17	13018
Reinvested Earnings	4476	—	4476	3726	—	3726
Other Capital	343	—	343	233	—	233
ii. Abroad	1729	11263	-9534	459	9856	-9397
Equity	1729	9433	-7704	459	8300	-7841
Reinvested Earnings	—	813	-813	—	807	-807
Other Capital	—	1017	-1017	—	749	-749
b) Portfolio Investment	161387	128391	32996	77400	72187	5213
In India	161202	128342	32860	77355	72179	5176
Abroad	185	49	136	45	8	37
2. Loans (a+b+c)	**57735**	**29344**	**28391**	**37497**	**21004**	**16493**
a) External Assistance	2788	1538	1250	2475	1472	1003
i) By India	15	39	-24	12	27	-15
ii) To India	2773	1499	1274	2463	1445	1018
b) Commercial Borrowings (MT&LT)	22641	6345	16296	13191	3379	9812
i) By India	1174	1174	—	648	738	-90
ii) To India	21467	5171	16296	12543	2641	9902
c) Short Term to India	32306	21461	10845	21831	16153	5678
i) Suppliers' Credit >180 days & Buyers' Credit	28126	21461	6665	17321	16153	1168
ii) Suppliers' Credit up to180 days	4180	—	4180	4510	—	4510
3. Banking Capital (a+b)	**34622**	**28851**	**5771**	**22823**	**22593**	**230**
a) Commercial Banks	34619	28436	6183	22535	22515	20
i) Assets	12433	7158	5275	7381	9960	-2579
ii) Liabilities	22186	21278	908	15154	12555	2599
of which: Non-Resident Deposits	18617	19548	-931	14756	11083	3673
b) Others	3	415	-412	288	78	210
4. Rupee Debt Service	**—**	**45**	**-45**	**—**	**69**	**-69**
5. Other Capital	**14688**	**8261**	**6427**	**3044**	**2352**	**692**
Total Capital Account (1to5)	**288180**	**206238**	**81942**	**158217**	**128078**	**30139**
C. Errors & Omissions	**1278**	**—**	**1278**	**33**	**—**	**33**
D. Overall Balance (Total Capital Account, Current Account and Errors & Omissions (A+B+C))	**504753**	**437579**	**67174**	**329992**	**313838**	**16154**
E. Monetary Movements (i+ii)	**—**	**67174**	**-67174**	**—**	**16154**	**-16154**
i) I.M.F.	—	—	—	—	—	—
ii) Foreign Exchange Reserves (Increase - / Decrease +)	—	67174	-67174	—	16154	-16154

No. 43: India's Overall Balance of Payments *(Contd)*

(US $ million)

Items	Apr.-Jun. 2007 PR			Jul.-Sep. 2007 PR		
	Credit	Debit	Net	Credit	Debit	Net
1	14	15	16	17	18	19
A. CURRENT ACCOUNT						
I. MERCHANDISE	**35752**	**56493**	**-20741**	**37595**	**58049**	**-20454**
II. INVISIBLES (a+b+c)	**29294**	**14471**	**14823**	**32510**	**16798**	**15712**
a) Services	18918	10094	8824	19028	11569	7459
i) Travel	2088	1881	207	2248	2103	145
ii) Transportation	1905	2492	-587	2003	2652	-649
iii) Insurance	369	184	185	327	291	36
iv) G.n.i.e.	96	112	-16	71	133	-62
v) Miscellaneous	14460	5425	9035	14379	6390	7989
of which						
Software Services	8836	796	8040	8550	883	7667
Business Services	4020	3194	826	3964	3642	322
Financial Services	630	613	17	700	622	78
Communication Services	513	200	313	641	188	453
b) Transfers	8051	433	7618	9773	419	9354
i) Official	153	166	-13	150	114	36
ii) Private	7898	267	7631	9623	305	9318
c) Income	2325	3944	-1619	3709	4810	-1101
i) Investment Income	2255	3746	-1491	3606	4506	-900
ii) Compensation of Employees	70	198	-128	103	304	-201
Total Current Account (I+II)	**65046**	**70964**	**-5918**	**70105**	**74847**	**-4742**
B. CAPITAL ACCOUNT						
1. Foreign Investment (a+b)	**41979**	**32321**	**9658**	**53495**	**40044**	**13451**
a) Foreign Direct Investment (i+ii)	7299	5099	2200	4814	2239	2575
i. In India	6769	21	6748	4018	19	3999
Equity	5168	21	5147	2416	19	2397
Reinvested Earnings	1492	—	1492	1492	—	1492
Other Capital	109	—	109	110	—	110
ii. Abroad	530	5078	-4548	796	2220	-1424
Equity	530	4381	-3851	796	1664	-868
Reinvested Earnings	—	271	-271	—	271	-271
Other Capital	—	426	-426	—	285	-285
b) Portfolio Investment	34680	27222	7458	48681	37805	10876
In India	34621	27216	7405	48675	37781	10894
Abroad	59	6	53	6	24	-18
2. Loans (a+b+c)	**16618**	**7593**	**9025**	**19803**	**10473**	**9330**
a) External Assistance	772	496	276	975	522	453
i) By India	5	13	-8	5	13	-8
ii) To India	767	483	284	970	509	461
b) Commercial Borrowings (MT&LT)	8278	1333	6945	6197	2109	4088
i) By India	355	290	65	455	503	-48
ii) To India	7923	1043	6880	5742	1606	4136
c) Short Term to India	7568	5764	1804	12631	7842	4789
i) Suppliers' Credit >180 days & Buyers' Credit	6883	5764	1119	11012	7842	3170
ii) Suppliers' Credit up to180 days	685	—	685	1619	—	1619
3. Banking Capital (a+b)	**8551**	**9470**	**-919**	**13499**	**7030**	**6469**
a) Commercial Banks	8551	9464	-913	13499	6959	6540
i) Assets	2543	2861	-318	4254	358	3896
ii) Total Liabilities	6008	6603	-595	9245	6601	2644
of which: Non-Resident Deposits	5243	5690	-447	6934	6565	369
b) Others	—	6	-6	—	71	-71
4. Rupee Debt Service	**—**	**43**	**-43**	**—**	**2**	**-2**
5. Other Capital	**987**	**1830**	**-843**	**7606**	**3298**	**4308**
Total Capital Account (1to5)	**68135**	**51257**	**16878**	**94403**	**60847**	**33556**
C. Errors & Omissions	**240**	**—**	**240**	**422**	**—**	**422**
D. Overall Balance (Total Capital Account, Current Account and Errors & Omissions (A+B+C))	**133421**	**122221**	**11200**	**164930**	**135694**	**29236**
E. Monetary Movements (i+ii)	**—**	**11200**	**-11200**	**—**	**29236**	**-29236**
i) I.M.F.	—	—	—	—	—	—
ii) Foreign Exchange Reserves (Increase - / Decrease +)	—	11200	-11200	—	29236	-29236

No. 43: India's Overall Balance of Payments *(Contd)*

(US $ million)

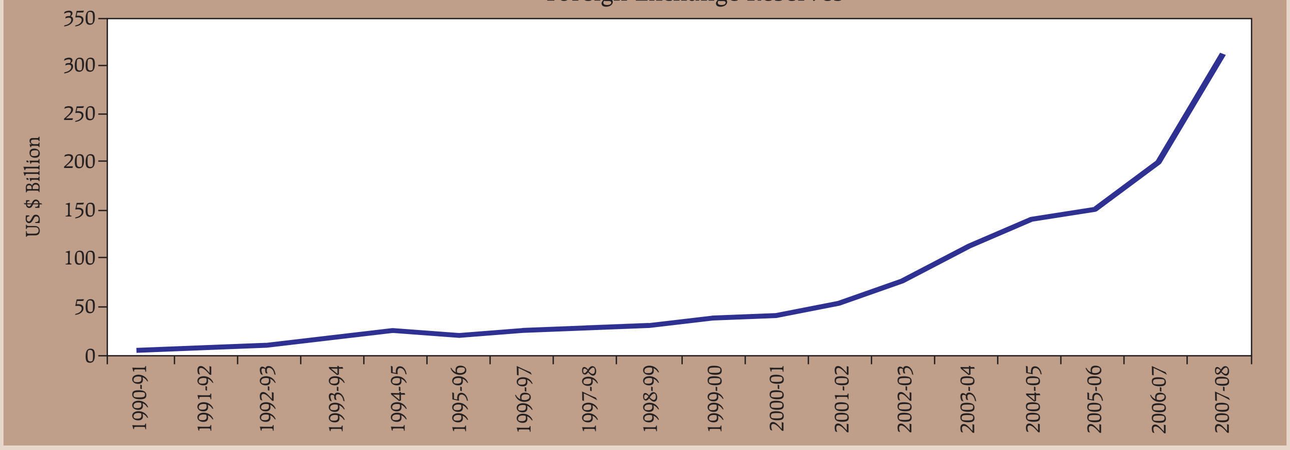
Items	Oct.-Dec. 2007 P			Oct.-Dec. 2006 PR		
	Credit	Debit	Net	Credit	Debit	Net
1	20	21	22	23	24	25
A. CURRENT ACCOUNT						
I. MERCHANDISE	**41737**	**67090**	**-25353**	**30933**	**47460**	**-16527**
II. INVISIBLES (a+b+c)	**38407**	**18440**	**19967**	**29460**	**16611**	**12849**
a) Services	23371	13282	10089	19357	12123	7234
i) Travel	3395	2490	905	2621	1638	983
ii) Transportation	2663	2956	-293	2104	2102	2
iii) Insurance	446	255	191	293	201	92
iv) G.n.i.e.	90	74	16	87	97	-10
v) Miscellaneous	16777	7507	9270	14252	8085	6167
of which						
Software Services	10108	851	9257	7602	684	6918
Business Services	4114	4416	-302	5220	4492	728
Financial Services	874	837	37	520	275	245
Communication Services	602	182	420	482	239	243
b) Transfers	11495	490	11005	7788	341	7447
i) Official	184	121	63	287	97	190
ii) Private	11311	369	10942	7501	244	7257
c) Income	3541	4668	-1127	2315	4147	-1832
i) Investment Income	3436	4403	-967	2213	3912	-1699
ii) Compensation of Employees	105	265	-160	102	235	-133
Total Current Account (I+II)	**80144**	**85530**	**-5386**	**60393**	**64071**	**-3678**
B. CAPITAL ACCOUNT						
1. Foreign Investment (a+b)	**85661**	**67372**	**18289**	**38529**	**31871**	**6658**
a) Foreign Direct Investment (i+ii)	7635	4008	3627	9891	6802	3089
i. In India	7232	43	7189	9730	7	9723
Equity	5616	43	5573	8203	7	8196
Reinvested Earnings	1492	—	1492	1365	—	1365
Other Capital	124	—	124	162	—	162
ii. Abroad	403	3965	-3562	161	6795	-6634
Equity	403	3388	-2985	161	6172	-6011
Reinvested Earnings	—	271	-271	—	269	-269
Other Capital	—	306	-306	—	354	-354
b) Portfolio Investment	78026	63364	14662	28638	25069	3569
In India	77906	63345	14561	28625	25063	3562
Abroad	120	19	101	13	6	7
2. Loans (a+b+c)	**21314**	**11278**	**10036**	**14771**	**8264**	**6507**
a) External Assistance	1041	520	521	1112	495	617
i) By India	5	13	-8	4	9	-5
ii) To India	1036	507	529	1108	486	622
b) Commercial Borrowings (MT&LT)	8166	2903	5263	5459	1382	4077
i) By India	364	381	-17	447	345	102
ii) To India	7802	2522	5280	5012	1037	3975
c) Short Term to India	12107	7855	4252	8200	6387	1813
i) Suppliers' Credit >180 days & Buyers' Credit	10231	7855	2376	5660	6387	-727
ii) Suppliers' Credit up to180 days	1876	—	1876	2540	—	2540
3. Banking Capital (a+b)	**12572**	**12351**	**221**	**7160**	**10273**	**-3113**
a) Commercial Banks	12569	12013	556	6944	10239	-3295
i) Assets	5636	3939	1697	556	4530	-3974
ii) Total Liabilities	6933	8074	-1141	6388	5709	679
of which: Non-Resident Deposits	6440	7293	-853	6325	4862	1463
b) Others	3	338	-335	216	34	182
4. Rupee Debt Service	**—**	**—**	**—**	**—**	**2**	**-2**
5. Other Capital	**6095**	**3133**	**2962**	**1725**	**792**	**933**
Total Capital Account (1to5)	**125642**	**94134**	**31508**	**62185**	**51202**	**10983**
C. Errors & Omissions	**616**	**—**	**616**	**200**	**—**	**200**
D. Overall Balance (Total Capital Account, Current Account and Errors & Omissions (A+B+C))	**206402**	**179664**	**26738**	**122778**	**115273**	**7505**
E. Monetary Movements (i+ii)	**—**	**26738**	**-26738**	**—**	**7505**	**-7505**
i) I.M.F.	—	—	—	—	—	—
ii) Foreign Exchange Reserves (Increase - / Decrease +)	—	26738	-26738	—	7505	-7505

No. 44: Foreign Exchange Reserves

End of	Foreign Currency Assets		Gold		SDRs			Reserve Tranche Position in IMF		**Total**	
	Rupees crore	In millions of US $	Rupees crore	In millions of US $	In millions of SDRs	Rupees crore	In millions of US $	Rupees crore	In millions of US $	**Rupees crore**	**In millions of US $**
1	2	3	4	5	6	7	8	9	10	**11= (2+4+7+9)**	**12 = (3+5+8+10)**
2002-03	3,41,476	71,890	16,785	3,534	3	19	4	3,190	672	3,61,470	76,100
2003-04	4,66,215	107,448	18,216	4,198	2	10	2	5,688	1,311	4,90,129	112,959
2004-05	5,93,121	135,571	19,686	4,500	3	20	5	6,289	1,438	6,19,116	141,514
2005-06	6,47,327	145,108	25,674	5,755	2	12	3	3,374	756	6,76,387	151,622
2006-07	8,36,597	191,924	29,573	6,784	1	8	2	2,044	469	8,68,222	199,179
2007-08	11,96,023	299,230	40,124	10,039	11	74	18	1,744	436	12,37,965	309,723
2006-07											
April	6,90,730	153,598	28,335	6,301	4	25	6	3,473	772	7,22,563	160,677
May	7,24,648	156,073	32,549	7,010	-	2	-	3,643	785	7,60,842	163,868
June	7,18,701	155,968	28,479	6,180	-	2	-	3,518	764	7,50,700	162,912
July	7,31,354	157,247	30,496	6,557	5	33	7	3,562	766	7,65,445	164,577
August	7,39,857	158,938	30,436	6,538	1	6	1	3,570	767	7,73,869	166,244
September	7,27,733	158,340	28,506	6,202	1	6	1	3,502	762	7,59,747	165,305
October	7,23,332	160,669	27,320	6,068	5	33	7	2,918	648	7,53,603	167,392
November	7,50,168	167,598	29,067	6,494	1	4	1	2,451	548	7,81,690	174,641
December	7,52,738	170,187	28,824	6,517	1	4	1	2,416	546	7,83,982	177,251
January	7,64,501	173,081	28,840	6,529	7	44	10	2,390	541	7,95,775	180,161
February	8,29,533	187,211	30,499	6,883	1	8	2	2,070	467	8,62,110	194,563
March	8,36,597	191,924	29,573	6,784	1	8	2	2,044	469	8,68,222	199,179
2007-08											
April	8,12,995	196,899	29,051	7,036	7	45	11	1,910	463	8,44,001	204,409
May	8,17,440	200,697	28,147	6,911	1	6	1	1,870	459	8,47,463	208,068
June	8,39,913	206,114	27,655	6,787	1	6	1	1,875	460	8,69,449	213,362
July	8,88,680	219,753	27,850	6,887	8	49	12	1,840	455	9,18,419	227,107
August	9,07,301	221,509	28,186	6,881	1	9	2	1,866	455	9,37,362	228,847
September	9,53,581	239,955	29,275	7,367	1	8	2	1,740	438	9,84,604	247,762
October	10,08,271	256,427	30,712	7,811	8	52	13	1,735	441	10,40,770	264,692
November	10,50,165	264,725	33,151	8,357	2	13	3	1,727	435	10,85,056	273,520
December	10,50,485	266,553	32,819	8,328	2	13	3	1,703	432	10,85,020	275,316
January	11,17,080	283,595	36,236	9,199	6	36	9	1,720	437	11,55,072	293,240
February	11,62,671	291,250	38,154	9,558	-	1	-	1,705	427	12,02,531	301,235
March	11,96,023	299,230	40,124	10,039	11	74	18	1,744	436	12,37,965	309,723
Mar. 7, 2008	11,89,438	293,471	38,154	9,558	-	1	-	1,749	431	12,29,342	303,460
Mar. 14, 2008	11,99,324	296,496	38,154	9,558	-	1	-	1,755	434	12,39,234	306,488
Mar. 21, 2008	11,91,856	294,649	38,154	9,558	11	74	18	1,748	432	12,31,832	304,657
Mar. 28, 2008	11,99,579	299,147	38,154	9,558	11	74	19	1,751	437	12,39,558	309,161
Apr. 4, 2008	12,04,671	301,394	40,124	10,039	11	74	18	1,736	434	12,46,605	311,885
Apr. 11, 2008	12,05,468	301,820	40,124	10,039	11	74	18	1,955	490	12,47,621	312,367

See 'Notes on Tables'

Foreign Exchange Reserves



No. 45: NRI Deposits-Outstanding and Inflows (+) /Outflows (-) @

(As at end - March) (US $ million)

SCHEME	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008 P
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1. FCNR(A) *	7,051	4,255	2,306	1	-	-	-	-	-	-	-	-	-	-
2.FCNR(B) **	3,063	5,720	7,496	8,467	7,835	8,172	9,076	9,673	10,199	10,961	11,452	13,064	15,129	14,081
3. NR(E)RA	4,556	3,916	4,983	5,637	6,045	6,758	7,147	8,449	14,923	20,559	21,291	22,070	24,495	26,750
4.NR(NR)RD +	2,486	3,542	5,604	6,262	6,618	6,754	6,849	7,052	3,407	1,746	232	-	-	-
5.NRO	-	-	-	-	-	-	-	-	-	-	-	1,148	1,616	2,838
Total	**17,156**	**17,433**	**20,389**	**20,367**	**20,498**	**21,684**	**23,072**	**25,174**	**28,529**	**33,266**	**32,975**	**36,282**	**41,240**	**43,669**

(US $ million)

SCHEME	2006-07 (End Month) R											
	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
1	2	3	4	5	6	7	8	9	10	11	12	13
1. FCNR(B) **	13,296	13,477	13,560	13,680	13,825	13,906	14,044	14,245	14,656	14,746	14,841	15,129
2. NR(E)RA	21,905	21,780	22,091	22,005	22,117	22,609	22,981	23,532	23,976	24,117	24,057	24,495
3. NRO	1,187	1,188	1,180	1,193	1,253	1,295	1,334	1,376	1,576	1,507	1,550	1,616
Total	**36,388**	**36,445**	**36,831**	**36,878**	**37,195**	**37,810**	**38,359**	**39,153**	**40,208**	**40,370**	**40,448**	**41,240**

(US $ million)

SCHEME	2007-08 (P) (End Month)											
	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
1	2	3	4	5	6	7	8	9	10	11	12	13
1. FCNR(B) **	15,170	15,124	15,319	15,397	15,234	15,362	15,386	15,261	14,758	14,459	14,311	14,081
2. NR(E)RA	25,675	25,694	25,438	25,801	25,377	26,284	26,397	26,149	26,078	26,726	26,815	26,750
3. NRO	1,739	1,767	1,846	1,887	2,134	2,033	2,063	2,108	2,198	2,439	2,592	2,838
Total	**42,584**	**42,585**	**42,603**	**43,085**	**42,745**	**43,679**	**43,846**	**43,518**	**43,034**	**43,624**	**43,718**	**43,669**

Inflow (+) /Outflow (-) During the Month (US $ million)

SCHEME	2006-07 (R)												
	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr-Mar
1	2	3	4	5	6	7	8	9	10	11	12	13	14
1. FCNR(B)	232	181	83	120	145	81	139	200	411	89	96	288	2,065
	(87)	-(155)	(13)	-(51)	(165)	-(34)	(79)	-(136)	(400)	(732)	(119)	(393)	(1,612)
2. NR(E)RA	21	294	420	139	99	213	-1	375	112	135	-36	59	1,830
	(33)	-(83)	-(3)	(37)	-(10)	(234)	-(14)	(314)	(238)	-(165)	(226)	(370)	(1,177)
3. NRO	49	23	-2	25	60	26	17	32	179	-69	44	42	426
	-(42)	(246)	-(27)	-(50)	(391)	(85)	(152)	(39)	(42)	(115)	-(54)	(33)	(930)
Total	**302**	**498**	**501**	**284**	**304**	**320**	**155**	**607**	**702**	**155**	**104**	**389**	**4,321**
	(78)	**(8)**	**-(17)**	**-(64)**	**(546)**	**(285)**	**(217)**	**(217)**	**(680)**	**(682)**	**(291)**	**(796)**	**(3,719)**

Inflow (+) /Outflow (-) During the Month (US $ million)

SCHEME	2007-08 (P)												
	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.-Mar.
1	2	3	4	5	6	7	8	9	10	11	12	13	
1. FCNR(B)	41	-46	195	78	-163	128	24	-125	-503	-299	-148	-230	-1,048
	(232)	(181)	(83)	(120)	(145)	(81)	(139)	(200)	(411)	(89)	(96)	(288)	(2,065)
2. NR(E)RA	-320	-265	-167	187	-122	126	-40	-205	-154	587	474	48	149
	(21)	(294)	(420)	(139)	(99)	(213)	-(1)	(375)	(112)	(135)	-(36)	(59)	(1,830)
3. NRO	22	9	85	29	269	-164	19	49	82	237	188	255	1,080
	(49)	(23)	-(2)	(25)	(60)	(26)	(17)	(32)	(179)	-(69)	(44)	(42)	(426)
Total	**-257**	**-302**	**113**	**294**	**-16**	**90**	**3**	**-281**	**-575**	**525**	**514**	**73**	**181**
	(302)	**(498)**	**(501)**	**(284)**	**(304)**	**(320)**	**(155)**	**(607)**	**(702)**	**(155)**	**(104)**	**(389)**	**(4,321)**

@ : All figures are inclusive of accrued interest. * : withdrawn effective August 1994. ** Introduced in May 1993.
+ Introduced in June 1992 and discontinued w.e.f April 2002 - : Not available R : Revised P: Provisional

Note: 1. FCNR(A) : Foreign Currency Non-Resident (Accounts). 2. FCNR(B) : Foreign Currency Non-Resident (Banks).
3. NR(E)RA : Non-Resident(External) Rupee Account. 4. NR(NR)RD : Non-Resident(Non-Repatriable) Rupee Deposits
5. NRO : Non-Resident Ordinary Rupee Account
6. Figures in the brackets represent inflows(+) outflows (-) during the corresponding month/period of the previous year

No. 46: Foreign Investment Inflows

(US $ million)

Item	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07(P)
1	2	3	4	5	6	7	8	9	10	11	12	13
A. Direct Investment (I+II+III)	**2,144**	**2,821**	**3,557**	**2,462**	**2,155**	**4,029**	**6,130**	**5,035**	**4,322**	**6,051**	**8,961**	**22,079**
I. Equity (a+b+c+d+e)	2,144	2,821	3,557	2,462	2,155	2,400	4,095	2,764	2,229	3,778	5,975	16,482
a. Government (SIA/FIPB)	1,249	1,922	2,754	1,821	1,410	1,456	2,221	919	928	1,062	1,126	2,156
b. RBI	169	135	202	179	171	454	767	739	534	1,258	2,233	7,151
c. NRI	715	639	241	62	84	67	35	–	–	–	–	–
d. Acquisition of shares *	11	125	360	400	490	362	881	916	735	930	2,181	6,278 ‡
e. Equity capital of unincorporated bodies #	..	..	..	..	..	61	191	190	32	528	435	897
II. Reinvested earnings +	..	..	..	..	..	1,350	1,645	1,833	1,460	1,904	2,760	5,091
III. Other capital ++	..	..	..	..	..	279	390	438	633	369	226	506
B. Portfolio Investment (a+b+c)	**2,748**	**3,312**	**1,828**	**-61**	**3,026**	**2,760**	**2,021**	**979**	**11,377**	**9,315**	**12,492**	**7,003**
a. GDRs/ADRs ##	683	1,366	645	270	768	831	477	600	459	613	2,552	3,776
b. FIIs **	2,009	1,926	979	-390	2,135	1,847	1,505	377	10,918	8,686	9,926	3,225
c. Offshore funds and others	56	20	204	59	123	82	39	2	-	16	14	2
Total (A+B)	**4,892**	**6,133**	**5,385**	**2,401**	**5,181**	**6,789**	**8,151**	**6,014**	**15,699**	**15,366**	**21,453**	**29,082**

(US $ million)

Item	2006-07 (P)											
	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
1	2	3	4	5	6	7	8	9	10	11	12	13
A. Direct Investment (I+II+III)	**661**	**538**	**523**	**1,127**	**619**	**916**	**1,698**	**1,151**	**5,130**	**1,921**	**698**	**603**
I. Equity (a+b+c+d+e)	661	538	523	1,127	619	916	1,698	1,151	5,130	1,921	698	603
a. Government (SIA/FIPB)	124	162	124	105	41	87	619	60	22	451	301	60
b. RBI	482	355	348	581	436	332	676	1,045	1,956	204	322	414
c. NRI	–	–	–	–	–	–	–	–	–	–	–	–
d. Acquisition of shares *	55	21	51	441	142	497	403	46	3,152 ‡	1,266	75	129
e. Equity capital of unincorporated bodies #	..	..	..	..	..	..	..	..	..	..	..	..
II. Reinvested earnings +	..	..	..	..	..	..	..	..	..	..	..	..
III. Other capital ++	..	..	..	..	..	..	..	..	..	..	..	..
B. Portfolio Investment (a+b+c)	**3,711**	**-3,334**	**-903**	**-309**	**1,212**	**1,238**	**1,755**	**2,236**	**-429**	**1,602**	**2,630**	**-2,406**
a. GDRs/ADRs ##	435	572	254	286	–	174	52	77	78	1,578	245	25
b. FIIs **	3,276	-3,906	-1,157	-595	1,212	1,064	1,703	2,159	-507	24	2,385	-2,433
c. Offshore funds and others	–	–	–	–	–	–	–	–	–	–	–	2
Total (A+B)	**4,372**	**-2,796**	**-380**	**818**	**1,831**	**2,154**	**3,453**	**3,387**	**4,701**	**3,523**	**3,328**	**-1,803**

(US $ million)

Item	2007-08 (P)												
	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.-Mar.
1	2	3	4	5	6	7	8	9	10	11	12	13	14
A. Direct Investment (I+II+III)	**1,643**	**2,120**	**1,238**	**705**	**831**	**713**	**2,027**	**1,864**	**1,558**	**1,767**	**5,670**	**4,438**	**29,893**
I. Equity (a+b+c+d+e)	1,643	2,120	1,238	705	831	713	2,027	1,864	1,558	1,767	5,670	4,438	25,074
a. Government (SIA/FIPB)	76	847	177	177	76	117	95	82	127	221	259	44	2,298
b. RBI	699	1,050	912	515	512	201	1,710	965	1,385	884	4,704	3,591	17,128
c. NRI	–	–	–	–	–	–	–	–	–	–	–	–	–
d. Acquisition of shares *	868	223	149	13	243	395	222	817	46	662	707	803	5,148
e. Equity capital of unincorporated bodies #	..	..	..	..	..	..	..	..	..	..	..	..	500
II. Reinvested earnings +	..	..	..	..	..	..	..	..	..	..	..	..	4,476
III. Other capital ++	..	..	..	..	..	..	..	..	..	..	..	..	343
B. Portfolio Investment (a+b+c)	**1,974**	**1,852**	**3,664**	**6,713**	**-2,875**	**7,081**	**9,564**	**-107**	**5,294**	**6,739**	**-8,904**	**-1,600**	**29,395**
a. GDRs/ADRs ##	11	5	300	2,028	448	1	2,731	158	2,708	249	87	43	8,769
b. FIIs **	1,963	1,847	3,279	4,685	-3,323	7,057	6,833	-265	2,396	6,490	-8,991	-1,643	20,328
c. Offshore funds and others	–	–	85	–	–	23	–	–	190	–	–	–	298
Total (A+B)	**3,617**	**3,972**	**4,902**	**7,418**	**-2,044**	**7,794**	**11,591**	**1,757**	**6,852**	**8,506**	**-3,234**	**2,838**	**59,288**

* : Relates to acquisition of shares of Indian companies by non-residents under Section 6 of FEMA, 1999. Data on such acquisitions have been included as part of FDI since January 1996.

** : Represents inflow of funds (net) by Foreign Institutional Investors (FIIs).

\# : Figures for equity capital of unincorporated bodies for 2006-07 and 2007-08 (April-December) are estimates.

\## : Represents the amount raised by Indian Corporates through Global Depository Receipts (GDRs) and American Depository Receipts (ADRs).

\+ : Data for 2006-07 and 2007-08 are estimated as average of previous two years. ++: Data pertain to inter company debt transactions of FDI entities.

‡ : Include swap of shares of US $ 3.1 billion.

Notes : 1. Data on FDI have been revised since 2000-01 with expanded coverage to approach international best practices.
2. These data, therefore, are not comparable with FDI data for previous years. Also see 'Notes on Tables 'of Table No 42&43.
3. Monthly data on components of FDI as per expanded coverage are not available.

No.47: Daily Foreign Exchange Spot Rates

(Rupees per Unit of Foreign Currency)

Date	RBI's Reference Rate Rs. Per Foreign Currency		FEDAI Indicative Rates							
	US Dollar	Euro	US Dollar		Pound Sterling		Euro		One Hundred Japanese Yen	
			Buying	Selling	Buying	Selling	Buying	Selling	Buying	Selling
1	2	3	4	5	6	7	8	9	10	11
March 3, 2008	40.2600	61.2600	40.2500	40.2600	79.8275	79.8600	61.2800	61.3125	39.1800	39.1975
March 4, 2008	40.2900	61.2000	40.2900	40.3000	79.9750	80.0125	61.2200	61.2400	38.9500	38.9625
March 5, 2008	40.2900	61.2300	40.3000	40.3100	79.9725	80.0125	61.2650	61.2875	38.9400	38.9575
March 6, 2008 +										
March 7 2008	40.5300	62.4000	40.5200	40.5300	81.5350	81.5700	62.3850	62.4125	39.4975	39.5150
March 10, 2008	40.6700	62.5400	40.6650	40.6750	82.0225	82.0525	62.5275	62.5550	39.8600	39.8775
March 11, 2008	40.4700	62.1100	40.4700	40.4800	81.2800	81.3150	62.1175	62.1450	39.6525	39.6700
March 12, 2008	40.3600	61.8600	40.3500	40.3600	81.2450	81.2800	61.9900	62.0125	39.1825	39.2075
March 13, 2008	40.4400	62.9000	40.4300	40.4400	82.0650	82.1025	62.9000	62.9275	40.4025	40.4250
March 14, 2008	40.4500	63.2000	40.4500	40.4600	82.2625	82.2950	63.2025	63.2300	40.3325	40.3550
March 17, 2008	40.7700	64.4800	40.7600	40.7700	82.1325	82.1675	64.4650	64.4950	41.9350	41.9650
March 18, 2008	40.6200	64.0900	40.6100	40.6200	81.2725	81.3100	64.0625	64.0950	41.7625	41.7850
March 19, 2008	40.4500	63.4800	40.4200	40.4300	81.1550	81.1950	63.4225	63.4550	40.6400	40.6650
March 20, 2008 +										
March 21, 2008 +										
March 24, 2008	40.3400	62.0100	40.3400	40.3500	79.8050	79.8375	62.0025	62.0350	40.3550	40.3775
March 25, 2008	40.1200	62.4100	40.1150	40.1250	79.9050	79.9400	62.3750	62.4025	40.0150	40.0325
March 26, 2008	40.1400	62.5900	40.1400	40.1500	80.3600	80.4000	62.5900	62.6150	40.0475	40.0700
March 27, 2008	40.1500	63.4100	40.1400	40.1500	80.5325	80.5700	63.3800	63.4125	40.5200	40.5475
March 28, 2008	40.1000	63.3100	40.0900	40.1000	80.3325	80.3675	63.2700	63.2975	40.1825	40.1975
March 31, 2008	39.9700	63.0900	39.9800	39.9900	79.4950	79.5325	63.0850	63.1075	40.0475	40.0825

\+ : Market closed.
FEDAI : Foreign Exchange Dealers' Association of India.
Note : Euro Reference rate was announced by RBI with effect from January 1, 2002.
Source : FEDAI for FEDAI rates.

No.48: Sale/Purchase of U.S. Dollar by the Reserve Bank of India

Month		Foreign Currency (US $ Million) Purchase (+)	Sale (-)	Net (+/-)	Rs. equivalent at contract rate (Rs. crore)	Cumulative (over end-April 2006) (US $ Million)	Cumulative (over end-April 2006) (Rs. crore)	Outstanding Net Forward Sales (-)/ Purchase (+) at the end of month (US $ Million)
1		2	3	4	5	6	7	8
2006-07								
April	2006	4,305.00	–	(+)4,305.00	(+)19,277.25	(+)4,305.00	(+)19,277.25	–
May	2006	504.00	–	(+)504.00	(+)2,268.05	(+)4,809.00	(+)21,545.31	–
June	2006	–	–	–	–	(+)4,809.00	(+)21,545.31	–
July	2006	–	–	–	–	(+)4,809.00	(+)21,545.31	–
August	2006	–	–	–	–	(+)4,809.00	(+)21,545.31	–
September	2006	–	–	–	–	(+)4,809.00	(+)21,545.31	–
October	2006	–	–	–	–	(+)4,809.00	(+)21,545.31	–
November	2006	3,198.00	–	(+)3,198.00	(+)14,355.56	(+)8,007.00	(+)35,900.87	–
December	2006	1,818.00	–	(+)1,818.00	(+)8,105.13	(+)9,825.00	(+)44,006.00	–
January	2007	2,830.00	–	(+)2,830.00	(+)12,537.05	(+)12,655.00	(+)56,543.05	–
February	2007	11,862.00	–	(+)11,862.00	(+)52,343.00	(+)24,517.00	(+)1,08,886.05	–
March	2007	2,307.00	–	(+)2,307.00	(+)10,108.41	(+)26,824.00	(+)1,18,994.46	–

Month		Foreign Currency (US $ Million) Purchase (+)	Sale (-)	Net (+/-)	Rs. equivalent at contract rate (Rs. crore)	Cumulative (over end-April 2007) (US $ Million)	Cumulative (over end-April 2007) (Rs. crore)	Outstanding Net Forward Sales (-)/ Purchase (+) at the end of month (US $ Million)
1		2	3	4	5	6	7	8
2007-08								
April	2007	2,055.00	–	(+) 2,055.00	(+) 8,835.47	(+) 2,055.00	(+) 8,835.47	–
May	2007	4,426.00	–	(+) 4,426.00	(+) 17,959.97	(+) 6,481.00	(+) 26,795.44	–
June	2007	3,192.00	–	(+) 3,192.00	(+) 12,995.99	(+) 9,673.00	(+) 39,791.42	–
July	2007	11,428.00	–	(+) 11,428.00	(+) 46,143.00	(+) 21,101.00	(+) 85,934.81	–
August	2007	1,815.00	–	(+) 1,815.00	(+) 7,333.69	(+) 22,916.00	(+) 93,268.50	–
September	2007	11,867.00	–	(+) 11,867.00	(+) 47,418.00	(+) 34,783.00	(+) 1,40,686.87	–
October	2007	12,544.00	–	(+) 12,544.00	(+) 49,581.07	(+) 47,327.00	(+) 1,90,267.94	(+) 4,990.00
November	2007	7,827.00	–	(+) 7,827.00	(+) 30,796.87	(+) 55,154.00	(+) 2,21,064.81	(+) 7,553.00
December	2007	2,731.00	–	(+) 2,731.00	(+) 10,772.86	(+) 57,885.00	(+) 2,31,837.66	(+) 8,238.00
January	2008	13,625.00	–	(+) 13,625.00	(+) 53,612.82	(+) 71,510.00	(+) 2,85,450.48	(+) 16,629.00
February	2008	3,884.00	–	(+) 3,884.00	(+) 15,424.17	(+) 75,394.00	(+) 3,00,874.65	(+) 16,178.00
March	2008	4,302.00	1,493.00	(+) 2,809.00	(+) 11,178.90	(+) 78,203.00	(+) 3,12,053.55	(+) 14,735.00

(+) : Implies Purchase including purchase leg under swaps and outright forwards.
(–) : Implies Sales including sale leg under swaps and outright forwards.
Note : This table is based on value dates.

No. 49 : Turnover in Foreign Exchange Market

(US $ million)

Position Date	Merchant						Inter-bank					
	FCY / INR			FCY / FCY			FCY / INR			FCY / FCY		
	Spot	Forward	Forward Cancellation	Spot	Forward	Forward Cancellation	Spot	Swap	Forward	Spot	Swap	Forward
1	2	3	4	5	6	7	8	9	10	11	12	13
Purchases												
Mar 3, 2008	2,483	2,295	585	1,002	1,157	886	6,548	8,485	602	6,097	2,120	206
Mar 4, 2008	2,916	919	563	554	1,170	826	4,358	7,867	700	4,092	2,040	114
Mar 5, 2008	1,713	897	380	482	1,071	871	3,981	7,193	540	4,505	2,454	202
Mar 6, 2008	51	8	1	–	22	24	16	6	4	89	12	12
Mar 7, 2008	2,969	1,622	511	843	1,574	1,164	6,526	6,567	780	6,640	2,889	261
Mar 10, 2008	2,432	1,307	568	644	1,128	1,121	5,419	7,750	446	4,896	2,535	232
Mar 11, 2008	2,614	907	453	679	966	810	4,035	6,411	428	6,021	1,537	89
Mar 12, 2008	2,291	1,310	587	479	1,146	874	4,328	7,278	699	5,184	2,460	179
Mar 13, 2008	2,350	1,114	731	798	1,495	1,163	5,236	7,139	765	6,062	2,017	281
Mar 14, 2008	2,803	942	602	588	736	599	5,207	7,989	791	4,607	1,717	148
Mar 17, 2008	2,489	1,590	622	796	1,826	1,378	6,192	10,722	690	7,517	1,900	158
Mar 18, 2008	3,186	991	840	502	1,659	1,232	5,507	7,439	1,679	4,684	1,570	175
Mar 19, 2008	2,513	1,430	915	649	1,664	1,279	4,547	5,526	949	5,463	1,749	355
Mar 20, 2008	159	100	2	–	8	4	114	36	1	189	71	49
Mar 21, 2008 +	–	–	–	–	–	–	–	–	–	–	–	–
Mar 24, 2008	3,143	1,077	941	938	1,026	1,144	4,053	6,847	466	4,287	1,321	361
Mar 25, 2008	2,812	1,121	925	753	1,161	1,007	7,386	6,364	655	5,251	2,111	114
Mar 26, 2008	2,564	990	944	641	1,251	1,356	4,731	6,937	589	5,356	2,646	57
Mar 27, 2008	5,923	1,408	1,991	1,505	1,594	1,448	7,302	8,843	1,156	5,113	3,186	514
Mar 28, 2008	3,267	1,662	1,388	480	905	1,086	5,652	7,454	1,264	4,200	2,153	261
Mar 31, 2008	3,266	2,488	2,142	598	898	1,546	7,515	8,769	1,604	5,287	3,315	279
Sales												
Mar 3, 2008	2,790	2,276	576	961	968	1,079	6,068	8,480	952	6,204	2,035	206
Mar 4, 2008	2,075	2,147	256	536	1,088	952	3,916	9,180	970	3,982	2,040	130
Mar 5, 2008	1,830	1,090	392	482	1,044	891	3,497	5,880	809	4,367	2,573	214
Mar 6, 2008	21	2	2	–	23	22	25	6	1	90	15	22
Mar 7, 2008	2,422	1,691	598	592	1,442	1,277	6,429	6,752	905	6,107	2,887	304
Mar 10, 2008	2,460	1,250	670	624	1,095	1,264	5,287	7,241	689	4,735	2,477	213
Mar 11, 2008	2,252	1,099	525	682	971	835	4,172	6,003	421	5,934	1,582	80
Mar 12, 2008	2,318	1,306	541	540	1,082	932	4,217	8,248	619	5,054	2,277	191
Mar 13, 2008	2,249	1,550	569	712	1,338	1,360	4,943	6,694	1,075	6,096	2,000	142
Mar 14, 2008	2,067	1,904	575	628	666	733	4,940	9,012	970	4,370	1,711	206
Mar 17, 2008	2,539	1,999	499	662	1,722	1,442	5,914	10,228	945	6,860	1,986	249
Mar 18, 2008	2,720	1,838	645	463	1,361	1,476	5,220	8,090	1,280	4,688	1,532	159
Mar 19, 2008	2,734	1,656	454	623	1,682	1,347	4,051	5,465	1,168	5,337	2,157	356
Mar 20, 2008	157	76	9	–	8	4	101	9	5	202	76	48
Mar 21, 2008 +	–	–	–	–	–	–	–	–	–	–	–	–
Mar 24, 2008	2,935	1,409	806	874	1,008	1,205	3,931	7,344	444	4,225	1,378	371
Mar 25, 2008	3,135	1,475	672	685	1,114	1,117	7,135	5,687	367	5,107	2,279	148
Mar 26, 2008	2,619	1,505	548	683	1,260	1,365	4,312	6,601	1,161	5,365	2,843	76
Mar 27, 2008	3,796	2,999	1,535	1,498	1,408	1,438	6,214	8,557	1,040	5,136	3,052	587
Mar 28, 2008	3,110	2,189	1,180	456	905	1,024	5,438	6,849	1,241	4,247	2,298	285
Mar 31, 2008	3,990	1,372	2,177	609	930	1,557	8,142	8,549	1,792	5,089	3,559	250

FCY : Foreign Currency. NIR : Indian Rupees. + : Market Closed.

Note : Data relate to sales and purchases of foreign exchange on account of merchant and inter-bank transactions. Data are provisional.

Table 50: Indices of Real Effective Exchange Rate (REER) and Nominal Effective Exchange Rate (NEER) of the Indian Rupee

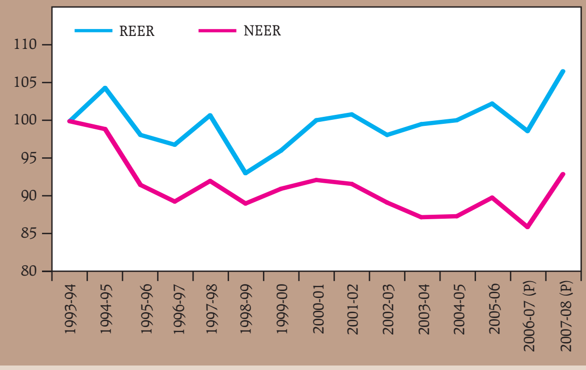
(36-Currency Export and Trade Based Weights)
(Base: 1993-94=100)*

Year	Trade Based Weights		Export Based Weights	
	REER	NEER	REER	NEER
1	2	3	4	5
1993-94	100.00	100.00	100.00	100.00
1994-95	104.32	98.91	104.88	98.18
1995-96	98.19	91.54	100.10	90.94
1996-97	96.83	89.27	98.95	89.03
1997-98	100.77	92.04	103.07	91.97
1998-99	93.04	89.05	94.34	90.34
1999-00	95.99	91.02	95.28	90.42
2000-01	100.09	92.12	98.67	90.12
2001-02	100.86	91.58	98.59	89.08
2002-03	98.18	89.12	95.99	87.01
2003-04	99.56	87.14	99.07	87.89
2004-05	100.09	87.31	98.30	88.41
2005-06	102.35	89.85	100.54	91.17
2006-07 (P)	98.51	85.89	97.44	87.46
2007-08 (P)	105.94	92.42	105.00	95.29

Year	Trade Based Weights		Export Based Weights	
	REER	NEER	REER	NEER
1	2	3	4	5
2005-06				
April	100.57	88.97	99.14	90.63
May	102.07	90.03	100.50	91.60
June	103.70	91.24	101.83	92.56
July	105.02	92.07	102.96	93.23
August	104.01	90.95	102.19	92.32
September	103.91	90.38	101.99	91.73
October	102.54	89.42	100.55	90.57
November	101.37	88.30	99.36	89.33
December	100.59	88.06	98.69	89.18
January	101.47	89.41	99.78	90.80
February	101.74	89.88	100.01	91.22
March	101.25	89.52	99.53	90.88
2006-07 (P)				
April	98.19	87.73	97.14	89.17
May	96.42	85.43	95.64	87.11
June	96.57	85.11	95.55	86.60
July	95.72	84.22	94.75	85.73
August	95.61	83.61	94.61	85.12
September	97.98	84.65	96.74	86.04
October	99.94	86.18	98.59	87.52
November	100.32	86.50	99.24	88.11
December	99.16	85.89	98.24	87.67
January	100.73	87.05	99.56	88.71
February	100.71	87.20	99.57	88.86
March	100.75	87.11	99.61	88.84
2007-08 (P)				
April	103.46	91.50	102.50	92.89
May	106.84	94.38	105.83	95.83
June	106.82	93.24	105.61	96.07
July	106.90	93.09	105.80	96.08
August	106.29	92.65	105.09	95.52
September	106.88	92.91	105.77	95.92
October	107.08	93.50	106.10	96.72
November	105.65	92.48	104.83	95.82
December	106.21	92.92	105.26	96.10
January	106.54	92.58	105.72	95.91
February	105.08	91.43	104.38	94.80
March	103.53	88.32	103.12	91.85

* For "Note on Methodology" and time series data on the indices presented here, please see December 2005 issue of this Bulletin.

Indices of REER and NEER of the Indian Rupee (Trade Based Weights)



Indices of REER and NEER of the Indian Rupee (Export Based Weights)

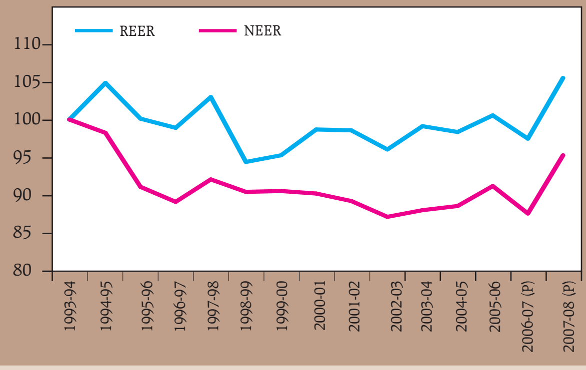


Table 51: Indices of Real Effective Exchange Rate (REER) and Nominal Effective Exchange Rate (NEER) of the Indian Rupee

(6-Currency Trade Based Weights)

Year/Month/Day		Base:1993-94 (April-March) =100		Base:2005-2006 (April-March) =100	
		NEER	REER	NEER	REER
1993-94		100.00	100.00	138.40	93.24
1994-95		96.96	105.82	134.13	98.62
1995-96		88.56	101.27	122.52	94.38
1996-97		86.85	101.11	120.15	94.24
1997-98		87.94	104.41	121.66	97.31
1998-99		77.49	96.14	107.20	89.61
1999-00		77.16	97.69	106.75	91.04
2000-01		77.43	102.82	107.11	95.83
2001-02		76.04	102.71	105.20	95.72
2002-03		71.27	97.68	98.60	91.04
2003-04		69.97	99.17	96.79	92.43
2004-05		69.58	101.78	96.26	94.86
2005-06		72.28	107.30	100.00	100.00
2006-07		68.93	105.47	95.36	98.30
2005-06	April	71.16	104.38	98.44	97.28
	May	72.11	106.28	99.76	99.05
	June	73.29	108.20	101.40	100.84
	July	73.94	109.43	102.29	101.99
	August	72.95	108.33	100.93	100.96
	September	72.45	108.19	100.22	100.83
	October	71.75	107.20	99.26	99.91
	November	71.09	106.85	98.34	99.58
	December	71.03	106.36	98.27	99.13
	January	72.31	107.05	100.04	99.77
	February	72.88	107.91	100.82	100.57
	March	72.45	107.41	100.24	100.10
2006-07	April	71.04	105.75	98.28	98.56
	May	68.79	103.48	95.16	96.44
	June	68.21	103.06	94.36	96.05
	July	67.59	102.25	93.50	95.30
	August	67.08	102.14	92.81	95.19
	September	67.84	104.75	93.85	97.62
	October	69.11	107.25	95.61	99.96
	November	69.34	107.82	95.93	100.49
	December	68.82	106.39	95.21	99.15
	January	69.77	107.70	96.52	100.38
	February	69.88	107.71	96.68	100.39
	March	69.70	107.41	96.42	100.10
2007-08 (P)	April	72.18	111.59	99.86	104.01
	May	74.64	115.67	103.26	107.80
	June	74.83	115.28	103.52	107.44
	July	74.62	115.27	103.23	107.43
	August	73.91	114.24	102.25	106.47
	September (P)	74.11	115.14	102.53	107.31
	October (P)	74.92	115.91	103.65	108.03
	November (P)	73.82	114.03	102.13	106.27
	December (P)	74.17	114.67	102.61	106.87
	January (P)	73.87	114.60	102.20	106.80
	February (P)	73.01	112.76	101.00	105.10
	March (P)	70.00	110.33	96.83	102.83
	As on				
	March 19 (P)	69.44	109.66	96.07	102.20
	March 28 (P)	69.90	110.97	96.71	103.43
	April 4 (P)	70.48	112.48	97.50	104.83
	April 11 (P)	70.42	112.68	97.42	105.02
	April 17 (P)	70.13	112.22	97.01	104.59

Notes : 1. Rise in indices indicate appreciation of rupee and vice versa.
2. For "Note on Methodology" on the indices presented here, please see December 2005 issue of this Bulletin.
3. Base year 2005-06 is a moving one, which gets updated every year.

Notes on Tables

Table No. 1

(1) Annual data are averages of the months.

(2) Figures relate to last Friday of the month / year.

(3) Total of Rupee Securities held in Issue and Banking Departments.

(4) Relates to loans and advances only.

(5) Figures relate to the last Friday / last reporting Friday (in case of March).

(6) Total for Mumbai, Chennai, Kolkata and New Delhi only.

(7) Figures relate to last reporting Friday / March 31.

(8) Rates presented as low / high for the period indicated. The source of data prior to April 2000 issue of the Bulletin has been DFHI. The data from April 2000 issue of the Bulletin are not strictly comparable with that pertaining to earlier periods due to wider coverage of Call Market business.

(9) Relating to major banks.

(10) Relating to five major banks. PLR concept was introduced with effect from October 1994.

(11) Monthly data are averages of the weeks and annual data are averages of the months.

(12) Figures relate to the end of the month / year.

(13) Data relate to January – December.

(14) Cash Reserve Ratio of Scheduled Commercial Banks (excluding Regional Rural Banks).

Table No. 2

The gold reserves of Issue Department were valued at Rs.84.39 per 10 grams up to October 16, 1990 and from October 17, 1990 they are valued close to international market prices.

(1) Includes Government of India one rupee notes issued from July 1940.

(2) Includes (i) Paid-up Capital of Rs.5 crore (ii) Reserve Fund of Rs.6,500 crore (iii) National Industrial Credit (Long-Term Operations): Fund of Rs.16 crore and (iv) National Housing Credit (Long-Term Operations) Fund of Rs.190 crore.

(3) Includes cash, short-term securities and fixed deposits.

(4) Includes temporary overdrafts to State Governments.

(5) Figures in bracket indicate the value of gold held under other assets.

Table Nos. 3 & 4

The expression 'Banking System' or 'Banks' means (a) State Bank of India and its associates (b) Nationalised Banks (c) Banking companies as defined in clause 'C' of Section 5 of the Banking Regulation Act, 1949 (d) Co-operative banks (as far as scheduled co-operative banks are concerned) (e) Regional Rural Banks and (f) any other financial institution notified by the Central Government in this regard.

(1) Excludes borrowings of any scheduled state co-operative bank from the State Government and any Reserve Fund deposit required to be maintained with such bank by any co-operative society within the area of operation of such bank.

(2) Deposits of co-operative banks with scheduled state co-operative banks are excluded from this item but are included under 'Aggregate deposits'.

(3) Excludes borrowings of regional rural banks from their sponsor banks.

(4) Wherever it has not been possible to provide the data against the item 'Other demand and time liabilities' under 'Liabilities to the Banking System' separately, the same has been included in the item 'Other demand and time liabilities' under 'Liabilities to others'.

(5) Data reflect redemption of India Millennium Deposits (IMDs) on December 29, 2005.

(6) Other than from the Reserve Bank of India, NABARD and Export-Import Bank of India.

(7) Figures relating to scheduled banks' borrowings in India are those shown in the statement of affairs of the Reserve Bank of India. Borrowings against usance bills and/or promissory notes are under section 17(4) of the Reserve Bank of India Act, 1934.

(8) Includes borrowings by scheduled state co-operative banks under Section 17(4AA) of the Reserve Bank of India Act, 1934.

(9) As per the Statement of Affairs of the Reserve Bank of India.

(10) Advances granted by scheduled state co-operative banks to co-operative banks are excluded from this item but included under 'Loans, cash-credits and overdrafts'.

(11) At book value; it includes treasury bills and treasury receipts, treasury savings certificates and postal obligations.

(12) Includes participation certificates (PCs) issued by scheduled commercial banks to other banks and financial institutions.

(13) Includes participation certificates (PCs) issued by scheduled commercial banks to others.

(14) Figures in brackets relate to advances of scheduled commercial banks for financing food procurement operations.

Table No. 6

(1) Total of demand and time deposits from 'Others'.

(2) Includes borrowings from the Industrial Development Bank of India and National Bank for Agriculture and Rural Development.

(3) At book value; includes treasury bills and treasury receipts, treasury savings certificates and postal obligations.

(4) Total of 'Loans, cash credits and overdrafts' and 'Bills purchased and discounted'.

(5) Includes advances of scheduled state co-operative banks to central co-operative banks and primary co-operative banks.

Table No. 7

With a view to enable the banks to meet any unanticipated additional demand for liquidity in the context of the century date change, a 'Special Liquidity Support' (SLS) facility was made available to all scheduled commercial banks (excluding RRBs) for a temporary period from December 1, 1999 to January 31, 2000.

(1) With effect from April 13,1996, banks are provided export credit refinance against their rupee export credit and post-shipment export credit denominated in U.S. Dollars taken together.

(2) General Refinance Facility was replaced by Collateralised Lending Facility (CLF)/Additional Collateralised Facility (ACLF) effective April 21, 1999. ACLF was withdrawn with the introduction of Liquidity Adjustment Facility (LAF), effective June 5, 2000. CLF was withdrawn completely effective October 5, 2002.

(3) Special Liquidity Support Facility which was introduced effective September 17, 1998 was available upto March 31, 1999.

(4) Post-shipment credit denominated in US dollars (PSCFC) scheme was withdrawn effective February 8, 1996 and the refinance facility thereagainst was withdrawn effective April 13, 1996. The scheme of government securities refinance was terminated effective July 6, 1996.

Table No. 8

a) The data includes cheque clearing for both i.e. clearing houses managed by Reserve Bank of India and clearing houses managed by other banks. Separate paper based inter-bank clearing has been discontinued at all the centres, from June, 2005.

The other MICR Centres are Agra, Allahabad, Amritsar, Aurangabad, Baroda, Bhilwara, Coimbatore, Dehradun, Ernakulam, Erode, Gorakhpur, Gwalior, Hubli, Indore, Jabalpur, Jalandhar, Jameshedpur, Jammu, Jodhpur, Kolhapur, Kozhikode, Lucknow, Ludhiana, Madurai, Mangalore, Mysore, Nasik, Panaji, Pondicherry, Pune, Raipur, Rajkot, Ranchi, Selam, Solapur, Surat, Tiruchirapalli, Tirupur, Thrissur, Udaipur, Varanasi, Vijaywada and Vishakhapatnam.

b) Graphs: The graphs 3 and 4 on Paper and Electronic payments - the Electronic Payment System data include RTGS (customer and inter-bank) and CCIL operated systems.

Table No. 9A

The data pertain to retail electronic payment.

Table No. 9B

The data pertain to Large Value Payment Systems. The figures for CCIL, the operations pertain to selected services, are taken from the CCIL published data.

Table No. 10

(a) For details of money stock measures according to the revised series, reference may be made to January 1977 issue of this Bulletin (pages 70-134).

(b) Banks include commercial and co-operative banks.

(C) Financial year data relate to March 31, except scheduled commercial banks' data which relate to the last reporting Friday of March. For details, see the note on page S 963 of October 1991 issue of this Bulletin.

(d) Scheduled commercial banks' time deposits reflect redemption of Resurgent India Bonds (RIBs), since October 1, 2003 and of India Millennium Deposits (IMDs) since December 29, 2005.

(e) Data are provisional.

(1) Net of return of about Rs.43 crore of Indian notes from Pakistan upto April 1985.

(2) Estimated : ten-rupee commemorative coins issued since October 1969, two-rupee coins issued since November 1982 and five-rupee coins issued since November 1985 are included under rupee coins.

(3) Excludes balances held in IMF Account No.1, Reserve Bank of India Employees' Provident Fund, Pension Fund, Gratuity and Superannuation Fund and Co-operative Guarantee Fund, the amount collected under the Additional Emoluments (Compulsory Deposit) Act, 1974 and the Compulsory Deposit Scheme (Income-Tax Payers') Act.

(f) Revised in line with the new accounting standards and consistent with the Methodology of Compilation (June 1998). The revision is in respect of pension and provident funds with commercial banks which are classified as other demand and time liabilities and includes those banks which have reported such changes so far.

Table Nos. 11 & 13

(a) On the establishment of National Bank for Agriculture and Rural Development (NABARD), on July 12, 1982, certain assets and liabilities of the Reserve Bank were transferred to NABARD, necessitating some reclassification of aggregates in the sources of money stock from that date.

(b) Please see item (c) of notes to Table 10.

(C) Data are provisional.

(1) Includes special securities and also includes Rs.751.64 crore (equivalent of SDRs 211.95 million) incurred on account of Reserve Assets subscription to the IMF towards the quota increase effective December 11, 1992.

(2) Represents investments in bonds/shares of financial institutions, loans to them and holdings of internal bills purchased and discounted. Excludes since the establishment of NABARD, its refinance to banks.

(3) Inclusive of appreciation in the value of gold following its revaluation close to international market price effective October 17, 1990. Such appreciation has a corresponding effect on Reserve Bank's net non-monetary liabilities.

Table No. 11A

The conceptual basis of the compilation of the Commercial Bank Survey are available in the report of the Working Group on Money Supply: Analytics and Methodology of Compilation (Chairman: Dr. Y.V.Reddy), RBI Bulletin, July 1998, which recommended changes in the reporting system of commercial banks and the article entitled "New Monetary Aggregates: An Introduction", RBI Bulletin, October 1999.

(1) Time Deposits of Residents : These do not reckon non-residents' foreign currency repatriable fixed deposits (such as FCNR(B) deposits, Resurgent India Bonds (RIBs) and India Millennium Deposits (IMDs)) based on the residency criterion and exclude banks' pension and provident funds because they are in the nature of other liabilities and are included under 'other demand and time liabilities'.

(2) Short-term Time Deposits : Refers to contractual maturity of time deposits of up to and including gone year. This is presently estimated at 45.0 per cent of total domestic time deposits.

(3) Domestic Credit : It includes investments of banks in non-SLR securities, comprising commercial paper, shares and bonds issued by the public sector undertakings, private sector and public financial institutions and net lending to primary dealers in the call/term money market, apart from investment in government and other approved securities and conventional bank credit (by way of loans, cash credit, overdrafts and bills purchased and discounted).

(4) Net Foreign Currency Assets of Commercial Banks : Represent their gross foreign currency assets netted for foreign currency liabilities to non-residents.

(5) Capital Account : It consists of paid-up capital and reserves.

(6) Other Items (net) : It is the residual balancing the components and sources of the Commercial Banking Survey and includes scheduled commercial banks' other demand and time liabilities, net branch adjustments, net inter-bank liabilities, *etc.*

Table No. 11B

The conceptual basis of the compilation of new monetary aggregates are available in the report of the Working Group on Money Supply: Analytics and Methodology of Compilation (Chairman: Dr. Y.V. Reddy), RBI Bulletin, July 1998. A link series between the old and present monetary series has been published in the article entitled "New Monetary Aggregates: An Introduction", RBI Bulletin, October 1999.

(1) NM_2 and NM_3 : Based on the residency concept and hence does not directly reckon non-resident foreign currency repatriable fixed deposits in the form of FCNR(B) deposits, Resurgent India Bonds (RIBs) and India Millennium Deposits (IMDs).

(2) NM_2 : This includes M_1 and residents' short-term time deposits (including and up to the contractual maturity of one year) with commercial banks.

(3) Domestic Credit : Consistent with the new definition of bank credit which includes investments of banks in non-SLR securities, comprising of commercial paper, shares and bonds issued by the public sector undertakings, private sector and public financial institutions and net lending to primary dealers in the call/term money market. The RBI's loans and advances to NABARD would be included in the RBI credit to commercial sector. Other components such as credit to Government, investments in other approved securities and conventional bank credit remain unchanged.

(4) Net Foreign Assets of The Banking Sector : It comprises the RBI's net foreign assets and scheduled commercial banks' net foreign currency assets (refer to note 4 of Table 11A).

(5) Capital Account : It consists of paid-up capital and reserves.

(6) Other Items (net) of the Banking System : It is the residual balancing the components and sources of money stock, representing other demand and time liabilities *etc.* of the banking system.

Table No. 11C

The conceptual basis of the compilation of the Reserve Bank Survey is given in the report of the Working Group on Money Supply: Analytics and Methodology of Compilation (Chairman: Dr. Y.V. Reddy), RBI Bulletin, July 1998 and the article "New Monetary Aggregates: An Introduction", RBI Bulletin, October 1999. The components of reserve money (to be referred as M_0) remain unchanged. On the sources side, the RBI's refinance to the National Bank for Agriculture and Rural Development (NABARD), which was hitherto part of RBI's claims on banks has been classified as part of RBI credit to commercial sector. The Reserve Bank's net non-monetary liabilities are classified into capital account (comprising capital and reserves) and other items (net).

Table No. 12

Please see item (c) of notes to Table 10.

Table No. 27C

(a) Month-end yields for different integer valued residual maturities are estimated using interpolation technique on weighted average yields of select indicative securities derived from SGL transactions data on government securities observed during a select month-end day. Yield corresponding to each transaction in a security is calculated from the following Yield to Maturity (YTM) and price relationship.

$$P + bpi = \sum_{i=1}^{n} \frac{C/V}{1\,(1+{}^{y}/_{v})^{vt_i}} + \frac{F}{(1+{}^{y}/_{v})^{vt_n}}$$

Where,

P = price of the bond

bpi = broken period interest

c = annual coupon payment

y = yield to maturity

v = number of coupon payments in a year

n = number of coupon payments till maturity

F = Redemption payment of the bond

t_i = time period in year till i^{th} coupon payment

(b) The weighted average yield corresponding to each traded security on that particular day is calculated from the yields of all transactions on that security using amount (Face Value) traded as the weights.

(c) Broken period (number of days) is based on day count convention of 30 days a month and 360 days a year.

Table Nos. 29 & 30

Table 29 presents Index Numbers of Industrial Production (Sectoral and Use-based Classification). Due to revision of the indices of the mining sector and also the deletion of four items, *viz.,* radio receivers, photosensitised paper, chassis (assembly) for HCVs (bus, truck) and engines from the item–basket of the manufacturing sector, the IIP data have been revised from 1994-95 onwards. This has also resulted in the change in redistribution of weights in use-based classification of IIP. Table 30 contains data on manufacturing sector at two digit level of 17 groups along with general index and sectoral indices, *viz.,* Mining and Quarrying, Manufacturing and Electricity.

Table No. 31

(a) Figures exclude data on private placement and offer for sale but include amounts raised by private financial institutions.

(b) Equity shares exclude bonus shares.

(c) Preference shares include cumulative convertible preference shares and equi-preference shares.

(d) Debentures include bonds.

(e) Convertible debentures include partly convertible debentures.

(f) Non-convertible debentures include secured premium notes and secured deep discount bonds.

(g) Figures in brackets indicate data in respect of premium on capital issues which are included in respective totals.

Table No. 35

The ban on forward trading in gold and silver, effective November 14, 1962 and January 10, 1963, has been lifted with effect from April 1, 2003.

(1) In case Friday is a holiday, prices relate to the preceding working day.

Table No. 36

Annual data relate to average of the months April to March.

(1) The new series of index numbers with base 2001=100 was introduced from January 2006 and with that the compilation of the index numbers with the base year 1982 was discontinued. The linking factor can be used to work out the index numbers with the base year 2001 for data from January 2006 onwards.

(2) Based on indices relating to 78 centres.

Table No. 37

Annual data relate to average of the months April to March. The new series of index numbers with base 1984-85=100 was introduced from November 1987.

(1) Based on indices relating to 59 centres.

Table No. 38

Annual data relate to the average of the months July to June.

(1) With respect to base: July 1960 – June 1961=100.

(2) The new series of index numbers with base : July 1986 to June 1987 = 100 was introduced from November 1995 and with that the compilation of index numbers with base : July 1960 to June 1961 was discontinued. The linking factor given in this column can be used to work out the index numbers with old base (*i.e.*, 1960-61 = 100) for November 1995 and subsequent months.

(3) In the case of Assam, the old series (*i.e.*, with base 1960-61 = 100) was being compiled for the composite region *viz.* Assam, Manipur, Meghalaya and Tripura while the index of the new series (*i.e.*, with base 1986-87 = 100) has been compiled for each of the constituent States separately. The index for Assam region on old base can be estimated from the corresponding indices of the new series as under :

$$I^{A}_{O} = 5.89 \, [\, (0.8126 \times I^{A}_{N}) + (0.0491 \times I^{Ma}_{N}) + (0.0645 \times I^{Me}_{N}) + (0.0738 \times I^{T}_{N})]$$

where I_O and I_N represent the index numbers for old and new series, respectively, and superscripts A, Ma, Me and T indicate Assam, Manipur, Meghalaya and Tripura, respectively.

(4) Similarly, in the case of Punjab, where the old series (*i.e.*, with base 1960-61 = 100) was being compiled for the composite region, *viz.*, Punjab, Haryana and Himachal Pradesh, the index for the Punjab region on old base can be estimated as under :

$$I^{P}_{O} = 6.36 \, [(0.6123 \times I^{P}_{N}) + (0.3677 \times I^{Ha}_{N}) + (0.0200 \times I^{Hi}_{N})]$$

where I_O and I_N represent the index numbers for old and new series, respectively, and superscripts P, Ha and Hi indicate Punjab, Haryana and Himachal Pradesh, respectively.

(5) Indices for the State compiled for the first time from November, 1995.

(6) Consumer Price Index for Rural Labourers (including agricultural labourers) are compiled from November 1995 only.

(7) Average of 8 months (November 1995 - June 1996).

Table Nos. 39 & 40

The new series of index numbers with base 1993-94=100 was introduced in April 2000. Details regarding the scope and coverage of new series are published in June 2000 issue of the Bulletin.

Table No. 41

The foreign trade data relate to total sea, air and land trade, on private and government accounts. Exports are on f.o.b. basis and imports are on c.i.f. basis. Exports include re-exports of foreign merchandise previously imported to India and imports relate to foreign merchandise whether intended for home consumption, bonding or re-exportation. Direct transit trade, transshipment trade, passengers baggage, ship's stores, defence goods and transactions in treasure *i.e.* gold and current coins and notes, diplomatic goods, "proscribed substances" under Atomic Energy Act, 1962, are excluded from the trade data, while indirect transit trade, transactions in silver (other than current coins) and in notes and coins not yet in circulation or withdrawn from circulation are included.

Table Nos. 42 & 43

(1) Data up to 1980-81 are final, subsequent data are preliminary actuals.

(2) Interest accrued during the year and credited to NRI deposits has been treated as notional outflow under invisible payments and added as reinvestment in NRI deposits under Banking Capital – NRD.

(3) The item "Non-monetary Gold Movement" has been deleted from Invisibles in conformity with the IMF Manual on BOP (5th edition) from May 1993 onwards; these entries have been included under merchandise.

(4) Since 1990-91 the value of defence related imports are recorded under imports (merchandise debit) with credits financing such imports shown under "Loans (External Commercial Borrowings to India)" in the capital account. Interest payments on defence debt owed to the General Currency Area (GCA) are recorded under Investment Income debit and principal repayments under debit to "Loans (External Commercial Borrowings to India)". In the case of the Rupee Payment Area (RPA), interest payment on and principal repayment of debt is clubbed together and shown separately under the item "Rupee Debt Service" in the capital account. This is in line with the recommendations of the High Level Committee on Balance of Payments (Chairman : Dr. C. Rangarajan).

(5) In accordance with the provisions of IMF's Balance of Payments Manual (5th Edition), gold purchased from the Government of India by the RBI has been excluded from the BOP statistics. Data from the earlier years have, therefore, been amended by making suitable adjustments in "Other Capital Receipts" and "Foreign Exchange Reserves". Similarly, item "SDR Allocation" has been deleted from the table.

(6) In accordance with the recommendations of the Report of the Technical Group on Reconciling of Balance of Payments and DGCI & S Data on Merchandise Trade, data on gold and silver brought in by the Indians

returning from abroad have been included under import payments with contra entry under Private Transfer Receipts since 1992-93.

(7) In accordance with the IMF's Balance of Payments Manual (5th edition), 'compensation of employees' has been shown under head, "income" with effect from 1997-98; earlier, 'compensation of employees' was recorded under the head "Services – miscellaneous".

(8) Since April 1998, the sales and purchases of foreign currency by the Full Fledged Money Changers (FFMC) are included under "travel" in services.

(9) Exchange Rates : Foreign currency transactions have been converted into rupees at the par/central rates up to June 1972 and on the basis of average of the Bank's spot buying and selling rates for sterling and the monthly averages of cross rates of non-sterling currencies based on London market thereafter. Effective March 1993, conversion is made by crossing average spot buying and selling rate for US dollar in the forex market and the monthly averages of cross rates of non-dollar currencies based on the London market.

Explanatory Notes

Balance of payments is a statistical statement that systematically summarises, for a specific time period, the economic transactions of an economy with the rest of the world.

Merchandise credit relate to export of goods while ***merchandise debit*** represent import of goods.

Travel covers expenditure incurred by non-resident travellers during their stay in the country and expenditure incurred by resident travellers abroad.

Transportation covers receipts and payments on account of international transportation services.

Insurance comprises receipts and payments relating to all types of insurance services as well as reinsurance.

Government not included elsewhere (G.n.i.e.) relates to receipts and payments on government account not included elsewhere as well as receipts and payments on account of maintenance of embassies and diplomatic missions and offices of international institutions.

Miscellaneous covers receipts and payments in respect of all other services such as communication services, construction services, software services, technical know-how, royalties, *etc.*

Transfers (official, private) represent receipts and payments without a quid pro quo.

Investment Income transactions are in the form of interest, dividend, profit and others for servicing of capital transactions. Investment income receipts comprise interest received on loans to non-residents, dividend/profit received by Indians on foreign investment, reinvested earnings of Indian FDI companies abroad, interest received on debentures, floating rate notes (FRNs), Commercial Papers (CPs), fixed deposits and funds held abroad by ADs out of foreign currency loans/export proceeds, payment of taxes by non-residents/refunds of taxes by foreign governments, interest/discount earnings on RBI investment. *etc.* Investment income payments comprise payment of interest on non-resident deposits, payment of interest on loans from non-residents, payment of dividend/profit to non-resident share holders, reinvested earnings of the FDI companies, payment of interest on debentures, FRNs, CPs, fixed deposits, Government securities, charges on Special Drawing Rights (SDRs), *etc.*

Foreign investment has two components, namely, foreign direct investment and portfolio investment.

Foreign direct investment (FDI) to and by India up to 1999-2000 comprise mainly equity capital. In line with international best practices, the coverage of FDI has been expanded since 2000-01 to include, besides equity capital reinvested earnings (retained earnings of FDI companies) and 'other direct capital' (intercorporate debt transactions between related entities). Data on equity capital include equity of unincorporated entities (mainly foreign bank branches in India and Indian bank branches operating abroad) besides equity of incorporated bodies. Data on reinvested earnings for the latest year are estimated as average of the previous two years as these data are available with a time lag of one year. In view of the above revision, FDI data are not comparable with similar data for the previous years. In terms of standard practice of BoP compilation, the above revision of FDI data would not affect India's overall BoP position as the accretion to the foreign exchange reserves would not undergo any change. The composition of BoP, however, would undergo changes. These changes relate to investment income, external commercial borrowings and errors and omissions. In case of reinvested earnings, there would be a contra entry (debit) of equal magnitude under investment income in the current account. 'Other Capital' reported as part of FDI inflow has been carved out from the figure reported under external commercial borrowings by the same amount. 'Other Capital' by Indian companies abroad and equity capital of unincorporated entities have been adjusted against the errors and omissions for 2000-01 and 2001-02.

Portfolio investment mainly includes FIIs' investment, funds raised through ADRs/GDRs by Indian companies and through offshore funds. Data on investment abroad, hitherto reported, have been split into equity capital and portfolio investment since 2000-01.

External assistance by India denotes aid extended by India to other foreign Governments under various agreements and repayment of such loans. External Assistance to India denotes multilateral and bilateral loans received under the agreements between Government of India and other Governments/International institutions and repayments of such loans by India, except loan repayment to erstwhile "Rupee area" countries that are covered under the Rupee Debt Service.

Commercial borrowings covers all medium/long term loans. Commercial Borrowings by India denote loans extended by the Export Import Bank of India (EXIM bank) to various countries and repayment of such loans. Commercial Borrowings to India denote drawals/repayment of loans including buyers' credit, suppliers' credit, floating rate notes (FRNs), commercial paper (CP), bonds, foreign currency convertible bonds (FCCBs) issued abroad by the Indian corporate, *etc.* It also includes India Development Bonds (IDBs), Resurgent India Bonds (RIBs), India Millennium Deposits (IMDs).

Short term loans denotes drawals in respect of loans, utilised and repayments with a maturity of less than one year.

Banking capital comprises of three components : a) foreign assets of commercial banks (ADs), b) foreign liabilities of commercial banks (ADs), and c) others. 'Foreign assets' of commercial banks consist of (i) foreign currency holdings, and (ii) rupee overdrafts to non-resident banks. 'Foreign liabilities' of commercial banks consists of (i) Non-resident deposits, which comprises receipt and redemption of various non-resident deposit schemes, and (ii) liabilities other than non-resident deposits which comprises rupee and foreign currency liabilities to non-resident banks and official and semi-official institutions. 'Others' under banking capital include movement in balances of foreign central banks and international institutions like IBRD, IDA, ADB, IFC, IFAD, *etc.* maintained with RBI as well as movement in balances held abroad by the embassies of India in London and Tokyo.

Rupee debt service includes principal repayments on account of civilian and non-civilian debt in respect of Rupee Payment Area (RPA) and interest payment thereof.

Other capital comprises mainly the leads and lags in export receipts (difference between the custom data and the banking channel data). Besides this, other items included are funds held abroad, India's subscription to international institutions, quota payments to IMF, remittances towards recouping the losses of branches/subsidiaries and residual item of other capital transactions not included elsewhere.

Movement in reserves comprises changes in the foreign currency assets held by the RBI and SDR balances held by the Government of India. These are recorded after excluding changes on account of valuation. Valuation changes arise because foreign currency assets are expressed in US dollar terms and they include the effect of appreciation/depreciation of non-US currencies (such as Euro, Sterling, Yen) held in reserves.

Table No. 44

1. Gold is valued at average London market price during the month.
2. Conversion of SDRs into US dollars is done at exchange rates released by the International Monetary Fund (IMF).
3. Conversion of foreign currency assets into US dollars is done at week-end (for week-end figures) and month-end (for month-end figures) New York closing exchange rates.
4. Foreign exchange holdings are converted into rupees at rupee-US dollar RBI Holding rates.
5. Reserve Tranche Position (RTP) in IMF has been included in foreign exchange reserves from April 2, 2004 to match the international best practices. Foreign exchange reserves figures have accordingly been revised for 2002-03 and 2003-04 to include RTP position in the IMF.

Table No. 51

The 5-country indices of REER/NEER were replaced with new 6-currency indices in December 2005. The RBI Bulletin December 2005 carried a detailed article on the rationale and methodology for the replacement. A revision has now been undertaken in the construction of the 6-currency REER indices. This revision was necessitated by a sudden spurt in Chinese inflation indices during April-May, 2006. It may be mentioned that Chinese inflation indices are not readily available in the public domain. The National Bureau of Statistics provides only point-to-point inflation rates on a monthly basis in the public domain. In view of this, inflation indices were constructed taking into account the inflation rates with 1993-94 as the base year. It may be further mentioned that the period from January 1993 to December 1995 was marked by continuous double digit inflation rates in China. This lent an upward bias to the Chinese inflation indices (base: 1993-94=100) leading to a sharp fall in the value of 6-currency REER in April 2006. In order to remove the distortion in REER on account of sudden spurt in Chinese inflation numbers, a new series of Chinese inflation indices has been constructed taking 1990 as the base year (a year with much less volatility in inflation rates). Subsequently, the base year of the new series of Chinese inflation indices has been changed from 1990 to 1993-94 through splicing to facilitate the construction of the 6-currency REER (base 1993-94=100).