

MANUAL ON FINANCIAL AND BANKING STATISTICS

MARCH 2007



RESERVE BANK OF INDIA

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FOREWORD

Reserve Bank of India has prepared this 'Manual on Financial and Banking Statistics' on the recommendation of the Steering Committee set up by the Ministry of Statistics and Programme Implementation, Government of India. The objective of this reference manual is to provide a methodological framework for compilation of statistical indicators, encompassing various sectors, viz., monetary statistics, banking statistics, external sector statistics, fiscal sector statistics, etc., published by RBI. The manual is mainly devoted to the primary data compiled within the Bank following an integrated and uniform approach. This document is expected to facilitate better understanding of conceptual issues on measurement of statistical indicators on the subject.

Various departments of the Bank and NABARD provided basic inputs for this manual. Secretarial support for compilation of this voluminous work was undertaken in the Statistical Analysis Division, Department of Statistical Analysis and Computer Services of the Bank. The efforts of the officers concerned of the division, under the charge of Shri Radhey Shyam, Adviser, are commendable. In particular, Dr. Abhiman Das, Assistant Adviser, Ms. Manjusha Senapati, Research Officer and Shri Joice John, Research Officer, deserve special mention. Dr. K. S. Ramachandra Rao, Principal Adviser, provided overall guidance to the team for bringing out the publication.

June 1, 2007

Rakesh Mohan
Deputy Governor

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LIST OF ABBREVIATIONS

ACF	Auto-Correlation Function	CBS	Consolidated Banking Statistics
AD	Authorized Dealer	CC	Cash Credit
ADB	Asian Development Bank	CD	Certificate of Deposit
ADR	American Depository Receipt	CD Ratio	Credit Deposit Ratio
AFS	Annual Financial Statement	CDBS	Committee of Direction on Banking Statistics
AGM	Annual General Meeting	CF	Company Finance
AIRCSC	All India Rural Credit Survey Committee	CFRA	Combined Finance and Revenue Accounts
AO	Additive Outliers	CGRA	Currency and Gold Revaluation Account
AR	Auto Regression	CII	Confederation of Indian Industries
ARIMA	Auto-Regressive Integrated Moving Average	CO	Capital Outlay
AFS	Available For Sale	CP	Commercial Paper
ASSOCHAM	Associated Chambers of Commerce and Industry of India	CPI	Consumer Price Index
ATM	Asynchronous Transfer Mode	CPI-IW	Consumer Price Index for Industrial Workers
ATM	Automated Teller Machine	CR	Capital Receipts
BIS	Bank for International Settlements	CRAR	Capital to Risk Weighted Asset Ratio
BOI	Bank of India	CRR	Cash Reserve Ratio
BoP	Balance of Payments	CSIR	Council of Scientific and Industrial Research
BPM5	Balance of Payments Manual, 5th edition	CSO	Central Statistical Organisation
BPSD	Balance of Payments Division, DESACS, RBI	CVC	Central Vigilance Commission
BSCS	Basel Committee on Banking Supervision	DAP	Development Action Plan
BSR	Basic Statistical Returns	DBOD	Department of Banking Operations and Development
CAD	Capital Account Deficit	DBS	Department of Banking Supervision, RBI
CAG	Controller and Auditor General of India	DCA	Department of Company Affairs, (Now known as Ministry of Companies Affairs, MCA) Government of India

DCB	Demand Collection and Balance	EFR	Exchange Fluctuation Reserve
DCCB	District Central Cooperative Bank	EPF	Employees Provident Fund
DCM	Department of Currency Management, RBI	EUR	Euro
DD	Demand Draft	EXIM Bank	Export Import Bank of India
DDS	Data Dissemination Standards	FCA	Foreign Currency Assets
DEIO	Department of External Investments and Operations	FCCB	Foreign Currency Convertible Bond
DESACS	Department of Statistical Analysis & Computer Services, RBI	FCNR(B)	Foreign Currency Non-resident (Banks)
DGBA	Department of Government and Bank Accounts, RBI	FCNRA	Foreign Currency Non-resident Account
DGCI&S	Directorate General of Commercial Intelligence and Statistics	FCNRD	Foreign Currency Non-Repatriable Deposit
DI	Direct Investment	FDI	Foreign Direct Investment
DICGC	Deposit Insurance and Credit Guarantee Corporation of India	FEMA	Foreign Exchange Management Act
DID	Discharge of Internal Debt	FI	Financial Institution
DMA	Departmentalized Ministries Account	FICCI	Federation of Indian Chambers of Commerce and Industry
DRI	Differential Rate of Interest Scheme	FII	Foreign Institutional Investor
DSBB	Dissemination Standards Bulletin Board	FIMMDA	Fixed Income Money Market and Derivatives Association of India
DVP	Delivery versus Payment	FISIM	Financial Intermediation Services Indirectly Measured
ECB	External Commercial Borrowing	FLAS	Foreign Liabilities and Assets Survey
ECB	European Central Bank	FOF	Flow Of Funds
ECGC	Export Credit and Guarantee Corporation	FPI	Foreign Portfolio Investment
ECS	Electronic Clearing Scheme	FRA	Forward Rate Agreement
EDMU	External Debt Management Unit	FRBM	Fiscal Responsibility and Budget Management Act, 2003
EEA	Exchange Equalization Account	FRN	Floating Rate Note
EEC	European Economic Community	FSS	Farmers' Service Societies
EEFC	Exchange Earners Foreign Currency	FWG	First Working Group on Money supply

GDP	Gross Domestic Product	IFC	International Finance Corporation
GDR	Global Depository Receipt	IFC(W)	International Finance Corporation (Washington)
GFD	Gross Fiscal Deficit	IFCI	Industrial Finance Corporation of India
GFS	Government Finance Statistics	IFR	Investment Fluctuation Reserve Account
GIC	General Insurance Corporation	IFS	International Financial Statistics
GLS	Generalized Least Squares	IGLS	Iterative Generalized Least Squares
GNIE	Government Not Included Elsewhere	IIBI	Industrial Investment Bank of India
GoI	Government of India	IIP	Index of Industrial Production
GPD	Gross Primary Deficit	IIP/InIP	International Investment Position
G-Sec	Government Securities	IMD	India Millennium Deposits
HDFC	Housing Development Finance Corporation	IMF	International Monetary Fund
HFT	Held For Trading	IN	India
HICP	Harmonised Index of Consumer Prices	INR	Indian Rupee
HO	Head Office	IOTT	Input-Output Transaction Table
HUDCO	Housing & Urban Development Corporation	IP	Interest Payment
IBRD	International Bank for Reconstruction and Development	IRBI	Industrial Reconstruction Bank of India
IBS	International Banking Statistics	ISDA	International Swaps and Derivative Association
ICAR	Indian Council of Agricultural Research	ISIC	International Standard Industrial Classification
ICICI	Industrial Credit and Investment Corporation of India	ISO	International Standards Organization
ICMR	Indian Council of Medical Research	ITRS	International Transaction Reporting System
IDB	India Development Bonds	IWGEDS	International Working Group on External Debt Statistics
IDBI	Industrial Development Bank of India	KVIC	Khadi & Village Industries Corporation
IDD	Industrial Development Department	LAF	Liquidity Adjustment Facility
IFAD	International Fund for Agricultural Development	LAMPS	Large-sized Adivasi Multipurpose Societies

LAS	Loan & Advances by States	NBC	Non-Banking Companies
LBD	Land Development Bank	NBFC	Non Banking Financial Companies
LBS	Locational Banking Statistics	NEC	Not Elsewhere Classified
LERMS	Liberalised Exchange Rate Management System	NEER	Nominal Effective Exchange Rate
LIC	Life Insurance Corporation of India	NFA	Non-Foreign Exchange Assets
LS	Level Shift	NFD	Net Fiscal Deficit
LT	Long Term	NGO	Non-Governmental Organization
LTO	Long Term Operation	NHB	National Housing Bank
M1	Narrow Money	NIC	National Industrial Classification
M3	Broad Money	NIF	Note Issuance Facility
MA	Moving Average	NNML	Net Non-Monetary Liabilities
MCA	Ministry of Company Affairs	NPA	Non-Performing Assets
MIGA	Multilateral Investment Guarantee Agency	NPD	Net Primary Deficit
MIS	Management Information System	NPRB	Net Primary Revenue Balance
MMSE	Minimum Mean Squared Errors	NPV	Net Present Value
MoF	Ministry of Finance	NR(E)RA	Non-Resident (External) Rupee Account
MOF	Master Office File	NR(NR)RA	Non-Resident (Non-Repatriable) Rupee Account
MRM	Monitoring and Review Mechanism	NRE	Non-Resident External
MSS	Market Stabilisation Scheme	NRG	Non-Resident Government
MT	Mail Transfer	NRI	Non-Resident Indian
MTM	Mark-To-Market	NSC	National Statistical Commission
NABARD	National Bank for Agriculture and Rural Development	NSSF	National Small Savings Fund
NAC(LTO)	National Agricultural Credit (Long Term Operatiion)	OD	Over Draft
NAIO	Non Administratively Independent Office	ODA	Official Development Assistance
NAS	National Account Statistics	OECD	Organisation for Economic Cooperation and Development
NASSCOM	National Association of Software and Services Companies	OEKO	Organisaton for Economic Co-operation
		OFI	Other Financial Institutions
		OLTAS	OnLine Tax Accounting System

OMO	Open Market Operations	RIDF	Rural Infrastructure Development Fund
OSCB	Other Indian Scheduled Commercial Bank	RLA	Recoveries of Loans & Advances
PACF	Partial Auto-Correlation Function	RLC	Repayment of Loans to Centre
PACS	Primary Agriculture Credit Societies	RMB	Renminbi (Chinese)
PCARDB	Primary Cooperative Agriculture and Rural Development Bank	RNBC	Residuary Non-Banking Companies
PD	Primary Deficit	RO	Regional Office
PDAI	Primary Dealers Association of India	RoCs	Registrars of Companies
PDO	Public Debt Office	RPA	Rupee Payment Area
PDO-NDS	Public Debt Office-cum-Negotiated Dealing System	RPCD	Rural Planning and Credit Department, RBI
PDs	Primary Dealers	RR	Revenue Receipts
PES	Public Enterprises Survey	RRB	Regional Rural Bank
PF	Provident Fund	RTP	Reserve Tranche Position
PIO	Persons of Indian Origin	RUF	Revolving Underwriting Facility
PNB	Punjab National bank	RWA	Risk Weighted Asset
PO	Principal Office	SAM	Social Accounting Matrix
PRB	Primary Revenue Balance	SAS	Statistical Analysis System
PSE	Public Sector Enterprises	SBI	State Bank of India
PUC	Paid Up Capital	SC	Schedule Caste
QRR	Quick Review Report	SCARDB	State Cooperative Agriculture and Rural Development Bank
RBI	Reserve Bank of India	SCB	State Cooperative Bank
RD	Revenue Deficit	SCB	Scheduled Commercial Bank
RDBMS	Relational Database Management System	SCS	Size Class Strata
RE	Revenue Expenditure	SDDS	Special Data Dissemination Standards
REC	Rural Electrification Corporation	SDR	Special Drawing Right
REER	Real Effective Exchange Rate	SEBI	Securities and Exchange Board of India
RFC	Residents Foreign Currency	SEBs	State Electricity Boards
RIB	Resurgent India Bonds	SFC	State Financial Corporation
		SGL	Subsidiary General Ledger

SGSY	Swarnajayanthi Gram Swarrojgar Yojana	SWG	Second Working Group on Money Supply
SHGs	Self-Help Groups	TBs	Treasury Bills
SIDBI	Small Industries Development Bank of India	TC	Temporary Change
SIDC	State Industrial Development Corporation	TT	Telegraphic Transfer
SI-SPA	Systems Improvement Scheme under Special Project Agriculture	UBB	Uniform Balance Book
SJSRY	Swarna Jayanti Shahari Rojgar Yojana	UBD	Urban Banks Department
SLR	Statutory Liquidity Ratio	UCB	Urban Cooperative Bank
SLRS	Scheme for Liberation & Rehabilitation of Scavengers	UCN	Uniform Code Number
SMG	Standing Monitoring Group	US	United States
SNA	System of National Accounts	USD	US Dollars
SRWTO	Small road & Water Transport Operators	UTI	Unit Trust of India
SSI	Small-Scale Industries	VC	Venture Capital
SSSBES	Small Scale Service & Business Enterprises	WGMS	Working Group on Money Supply: Analytics and Methodology of Compilation
ST	Schedule Tribe	WPI	Wholesale Price Index
		WSS	Weekly Statistical Supplement
		YTM	Yield to Maturity
		ZO	Zonal Office

PREFACE

The Ministry of Statistics and Programme Implementation, Government of India, constituted a Steering Committee in 2005, under the chairmanship of Dr. S. Ray, DG&CEO, NSSO, for preparation of manuals on various statistical indicators/statistics covering various sectors of the economy. These manuals are expected to include all relevant information relating to methodological framework for statistical indicators/statistics to make them a comprehensive reference book. Such documents would also be ensuring adherence to the prescribed statistical standards and facilitate better understanding of the statistical indicators by the users. The work of preparing the **Manual on Financial and Banking Statistics** was entrusted to Reserve Bank of India (RBI).

As a broad guideline, the Committee decided that the “Manual on Financial and Banking Statistics shall contain all the relevant details of the existing sources, definitions, methodology adopted, etc., relating to *all financial transactions* in India. A brief working process of the statistics should also be mentioned in the methodology. The manual should be prepared as per the international standards as international community would also use this.” However, documentation in the form of a manual of all financial transactions in India, as envisaged by the Committee, is a daunting task. RBI is not the primary source of all financial transactions. A lot of data disseminated by RBI is indeed based on secondary sources. For example, the price statistics published regularly by RBI is based on the information supplied by the concerned department in the Ministry. A sizable data collected by RBI is used for statutory/control purposes and is not disseminated to the public domain. Therefore, the Bank decided to focus exclusively on primary data, including that of National Bank for Agriculture and Rural Development (NABARD), which are disseminated through various RBI/NABARD publications. The statistics of other financial institutions, including insurance and mutual funds, are not covered here. Developments till December 2005 are covered in the manual. The manual is presented in two parts, separately for Financial Statistics and Non-Financial Statistics, encompassing various sectors, viz., monetary statistics, banking statistics, external sector statistics, fiscal sector statistics, etc. As the data disseminated are generated from various sources, a collaborative approach was followed.

In order to present the information in a uniform fashion across manuals, the following guidelines are followed:

1. **Introduction** - Historical perspective/development of the statistical system relating to the area concerned, purpose, changing dimensions, etc.
2. **Measurement needs of the area** - Significance of the area, measurement needs and indicators.
3. **Concepts, Definitions and Classifications** - Statistical standards adopted in respect of above by the primary resources responsible for compiling the indicators/statistics; corresponding international standards/ UN recommendations and standards, if different from the standards referred to above, being used by other organization in the country; comments on how the

standards being used compare with International Standards; reasons which have necessitated adoption of standards different from international standards or standards adopted by other national organizations.

4. **Sources and Systems** - Sources of data, details relating to agencies involved in collection & compilation of data, organizational structure, delegation of responsibilities and kind of infrastructure, sampling methodology, frequency and method of data collection, use or possibility of use of modern technology like GIS, internet, etc., in data collection, title of the Act, if collection of data is supported by or is byproduct of administration of any Act and enabling provision therein, penalties for defaulters, etc.
5. **Ensuring Quality Standards** - Arrangements to ensure adherence to the laid down statistical standards.

Several departments of RBI, viz., Department of Statistical Analysis and Computer Services (DESACS), Department of Economic Analysis and Policy (DEAP), Internal Debt Management Department (IDMD), Department of External Investments and Operations (DEIO), Rural Planning and Credit Department (RPCD), Department of Banking Supervision (DBS), Department of Non-Banking Supervision (DNBS), Urban Banks Department (UBD), and Monetary Policy Department (MPD) and NABARD were involved in providing basic material for the manual. Statistical Analysis Division of DESACS, RBI, provided the secretarial support for consolidation and preparation of the manual.

PART I – FINANCIAL STATISTICS

1. MONETARY STATISTICS

1.1 INTRODUCTION

The Reserve Bank of India has a long tradition of compilation and dissemination of monetary statistics, since July 1935. In view of the ongoing changes in the Indian economy as well as the developments in monetary sector, working groups were set up periodically to review and refine the monetary aggregates. Three working groups were set up so far, viz., the First Working Group on Money Supply (FWG) (1961), the Second Working Group (SWG) (1977) and the "Working Group on Money Supply: Analytics and Methodology of Compilation" (WGMS) (Chairman: Dr. Y.V. Reddy) (1998). Monetary statistics at present are compiled on a balance sheet framework with data drawn from the banking sector and postal authorities. The rationale and analytical foundations behind the compilation of monetary aggregates have been provided to the public through various reports, especially through the reports of the various working groups. Monetary aggregates are published on a regular basis in most of the major publications of RBI, such as Bank's Annual Report, Report on Currency and Finance, Handbook of Statistics, RBI Bulletin, Weekly Statistical Supplement, etc.

There is no unique definition of 'money', either as a concept in economic theory or as measured in practice. Money is a means of payment and thus a lubricant that facilitates exchange. Money also acts as a store of value and a unit of account. In the real world, however, money provides monetary services along with tangible remuneration. It is for this reason that money has to have relationship with the activities that economic entities pursue. Money can, therefore, be defined for policy purposes as the set of liquid financial assets, the variation in the stock of which could impact on aggregate economic activity. As a statistical concept, money could include certain liquid liabilities of a particular set of financial intermediaries or other issuers. Thus, like other countries, a range of monetary and liquidity measures are compiled in India.

1.2. CONCEPTS AND DEFINITIONS

Various monetary and liquidity aggregates are compiled in India and their definitions are set out Table 1.

Table 1.1: Measures of Monetary and Liquidity Aggregates

Reserve Money	= Currency in circulation + Bankers' deposits with the RBI + 'Other' deposits with the RBI = Net RBI credit to the Government + RBI credit to the commercial sector + RBI's claims on banks + RBI's net foreign assets + Government's currency liabilities to the public - RBI's net non-monetary liabilities
M_1	= Currency with the public + Demand deposits with the banking system + 'Other' deposits with the RBI.
M_2	= M_1 + Savings deposits of post office savings banks
M_3	= M_1 + Time deposits with the banking system = Net bank credit to the Government + Bank credit to the commercial sector + Net foreign exchange assets of the banking sector + Government's currency liabilities to the public - Net non-monetary liabilities of the banking sector
M_4	= M_3 + All deposits with post office savings banks (excluding National Savings Certificates).
NM_1	= Currency with the public + Demand deposits with the banking system + 'Other' deposits with the RBI.
NM_2	= NM_1 + Short-term time deposits of residents (including and up to the contractual maturity of one year).
NM_3	= NM_2 + Long-term time deposits of residents + Call/Term funding from financial institutions.

L_1	= NM_3 + All deposits with the post office savings banks (excluding National Savings Certificates).
L_2	= L_1 + Term deposits with term lending institutions and refinancing institutions (FIs) + Term borrowing by FIs + Certificates of deposit issued by FIs.
L_3	= L_2 + Public deposits of non-banking financial companies.
Net bank credit to the Government	= Net RBI credit to the Government (i.e., Net RBI Credit to the Centre + Net RBI Credit to State Governments) + Other banks' credit to the Government
Bank credit to the commercial sector	= RBI credit to the commercial sector + Other banks' credit to the commercial sector
Net foreign assets of the banking sector	= RBI's net foreign assets + Other banks' foreign assets
Net non-monetary liabilities of the banking sector	= RBI's net non-monetary liabilities + Net non-monetary liabilities of other banks.

Various components of monetary and liquidity aggregates are further set out below:

'Currency in circulation' includes notes in circulation, rupee coins and small coins. Rupee coins and small coins in the balance sheet of the Reserve Bank of India include ten-rupee coins issued since October 1969, two rupee-coins issued since November 1982 and five rupee coins issued since November 1985. Currency with the public is arrived at after deducting cash with banks from total currency in circulation, as reported by RBI.

'Bankers' deposits with the Reserve Bank' represent balances maintained by banks in the current account with the Reserve Bank mainly for maintaining Cash Reserve Ratio (CRR) and as working funds for clearing adjustments. 'Other' Deposits with the Reserve Bank, for the purpose of monetary compilation, include deposits from foreign central banks, multilateral

institutions, financial institutions and sundry deposits net of IMF Account No.1.

'Net Reserve Bank credit to Government' includes the Reserve Bank's credit to Central as well as State Governments. It includes ways and means advances and overdrafts to the Governments, the Reserve Bank's holdings of Government securities, and the Reserve Bank's holdings of rupee coins less deposits of the concerned Government with the Reserve Bank. The Reserve Bank's claims on banks include loans to the banks including NABARD. In case of the new monetary aggregates, the RBI's refinance to the NABARD, which was earlier part of RBI's claims on banks, has been classified as part of RBI credit to commercial sector.

The 'Reserve Bank's credit to the commercial sector' represents investments in bonds/shares of financial institutions, loans to them and holdings of internal bills purchased and discounted. 'Government's currency liabilities to the public' comprise rupee coins and small coins.

The Reserve Bank's net foreign assets are its holdings of foreign currency assets and gold. The gold reserves of Issue Department of the Reserve Bank were valued at Rs. 21.24 per tola till October 5, 1956; thereafter, at Rs. 62.50 per tola till January 31, 1969 and subsequently at Rs. 98.44 per tola (Rs.84.39 per 10 gms) up to October 16, 1990. From October 17, 1990 gold is valued at the end of the month at 90 per cent of the daily average price quoted at London for the month. The rupee equivalent is determined on the basis of exchange rate prevailing on the last business day of the month. Unrealised gains/ losses are adjusted to the Currency and Gold Revaluation Account (CGRA). The Reserve Bank's net foreign exchange assets take into account the impact 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.

'Other liabilities of the Reserve Bank' include internal reserves and provisions of the Reserve Bank such as Exchange Equalisation Account (EEA), Currency and Gold Revaluation Account

(CGRA), Contingency Reserve and Asset Development Reserve. The reserves, viz., Contingency Reserve, Asset Development Reserve, CGRA and EEA reflected in 'Other Liabilities' are in addition to the 'Reserve Fund' of Rs.6,500 crore held by the Reserve Bank as a distinct balance sheet head. Gains/losses on valuation of foreign currency assets and gold due to movements in the exchange rates and/or prices of gold are not taken to Profit and Loss Account but instead booked under a balance sheet head named as CGRA. The balance represents accumulated net gain on valuation of foreign currency assets and gold. CGRA was earlier known as Exchange Fluctuation Reserve (EFR). The balance in EEA represents provision made for exchange losses arising out of forward commitments. Contingency Reserve represents the amount set aside on a year-to-year basis for meeting unexpected and unforeseen contingencies including depreciation in value of securities, exchange guarantees and risks arising out of monetary/ exchange rate policy compulsions. In order to meet the internal capital expenditure and make investments in subsidiaries and associate institutions, a further specified sum is provided and credited to the Asset Development Reserve.

'Net non-monetary liabilities (NNML) of the Reserve Bank' are liabilities which do not have any monetary impact. These comprise items such as the Reserve Bank's paid-up capital and reserves, contribution to National Funds (NIC-LTO Fund and NHC-LTO Fund), RBI employees' PF and superannuation funds, bills payable, compulsory deposits with the RBI, RBI's profit held temporarily under other deposits, amount held in state Governments Loan Accounts under other deposits, IMF quota subscription and other payments and other liabilities of RBI less net other assets of the RBI. Similarly, NNML of banks include items such as their capital, reserves, provisions, etc. NNML of the banking sector includes NNML of the Reserve Bank and that of other banks.

'Currency with the public' is currency in circulation less cash held by banks. 'Demand deposits' include all liabilities which are payable on demand and they include current deposits,

demand liabilities portion of savings bank deposits, margins held against letters of credit/ guarantees, balances in overdue fixed deposits, cash certificates and cumulative/ recurring deposits, outstanding Telegraphic Transfers (TTs), Mail Transfers (MTs), Demand Drafts (DDs), unclaimed deposits, credit balances in the Cash Credit account and deposits held as security for advances which are payable on demand. Money at Call and Short Notice from outside the Banking System is shown against liability to others.

'Time deposits' are those which are payable otherwise than on demand and they include fixed deposits, cash certificates, cumulative and recurring deposits, time liabilities portion of savings bank deposits, staff security deposits, margin money held against letters of credit if not payable on demand, India Millennium Deposits and Gold Deposits.

'Net bank credit to Government' comprise the RBI's net credit to Central and State Governments and commercial and co-operative banks' investments in Central and State Government securities. 'Bank credit to commercial sector' include RBI's and other bank's credit to commercial sector. Other banks' credit to commercial sector includes banks' loans and advances to the commercial sector (including scheduled commercial banks' food credit) and banks' investments in "other approved" securities.

The acronyms NM_1 , NM_2 and NM_3 are used to distinguish the new monetary aggregates [as proposed by the Working Group on Money Supply: Analytics and Methodology of Compilation (WGMS) (Chairman: Dr. Y.V. Reddy), June 1998] from the existing monetary aggregates. NM_2 and NM_3 are based on the residency concept and hence do 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). Residency essentially relates to the country in which the holder has a centre of economic interest. Currency and deposits held by the non-residents in the rest of the world sector would be related

to balance of payments considerations such as international capital flows rather than to the domestic demand for monetary assets or to the use of money in domestic transactions. While there is a need to categorise deposit liabilities by residency, it may not be appropriate to exclude all categories of non-resident deposits from domestic monetary aggregates as non-resident rupee deposits are essentially integrated into the domestic financial system. Therefore, only non-resident repatriable foreign currency fixed deposits are excluded from deposit liabilities and treated as external liabilities. Accordingly, from among the various categories of non-resident deposits, FCNR(B), Resurgent India Bonds (RIBs), and India Millennium Deposits (IMDs) were classified as external liabilities and excluded from the domestic money stock. Other major features of the new monetary and liquidity aggregates are as follows:

1. Compilation of four measures of monetary aggregates, and three measures of liquidity aggregates besides a comprehensive financial sector survey. NM_0 is essentially the monetary base, compiled mainly from the balance sheet of the Reserve Bank of India; NM_1 purely reflects the non-interest bearing monetary liabilities of the banking sector; NM_2 includes besides currency and current deposits, saving and short-term deposits reflecting the transactions balances of entities. NM_3 was redefined to reflect additionally to NM_2 the call funding that the banking system obtains from other financial institutions.
2. Bank credit is often specifically referred, in monetary economics, as a critical variable affecting consumption and capital formation in a direct manner. As such it is often regarded as a more useful indicator of real sector activity than money supply. In India, one of the objectives of monetary policy is clearly stated in official documents as one of ensuring adequate flow of credit to the productive sectors of the economy. While credit to government from the banking system is clearly identified, bank credit to the commercial sector, includes only advances in the form of loans, cash credit,

overdrafts, bills purchased and discounted, and investments in approved securities other than government securities. However, commercial banks have in recent years been investing in securities such as commercial paper, shares and debentures issues by the commercial sector, which are not reflected in the conventional credit aggregates. The definition of bank credit has been broadened to include such investments.

3. Net foreign exchange assets (NFA) of the banking sector comprise the RBI's net foreign exchange assets and the net foreign currency assets of the banking system. Net foreign currency assets of the banking system comprise their holdings of foreign currency assets net of i) their holdings of non-resident repatriable foreign currency fixed deposits which is presently defined to include FCNR(B) deposits and ii) overseas foreign currency borrowings.
4. In the new monetary aggregate NM_3 , capital account consists of paid-up capital and reserves. 'Other Items (net)' is the residual, balancing the components and sources of the monetary and banking accounts and includes other demand and time liabilities, net inter-bank liabilities, etc., as applicable.

1.3 COVERAGE

At present monetary aggregates are compiled based on the data from the scheduled commercial banks, cooperative banks, urban cooperative banks and the post offices. The coverage of co-operative banks has increased over time (Table 1.2). As regards co-operative banks, data up to February 1970 include State co-operative banks, while the data from March 1970 onwards are inclusive of central co-operative banks and primary co-operative banks.

1.3.1 Changes in the Compilation

There was a change in the treatment of apportionment of savings deposits into its two components - demand and time in March 1978. Savings bank accounts are bifurcated into demand and time portions depending on whether interest is actually paid on such deposits. Banks are required to report such classification on the basis

of the position as at close of business at September 30 and March 31 instead of as at end-June and as at end-December as done hitherto.

monetary aggregates in India has been encapsulated in the table appended below (Table 1.2).

The evolution of methodology of compilation of

Table 1.2: Money Stock Measures: Evolution of Methodology of Compilation

First Working Group (FWG) (1961)	Second Working Group (SWG) (1977)	Working Group on Money Supply (WGMS) (1998)	REMARKS
1	2	3	4
Components (C)			
<i>C.I. Currency with the Public (C.I.1+C.I.2-C.I.3-C.I.4-C.I.5)</i>	<i>C.I. Currency with the Public (C.I.1+C.I.2-C.I.3-C.I.4)</i>	<i>C.I. Currency with the Public (C.I.1+C.I.2-C.I.3)</i>	
C.I.1 Notes in circulation	C.I.1 Notes in circulation	C.I.1 Notes in circulation	
C.I.2 Circulation of Rupee coins and small coins <i>i.e.</i> , Government's currency liabilities to the Public	C.I.2 Circulation of Rupee coins and small coins <i>i.e.</i> , Government's currency liabilities to the Public	C.I.2 Circulation of Rupee coins and small coins <i>i.e.</i> , Government's currency liabilities to the Public	Comprise rupee coins and small coins. Ten-rupee 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. Net of return of Indian notes from Pakistan.
C.I.3 Currency returned by Pakistan	C.I.3 Currency returned by Pakistan		
C.I.4 Cash in hand with banks <i>i.e.</i> , commercial banks and state co-operative banks	C.I.4 Cash in hand with the banking system <i>i.e.</i> , commercial banks, state co-operative banks, central co-operative banks and primary co-operative banks	C.I.3 Cash in hand with the banking system	The FWG considered only commercial and state co-operative banks while the SWG extended the coverage to central co-operative banks and primary co-operative banks consisting of urban co-operative banks and salary earners' societies.
C.I.5 Balance of the Central and State Governments held at treasuries			Since August 1967, balances held at treasuries have not been included in the measure in view of their meagre amounts.
<i>C.II. Aggregate Deposits with Banks (C.II.1+C.II.2)</i>	<i>C.II. Aggregate Deposits with the Banking System (C.II.1+C.II.2)</i>	<i>C.II. Aggregate Deposits held by Residents with the Banking System (C.II.1+C.II.2-C.II.2.2.1-C.II.2.3.1)</i>	With the inclusion of central and urban co-operative banks, the SWG treated inter-bank deposits with the banking system as part of net non-monetary liabilities [<i>i.e.</i> , other items (net) as defined by the Working Group on Money Supply

First Working Group (FWG) (1961)	Second Working Group (SWG) (1977)	Working Group on Money Supply (WGMS) (1998)	REMARKS
1	2	3	4
			(WGMS): Analytics and Methodology Compilation. The WGMS recommended that aggregate deposits should be on residency basis, thereby excluding repatriable foreign currency fixed deposits held by non-residents, e.g., FCNR(B) deposits, from money supply.
C.II.1 Demand Deposits with banks (including inter-bank demand deposits with state co-operative banks)	C.II.1 Demand Deposits with the banking system.	C.II.1 Demand Deposits with the banking system.	
C.II.2 Time Deposits with banks (including inter-bank time deposits with state co-operative banks)	C.II.2 Time Deposits with the banking system.	<p>C.II.2 Time Deposits held by Residents with the banking system. (C.II.2.1+C.II.2.2+C.II.2.3)</p> <p>C.II.2.1 Certificates of Deposit (CDs)</p> <p>C.II.2.2 Short-term¹ time deposits</p> <p>C.II.2.2.1 Foreign Currency Repatriable short-term¹ Fixed Deposits held by Non-Residents</p> <p>C.II.2.3 Long-term² time deposits</p> <p>C.II.2.3.1 Foreign Currency Repatriable long-term² Fixed Deposits held by Non-Residents</p> <p>C.II.3 Savings Accounts</p> <p>C.II.3.1 Time Liabilities portion of Savings Accounts</p>	The WGMS recommended a break-up of time deposits into CDs and other time deposits on the basis of maturity structure partitioned at one year.
C.III. 'Other' deposits with the RBI (C.III.1-C.III.2)	C.III. 'Other' deposits with the RBI (C.III.1-C.III.2-C.III.3-C.III.4-C.III.5)	C.III. 'Other' deposits with the RBI (C.III.1-C.III.2-C.III.3-C.III.4-C.III.5)	
C.III.1 Other Deposits with the RBI	C.III.1 Other Deposits with the RBI	C.III.1 Other Deposits with the RBI	

First Working Group (FWG) (1961)	Second Working Group (SWG) (1977)	Working Group on Money Supply (WGMS) (1998)	REMARKS
1	2	3	4
C.III.2 IMF Deposits with RBI in Account No.1 *	C.III.2 IMF Deposits with RBI in Account No.1 *	C.III.2 IMF Deposits with RBI in Account No.1 *	
	C.III.3 RBI Employees' Pension/ Provident/Co- operative Guarantee Funds	C.III.3 RBI Employees' Pension/ Provident/Co- operative Guarantee Funds	Balances under Reserve Bank Employees' Pension/Provident and Co-operative Guarantee Funds have been excluded from money supply since January 1964.
	C.III.4 Compulsory Deposits with RBI	C.III.4 Compulsory Deposits with RBI	Balances under Additional Emoluments (Compulsory Deposits) Act 1974 and the Compulsory Deposit Scheme (Income Tax Payers) Act were excluded from money supply effective August 16, 1974 and December 13, 1974, respectively.
	C.III.5 Profits of the RBI held temporarily under other deposits and subscriptions to state governments' loans pending allotment	C.III.5 Profits of the RBI held temporarily under other deposits and subscriptions to state governments' loans pending allotment	
	C.IV. Post Office Total Deposits C.IV.1 Post Office Savings Deposits	C.IV. Post Office Total Deposits C.IV.1 Post Office Savings Deposits	Post Office Deposits were included in the monetary aggregates by the SWG. The WGMS recommended that these should be part of liquidity aggregates.
		C.V. Call/Term Money Borrowings by Scheduled Commercial Banks from non-bank sources (excluding PDs)	Borrowings represent money at call and short notice obtained from outside the banking system, but exclude refinance from RBI and financial institutions.
C.IV. Money Supply with the Public (=C.I+C.II.1+C.III)	C.V. Narrow Money (M ₁)(=C.I+C.II.1+C.III)	C.VI. Narrow Money (M ₁)(=C.I+C.II.1+C.III)	There is a break in the M1 series following the reclassification of demand and time

*** IMF Account No. 1**

The IMF conducts its financial dealings with a member through the fiscal agency and the depository designated by the member. In addition, each member is required to designate its central bank as a depository for the IMF's holding of the member's currency, or if it has no central bank, a monetary agency or a commercial bank acceptable to IMF. Most members have designated their central banks as both the depository as well as the financial agency.

The depository maintains without any service charge or commission, two accounts that are used to record the IMF's holdings of the member's currency the IMF's account no. 1 and IMF's account no. 2. The no. 1 account is used for IMF transactions, including subscription payments, purchases and repurchases and repayment of resources borrowed by IMF.

First Working Group (FWG) (1961)	Second Working Group (SWG) (1977)	Working Group on Money Supply (WGMS) (1998)	REMARKS
1	2	3	4
			components of savings accounts <i>vide</i> circular DBOD.No.Ref.BC.127/C-96(Ret)-77 dated October 15, 1977.
	C.VI. M_2 (=C.V.+C.IV.1)	C.VII. M_2 (=C.VI + C.II.2.1 + C.II.2.2- C.II.2.2.1+ C.II.3.1)	
C.V. Aggregate Monetary Resources (=C.IV+C.II.2)	C.VII. Broad Money (M_3) (=C.V + C.II.2)	C.VIII. Broad Money (M_3) (=C.VII + C.II.2.3- C.II.2.3.1 + C.V)	Data on aggregate monetary resources proposed by the FWG were first published in the Bank's Annual Report 1964-65 and in the Report on Currency and Finance 1967-68.
	C.VIII. M_4 (=C.IV+C.VII.)		
		C.IX. L_1 (=C.IV+C.VIII)	
		C.X. Term Deposits of Financial Institutions (FIs) C.XI. Certificates of Deposit issued by FIs. C.XII. Term Borrowings by FIs. C.XIII. L_2 (=C.IX +C.X+ C.XI +C.XII)	Includes IDBI, ICICI, IFCI, IIBI, EXIM Bank, TFCI, NABARD, SIDBI and NHB
		C.XIV. Public Deposits by Non-Banking Financial Companies (NBFCs)	Includes NBFCs having public deposits of Rs. 20 crore or above
		C.XV. L_3 (=C.XIII + C.XIV)	
SOURCES (S)			
S.I Net Bank Credit to Government Sector (S.I.1+S.I.2)	S.I Net Bank Credit to Government Sector (S.I.1+S.I.2)	S.I Net Bank Credit to Government (S.I.1+S.I.2)	
S.I.1 Net RBI Credit to Government Sector (S.I.1.1 + S.I.1.2 + S.I.1.3+ S.I.1.4 + S.I.1.5- S.I.1.6+S.I.1.7-S.I.1.8)	S.I.1 Net RBI Credit to Government Sector (S.I.1.1+S.I.1.2)	S.I.1 Net RBI Credit to Government (S.I.1.1+S.I.1.2)	
	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 Net RBI Credit to Central Government (S.I.1.1.1+S.I.1.1.2 +	

First Working Group (FWG) (1961)	Second Working Group (SWG) (1977)	Working Group on Money Supply (WGMS) (1998)	REMARKS
1	2	3	4
	S.I.1.1.3 + S.I.1.1.4 + S.I.1.1.5 - S.I.1.1.6)	S.I.1.1.3 + S.I.1.1.4 + S.I.1.1.5-S.I.1.1.6)	
S.I.1.1 Loans and Advances to the Central Government	S.I.1.1.1 Loans and Advances to the Central Government	S.I.1.1.1 Loans and Advances to the Central Government	
S.I.1.2 Bills Purchased and Discounted	S.I.1.1.2 Bills Purchased and Discounted	S.I.1.1.2 Bills Purchased and Discounted	
S.I.1.3 Investments in Treasury Bills	S.I.1.1.3 Investments in Treasury Bills	S.I.1.1.3 Investments in short-term ¹ Central Government securities	
S.I.1.4 Investments in Government of India Securities	S.I.1.1.4 Investments in Central Government Securities	S.I.1.1.4 Investments in long-term ² Central Government Securities	
S.I.1.5 Rupee coins held by the RBI	S.I.1.1.5 Rupee coins held by the RBI	S.I.1.1.5 Rupee coins held by the RBI	
S.I.1.6 Deposits of the Central Government with the RBI	S.I.1.1.6 Deposits of the Central Government with the RBI	S.I.1.1.6 Deposits of the Central Government with the RBI	
	S.I.1.2 Net RBI credit to the State Government (S.I.1.2.1-S.I.1.2.2)	S.I.1.2 Net RBI credit to the State Government (S.I.1.2.1-S.I.1.2.2)	
S.I.1.7 Loans and Advances to State Governments	S.I.1.2.1 Loans and Advances to State Governments	S.I.1.2.1 Loans and Advances to State Governments	
S.I.1.8 Deposits of State Governments	S.I.1.2.2 Deposits of State Governments	S.I.1.2.2 Deposits of State Governments	
S.I.2 Other Banks' credit to Government (S.I.2.1 + S.I.2.2)	S.I.2 Other Banks' credit to Government (=S.I.2.1)	S.I.2 Credit to Government by the Banking System (S.I.2.1 + S.I.2.2)	
S.I.2.1 Other Banks' investments in Government securities	S.I.2.1 Other Banks' investments in Government securities	S.I.2.1 Investments in short-term Government securities by the Banking System	Treasury Bills are to be valued at carrying cost.
		S.I.2.2 Investments in long-term ² Government securities by the Banking System	
S.I.2.2 Government's Currency Liabilities to the Public adjusted for balances in treasuries			Government's currency liabilities to the Public were carved out as an independent source of money stock in October 1962.
S.II. Total Bank Credit to Private Sector (S.II.1+S.II.2)	S.II. Total Bank Credit to Commercial Sector (S.II.1+S.II.2)	S.II. Bank Credit to Commercial Sector (S.II.1+S.II.2)	The nomenclature "private sector" was changed into "commercial

First Working Group (FWG) (1961)	Second Working Group (SWG) (1977)	Working Group on Money Supply (WGMS) (1998)	REMARKS
1	2	3	4
			sector" in 1970, as bank credit included credit given to commercial/ manufacturing enterprises in the public sector too.
S.II.1 RBI Credit to Private Sector (S.II.1.1+S.II.1.2)	S.II.1 RBI Credit to Commercial Sector (S.II.1.1+S.II.1.2+S.II.1.3)	S.II.1 RBI Credit to Commercial Sector (S.II.1.1+S.II.1.2+S.II.1.3)	
S.II.1.1 RBI's investments in shares/bonds of financial institutions, ordinary debentures of co-operative sectors, Central Land Mortgage Bank (CLMB) debentures etc.	S.II.1.1 RBI's investments in shares/ bonds of financial institutions, ordinary debentures of co-operative sectors, CLMB debentures etc.	S.II.1.1 RBI's investments in shares/ bonds of financial institutions, ordinary debentures of co-operative sectors, CLMB debentures etc.	
S.II.1.2 Loans to financial institutions	S.II.1.2 Loans to financial institutions	S.II.1.2 Loans to financial institutions	On the establishment of National Bank for Agriculture and Rural Development (NABARD) on July 12, 1982, certain assets and liabilities of the RBI were transferred to NABARD, necessitating some reclassification of aggregates on the sources side of money stock since that date. The WGMS recommended the reclassification of the RBI's refinance to NABARD as credit to commercial sector rather than as claims on banks as had been the practice hitherto.
	S.II.1.3 Internal Bills (under Bills Rediscounting Scheme)	S.II.1.3 Internal Bills (under Bills Rediscounting Scheme)	With the introduction of the Bills Rediscounting Scheme, the commercial banks started discounting the internal bills with the RBI which have been included in the RBI credit to commercial sector since June 1971.
S.II.2 Other Banks' net credit to Private Sector (S.II.2.1 + S.II.2.2-S.II.2.3 -S.II.2.4-S.II.2.5)	S.II.2 Other Banks' credit to Commercial Sector (S.II.2.1 + S.II.2.2)	S.II.2 Credit to the Commercial Sector by the Banking System (S.II.2.1 + S.II.2.2+ S.II.2.3 + S.II.2.4)	
S.II.2.1 Bank Credit	S.II.2.1 Bank Credit	S.II.2.1 Bank Credit	Includes loans, cash credit and overdrafts and internal and foreign bills purchased and

First Working Group (FWG) (1961)	Second Working Group (SWG) (1977)	Working Group on Money Supply (WGMS) (1998)	REMARKS
1	2	3	4
			discounted of SCBs, RRBs.
S.II.2.2 Other Investments	S.II.2.2 Other Investments	S.II.2.2 Investments in other Approved Securities	
		S.II.2.3 Other Investments	Include investments in securities which are not approved for maintenance of statutory liquidity ratio (SLR) such as Commercial Papers, units of UTI and mutual funds and shares/debentures/ bonds of the public and private non-bank sector.
S.II.2.3. Net inter-bank Liabilities			As data for central and primary co-operative banks were not included in money supply, the FWG had adjusted bank credit for net inter-bank liabilities. These were, however, treated as part of net non-monetary liabilities by the SWG on extension of full coverage to the co-operative sector.
S.II.2.4 Loans from financial institutions			The FWG had adjusted bank credit against loans from select financial institutions which received refinance from the RBI which had already been reckoned in the RBI credit to the commercial sector. The SWG did away with this adjustment as it was argued that these FIs had substantial access to sources of funds other than those from the RBI.
		S.II.2.4 Net lending to Primary Dealers	Banks' net lendings to PDs, net of their call borrowings from PDs, are part of net inter-bank assets under the present reporting format. However, as the banking sector in money supply excludes PDs, this item was included as part of credit from the banking system by the WGMS.

First Working Group (FWG) (1961)	Second Working Group (SWG) (1977)	Working Group on Money Supply (WGMS) (1998)	REMARKS
1	2	3	4
S.II.2.5 Time deposits held by Banks (including inter-bank time deposits held by state co-operative banks)			This adjustment was considered necessary since the FWG was concerned with M1. The presentation of data on bank credit to commercial sector on net basis was changed into gross basis in May 1974, as (i) time deposits are used not only for financing bank credit to commercial sector but also for lending to the Government and (ii) these are not owned by commercial enterprises who largely borrow from banks.
S.III Net Foreign Exchange Assets of the Banking Sector (S.III.1+S.III.2)	S.III Net Foreign Exchange Assets of the Banking Sector (S.III.1+S.III.2)	S.III Net Foreign Exchange Assets of the Banking Sector (S.III.1+S.III.2)	
S.III.1 Net Foreign Exchange Assets of the RBI (S.III.1.1 + S.III.1.2 + S.III.1.3-S.III.1.4-S.III.1.5)	S.III.1 Net Foreign Exchange Assets of the RBI (S.III.1.1 + S.III.1.2 + S.III.1.3-S.III.1.4-S.III.1.5)	S.III.1 Net Foreign Exchange Assets of the RBI (S.III.1.1 + S.III.1.2-S.III.1.3+S.III.1.4)	
S.III.1.1 Gold Coin and Bullion	S.III.1.1 Gold Coin and Bullion	S.III.1.1 Gold Coin and Bullion	Inclusive of valuation of Gold following its revaluation close to international market price effective October 17, 1990. Such revaluation has a corresponding effect on Reserve Bank's net non-monetary liabilities (capital account)
		S.III.1.2 Foreign Currency Assets of the RBI (S.III.1.2.1+S.III.1.2.2)	Since July 1996, foreign currency assets are being valued at the exchange rate prevailing at the end of every week. Such revaluation has a corresponding effect on Reserve Bank's net non-monetary liabilities (capital account).
S.III.1.2 Foreign Securities	S.III.1.2 Foreign Securities	S.III.1.2 Foreign Securities	Certain foreign securities e.g., IBRD shares, Commonwealth bonds etc. which were part of RBI's claims on

First Working Group (FWG) (1961)	Second Working Group (SWG) (1977)	Working Group on Money Supply (WGMS) (1998)	REMARKS
1	2	3	4
			Government were reclassified as part of its foreign assets by the SWG.
S.III.1.3 Balances held abroad	S.III.1.3 Balances held abroad	S.III.1.2.2 Balances held abroad	
S.III.1.4 IMF A/c No.1	S.III.1.4 IMF A/c No.1	S.III.1.3 IMF A/c No.1	
S.III.1.5 Special Currency withdrawn from Gulf States held under Other deposits of the RBI if any.	S.III.1.5 Quota subscription in rupees.	S.III.1.4 Quota subscription in rupees.	
S.III.2 Net Foreign Exchange Assets of Banking System	S.III.2 Net Foreign Exchange Assets of Banking System (Authorised Dealers' Balances)	S.III.2 Net Foreign Currency Assets of Banking System(S.III.2.1-S.III.2.2-S.III.2.3)	
		S.III.2.1 Foreign Currency Assets of the Banking System	Includes balances held abroad (i.e., the cash component of <i>nostro</i> accounts, etc.) and investments in eligible foreign securities and bonds.
		S.III.2.2. Overseas Borrowings of the Banking System	
		S.III.2.3 Non-Resident Repatriable Foreign Currency Fixed Deposits with the Banking System (C.II.2.2.1+C.II.2.3.1)	
	S.IV. Government's Currency Liabilities to the Public	S.IV. Government's Currency Liabilities to the Public	Net of Indian currency returned by Pakistan awaiting adjustment.
S.IV. Net non-monetary Liabilities of the Banking Sector (S.IV.1+S.IV.2)	S.V. Net non-monetary Liabilities of the Banking Sector (S.V.1+S.V.2)	S.V. Capital Account of the Banking Sector (S.V.1+S.VI.2)	The WGMS has bifurcated the non-monetary liabilities of the banking sector into the capital account and other items (net).
S.IV.1 Net non-monetary Liabilities of the RBI (S.IV.1.1 + S.IV.1.2 + S.IV.1.3 + S.IV.1.4 + S.IV.1.5 - S.IV.1.6 + S.IV.1.7)	S.V.1 Net non-monetary Liabilities of the RBI (S.V.1.1 + S.V.1.2 + S.V.1.3 + S.V.1.4 + S.V.1.5 + S.V.1.6 + S.V.1.7 + S.V.1.8 - S.V.1.9)	S.V.1 Capital Account of the RBI (S.V.1.1 + S.V.1.2 + S.V.1.3 + S.V.1.4 + S.V.1.5 + S.V.1.6)	
S.IV.1.1 Paid-up Capital	S.V.1.1 Paid-up Capital	S.V.1.1 Paid-up Capital	
S.IV.1.2 Reserves	S.V.1.2 Reserves	S.V.1.2 Reserves	

First Working Group (FWG) (1961)	Second Working Group (SWG) (1977)	Working Group on Money Supply (WGMS) (1998)	REMARKS
1	2	3	4
S.IV.1.3 Contributions to National Funds	S.V.1.3 Contributions to National Funds	S.V.1.3 Contingency Reserves	
S.IV.1.4 Bills Payable	S.V.1.4 RBI Employees' Pensions/ Provident/ Guarantee Funds	S.V.1.4 Exchange Fluctuation Reserve / Currency and Gold Revaluation Account	
S.IV.1.5 Other Liabilities	S.V.1.5 Compulsory Deposits with the RBI	S.V.1.5 Exchange Equalisation Account	
S.IV.1.6 Other Assets net of Gold in Banking Department	S.V.1.6 Bills Payable	S.V.1.6 Contributions to National Funds	
S.IV.1.7 Indian currency returned by Pakistan awaiting adjustment	S.V.1.7 Other Liabilities S.V.1.8 IMF Quota Subscription and other payments in rupees included in IMF A/c No.1 S.V.1.9 Other Assets net of Gold in Banking department		
		S.V.2 Capital Account of the Banking System (S.V.2.1+S.V.2.2)S.V.2.1 Paid-up Capital S.V.2.2 Reserves	
S.IV.2 Non-identifiable net non-monetary liabilities of other Banks (residual)	S.V.2 Net non-monetary liabilities of the Banking System (residual)	S.VI. Other items (net) of the Banking Sector (S.VI.1 + S.VI.2) S.VI.1 Other items (net) of the RBI (S.VI.1.1 + S.VI.1.2 + S.VI.1.3+ S.VI.1.4 - S.VI.1.5- S.VI.1.6 - S.VI.1.7+ S.VI.1.8- S.VI.1.9) S.VI.1.1 RBI Employees' Pensions/ Provident/ Guarantee Funds S.VI.1.2 Compulsory Deposits with the RBIS.VI.1.3 Bills Payable S.VI.1.4 Other Liabilities	Excludes contingency reserve, exchange fluctuation reserve and exchange equalization account which now form part of capital account and are, therefore, adjusted.

First Working Group (FWG) (1961)	Second Working Group (SWG) (1977)	Working Group on Money Supply (WGMS) (1998)	REMARKS
1	2	3	4
		S.VI.1.5 Contingency Reserves S.VI.1.6 Exchange Fluctuation Reserve / Currency and Gold Revaluation Account S.VI. 1.7 Exchange Equalisation Account S.VI.1.8 IMF Quota Subscription and other payments in rupees included in IMF A/c No.1 S.VI.1.9 Other Assets net of Gold in Banking department S.VI.2 Other items (net) of the Banking System (residual)	

1. Of contractual maturity of one year or less.

2. Of contractual maturity of above one year.

Source: Report of the Working Group on Money Supply: Analytics and Methodology of Compilation (Chairman: Dr. Y.V. Reddy) (1998), Reserve Bank of India.

References

Report of the Second Working Group (Chairman M. L. Ghosh) on “*Money Supply in India: Concepts, Compilation and Analysis*”, Reserve Bank of India, Bombay, 1977.

Report of the Working Group (Chairman Y. V. Reddy) on “*Money Supply: Analytics and Methodology of Compilation*”, Reserve Bank of India, Mumbai, June 1998.

2. BANKING STATISTICS

The banking system in India comprises commercial and cooperative banks, of which the former accounts for more than 90 per cent of banking system's assets. Besides a few foreign and Indian private banks, the commercial banks comprise nationalized banks (majority equity holding is with the Government), the State Bank of India (SBI) (majority equity holding being with the Reserve Bank of India) and the associate banks of SBI (majority holding being with State Bank of India). These banks, along with regional rural banks, constitute the public sector (state-owned) banking system in India. A diagrammatic structure of Indian banking, including cooperatives, is presented in Figure 2.1. Banking statistics in India is predominantly compiled and disseminated by the Reserve Bank of India (RBI) and National Bank for Agriculture and Rural Development (NABARD). As the data collection mechanism and the dissemination standards thereof vary for commercial and cooperative banks, this chapter presents relevant details separately for commercial banks and cooperative banks. However, there is some overlapping information which is collected both from commercial and cooperative banks. Accordingly Section 2.1 covers information on commercial banks, while that of cooperative banks is presented in Section 2.2.

2.1. Banking Statistics on Commercial Banks

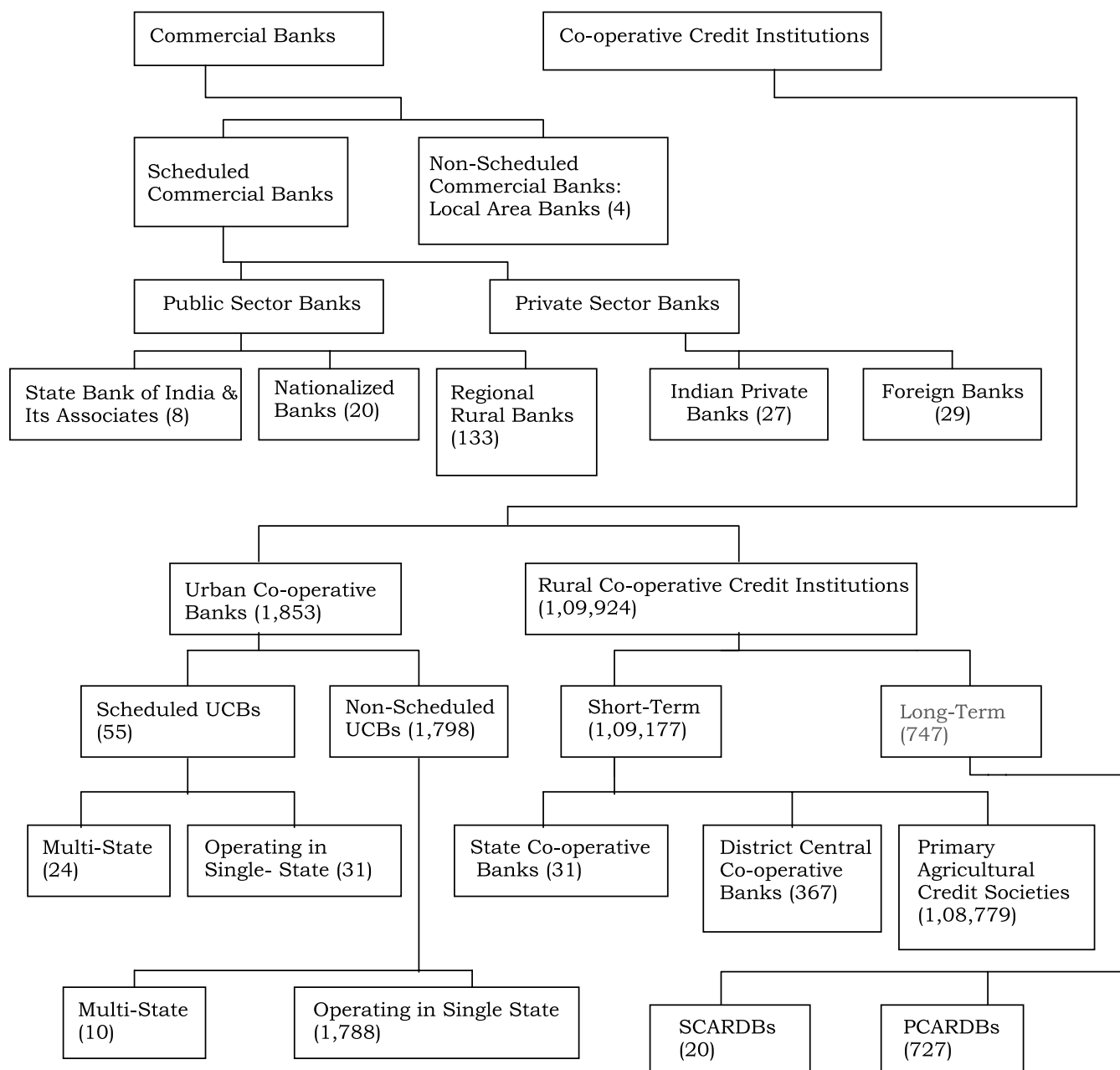
As a part of central banking activities and the overall economic perspective of the banking system of the country, RBI collects a vast amount of information on the banking system through various statutory and control (non-statutory) returns. Control returns cover various aspects of banking information like spatial distribution of deposits and credit, international banking, priority sectors, etc. Each aspect is again defined by its own separate statistical system. Against this background, the information based on statutory returns and those of control or special returns are presented separately.

2.1.1. Statistics based on Statutory Returns

The data received through various statutory returns in RBI are mainly used for monetary policy formulation and regulatory prescriptions. However, the information based on a few returns is only disseminated to the public. Among them, statistics filed statutorily by banks on two returns/reports are most significant, viz., Form A/B and annual reports of banks (balance sheet and profit and loss account). These are discussed below.

2.1.1.1. Business of all Scheduled Banks in India

One of the most important statistics based on statutory Form A/B returns, which are disseminated by RBI (RBI Bulletin), are labelled under the title "*Business of all Scheduled Banks in India*". Each Scheduled Bank (commercial and cooperative bank) is required to furnish to the RBI fortnightly return showing major items of its assets and liabilities in India as at the close of business on reporting Friday, as per Section 42(2) of RBI Act, 1934. Scheduled Banks are also required to furnish a special return corresponding to the last Friday of every month if it is not a reporting Friday. This return is submitted in the prescribed form viz., Form-A for Scheduled Commercial Banks and Form-B for Scheduled Cooperative Banks. Provisional data are to be submitted within 7 days of the reference date and final data within 21 days. The format of Form 'A' was revised based on the recommendation of the Working Group on Money Supply: Analytics and Methodology of Compilation (Chairman: Dr. Y. V. Reddy) in October 1998. In an attempt to fill the data gaps emerged due to the liberalisation and deregulation in the financial sector, the Scheduled Commercial banks have been advised as a sequel to the recommendations of the Reddy Committee to report the returns under Section 42(2) in a revised format with effect from 9th October 1998. The revised format includes Memorandum to Form 'A' (paid-up capital, reserves, etc.), Annexure 'A' (details of foreign

Fig. 2.1: Structure of Indian Banking

SCARDBs: State Co-operative Agriculture and Rural Development Banks.

UCBs: Urban Co-operative Banks

PCARDBs: Primary Co-operative Agriculture and Rural Development Banks.

Note: Figures in brackets indicate the number of institutions at end-March 2006. However, for rural co-operative credit institutions, the number is at end-March-2005.

currency liabilities and assets) and Annexure 'B' (details of investments in non-SLR securities).

The provisional Section 42(2) data are released by RBI through weekly press communiqué and are also published in the Weekly Statistical Supplement to RBI Bulletin (WSS). The final data of Section 42(2) return are published in the Reserve Bank of India Bulletin, every month, in two tables, viz., i) All Scheduled Banks-Business in India and ii) All Scheduled Commercial Banks-Business in India.

2.1.1.1.2. Measurement Needs of the Data

Section 42(2) data are primarily collected for monitoring the compliance of statutory cash reserve ratio (CRR) by Scheduled Banks operating in India and also for money supply compilation. In addition, these data are also used for monitoring overall banking business in India, including the trends of important indicators like aggregate deposits, bank credit, investments, etc. These data are published in the two statutory publications of RBI viz., (i) RBI Annual Report and (ii) Report on Trend and Progress of Banking in India.

2.1.1.1.3. Concepts, Definitions and Classifications

As per Section 42(2) of the RBI Act, 1934, every scheduled bank is required to submit to the Reserve Bank of India a return showing (i) the amount of its demand and time liabilities and the amount of its borrowings from banks in India, classifying them into demand and time liabilities, (ii) the total amount of legal tender notes and coins held by it in India, (iii) the balances held by it at other banks in current account and the money at call and short notice in India, (iv) the investments (at book value) in Central and State Government securities including Treasury Bills and Treasury deposit receipts, (v) the amount of advances in India, (vi) the inland bills purchased and discounted in India and foreign bills purchased and discounted, at the close of business on each alternate Friday, and every such return shall be sent not later than seven days after the date to which it relates.

Effectively, Form 'A' & Form 'B' do not differ except for one item viz., 'Demand and Time Liabilities' under 'Liabilities to the Banking System', for which, the break-up into demand liabilities and time liabilities are given separately in the case of Cooperative Banks (i.e., in Form 'B').

Definitions / classification of Liabilities to the 'Banking System' as well as Liabilities to others in India are given in the following paragraphs.

- I. Liabilities to the Banking System in India
 - a) Demand and time deposits from banks
 - b) Borrowings from banks (includes inter-bank borrowings and inter-bank deposits at call or short notice not exceeding 14 days).
 - c) Other demand and time liabilities
- II. Liabilities to Others in India
 - a) Aggregate deposits (other than from banks)
 - i) Demand
 - ii) Time
 - b) Borrowings (borrowings represent total borrowings from outside the 'Banking System'. Money at call and short notice obtained from LIC, UTI etc. are included where as borrowings from RBI, NABARD, EXIM Bank etc. are excluded from this item.).
 - c) Other demand and time liabilities

Demand Deposits comprise:

- (i) Current deposits
- (ii) Demand liabilities portion of savings bank deposits
- (iii) Margins held against letter of credit/ guarantees
- (iv) Balances in overdue fixed deposits
- (v) Cash certificates
- (vi) Cumulative/Recurring deposits
- (vii) Outstanding telegraphic and mail transfers

- (viii) Demand drafts
- (ix) Unclaimed deposits
- (x) Credit balances in the cash credit accounts
- (xi) Deposits held as security for advances which are payable on demand

Time Deposits comprise:

- (i) Fixed deposits
- (ii) Cash certificates
- (iii) Cumulative and recurring deposits
- (iv) Time liabilities portion of savings bank account
- (v) Staff security deposits
- (vi) Margins held against letters of credit if not payable on demand
- (vii) Fixed deposits held as security for advances
- (viii) Money repayable at notice exceeding 14 days or more received from LIC, UTI, etc.

Other Demand and Time Liabilities comprise:

- (i) Interest accrued on deposits
- (ii) Bills payable
- (iii) Unpaid dividends
- (iv) Suspense account balances representing amounts due to other banks or public
- (v) Participation certificates issued to other financial institutions other than banks
- (vi) Any amount due to the 'Banking System' which are not in the nature of deposits or borrowings. (Such liabilities may arise due to items such as (a) collection of bills on behalf of other banks (b) interest due to other banks and so on. Whenever it has not been possible to segregate the liabilities to the 'Banking System' from the total of 'Other demand and time liabilities', the entire 'Other demand and time liabilities' are treated as liability to 'Others').

III. Assets with the 'Banking System'

Assets with the banking system comprise the following:

- a. Balances with the 'Banking System' in Current Account
- b. Balances with Other Banks in Other Accounts
- c. *Money at Call and Short Notice:* This represents funds made available to the 'Banking System' by way of loans or deposits repayable at call or short notice of 14 days or less.
- d. *Advances to Banks, i.e., Due from Banks:* This represents the loans other than 'Money at call and short notice' made available to the 'Banking System'. Participation Certificates purchased is also included here.
- e. *Other Assets:* Any other amounts due from the 'Banking System', which cannot be classified under any of the above three items. For example, in the case of inter-bank remittance facilities scheme, as on date, the total amount held by a bank with other banks (in transit or other accounts) are shown here as such sums cannot be construed as 'balances' or 'call money' or 'advances'.

IV. Cash in India (i. e., Cash in hand)

Cash in hand represents notes and coins held by the bank as till money. Currencies of foreign countries are not included here.

V. Investments in India

Investments indicate the total investments in (A) Government securities and (B) Other approved securities.

A. Investments in Government Securities:

- (i) Central and State Government securities including treasury bills
- (ii) Treasury deposit receipts
- (iii) Treasury savings deposit certificates
- (iv) Postal obligations such as national plan certificates, national savings certificates, etc.

- (v) Government Securities deposited by foreign scheduled banks under Sec.11(2) of BR Act, 1949

B. Investments in Other Approved Securities:

- (i) Securities of State associated bodies such as Electricity Board, Housing Board and Corporation Bonds.
- (ii) Debentures of Land Development Banks
- (iii) Units of UTI
- (iv) Shares of RRBs, etc., which are treated as approved securities under Sec.5 (a) of BR Act, 1949.

VI. Bank Credit in India (excluding inter-bank advances)

Bank credit in India is the total of three items viz. (A) Loans, cash-credits and overdrafts, (B) Inland bills – purchased and discounted and (C) Foreign bills – purchased and discounted. Bills (inland and foreign) rediscounted with the RBI, IDBI and other financial institutions are not included under this head.

a) Loans, cash-credits and overdrafts

- (i) Demand loans
- (ii) Term loans
- (iii) Cash-credits
- (iv) Overdrafts
- (v) Packing credit, etc., granted to constituents (other than banks)
- (vi) Any other type of credit facilities other than by way of bills purchased and discounted

b) Inland Bills – Purchased and Discounted

Inland bill drawn and payable in India including demand draft and cheques purchased. Separate break-up is presented for bills purchased and discounted.

c) Foreign Bills –Purchased and Discounted

Foreign bills covers all export and import bills purchased and discounted in India as also

cheques, demand drafts drawn in foreign currencies and paid by banks' office in India. Separate break-up is provided for bills purchased and discounted.

In addition to the core return, some of the additional important items are reported. These include: (a) net demand and time liabilities for the purpose of Sec.42(1) of the RBI Act, 1934 = Net Liabilities to the Banking System + Liabilities to Others in India i.e., (I-III) + II, if (I-III) is a plus figure or II only, if (I-III) is minus figure, (b) Amount of minimum deposit required to be kept with the RBI under the Act and (c) the liabilities under Savings Bank Account - further classified separately as the demand liabilities and time liabilities.

Besides these items, Form 'A' consists of Memorandum, Annexure A, and Annexure B. Reporting of these additional data was implemented with effect from 9th October, 1998 as per the recommendation of Working Group on Money Supply: Analytics and Methodology of Compilation, 1998.

VII. Memorandum reports data on:

- a. Paid-up capital,
- b. Reserves (free as well as statutory reserves) as per the last balance sheet and continue to report the same every fortnight until the release of audited balance sheet of the following year)
- c. Time deposits giving the time liabilities portion of the saving bank account (broken into short term and long term)
- d. Certificates of deposits.
- e. Net Demand and Time Liabilities
- f. Amount of deposits required to be maintained as per current rate of CRR
- g. Any other liability on which CRR is required to be maintained under Section 42(2) and 42(1A) of the Reserve Bank of India Act, 1934.
- h. Total CRR required to be maintained under Section 42(2) and 42(1A) of the Reserve Bank of India Act, 1934.

Annexure A to Form A gives details on the liabilities and assets in foreign currency outstanding at book value and revaluation value along with interest, as indicated below:

Liabilities:

Liabilities to others in India

- I. Non-Resident Deposits
 - I.1 Non-Resident External Rupee Account (NRE)
 - I.2 Non-Resident Non-Repatriable Rupee Account (NRNR)
 - I.3 Foreign Currency Non-Resident Banks Scheme [FCNR(B)] (I.3.1+I.3.2)
 - I.3.1 Short-term
 - I.3.2 Long-term
 - I.4 Others
- II. Other Deposits/Schemes
 - II.1 Exchange Earner's Foreign Currency Accounts
 - II.2 Resident Foreign Currency Accounts
 - II.3 ESCROW¹ Accounts by Indian Exporters
 - II.4 Foreign Credit Line for Pre-shipment Credit account and Overseas Rediscounting of Bills
 - II.5 Credit Balances in ACU (US dollar) Account
 - II.6 Others
- III. Foreign Currency Liabilities to the Banking System in India
 - III.1 Inter-bank Foreign Currency Deposits
 - III.2 Inter-bank Foreign Currency Borrowings
- IV. Overseas Borrowings include total of overdrawing in all NOSTRO² accounts

¹ ESCROW account: A trust account held in the borrower's name to pay obligations such as taxes, insurance, etc.

² NOSTRO account: An account one bank holds with a bank in a foreign country, usually in the currency of that foreign country.

and should not be netted for credit balance in other NOSTRO accounts. It also includes any other borrowings from foreign market or Head Office (in case of foreign banks).

Assets:

- V. Assets with the banking system in India
 - V.1 Foreign currency lending
 - V.2 Others
 - VI. Assets with others in India
 - VI.1 Bank Credit in India in Foreign Currency
 - VI.2 Others
 - VII. Overseas Foreign Currency Assets: These include balances held abroad, i.e., (i) cash component of Nostro account, debit balances in ACU (US dollar) account and credit balances in the commercial banks of ACU countries, (ii) short term foreign deposits and investments in eligible securities, (iii) foreign money market instruments including Treasury Bills and (iv) foreign shares and bonds.
- The liabilities in foreign currencies under various schemes are re-valued at FEDAI indicative rates. As regards interest, banks report accrued interest in respect of all liabilities.
- VIII. External Liabilities to Others subject to differential / zero CRR prescription (I+II)
 - IX. External Liabilities fully subject to CRR prescription (IV)
 - X. Net Inter-Bank Liabilities (I-III of Form A)
 - XI. Any other liabilities coming within the purview of zero prescription
 - XII. Liabilities subject to zero CRR prescription (VIII+X+XI)

Annexure B to Form A reports the following at their book value and also at their revaluation value:

Investment in Approved Securities include investments in Government securities broken into short term (of contractual maturity of one year or less) and long term (contractual maturity of more than a year).

Investments in non-approved securities include commercial paper, units of UTI and other mutual funds, shares and bonds/debentures.

Banks are required to revalue their investment in approved securities on quarterly basis. As regards to the revaluation of investments in non-approved securities, the same is reported as and when the banks revalue their investments as per the current practice/instructions.

2.1.1.1.4. Sources and Systems

Data from Scheduled commercial banks are collected in Form-A from all the banks belonging to different bank groups, viz., (a) State Bank of India and its Associates, (b) Nationalised banks, (c) Other Scheduled Commercial Banks, (e) Foreign Banks and (f) Regional Rural Banks. Data from Scheduled cooperative banks are collected in Form-B format from all banks belonging to the two categories, viz., (a) Scheduled State cooperatives and (b) Scheduled Urban cooperatives.

Scheduled Commercial Banks (other than RRBs), submit the Form 'A' return through Online Return Filing System. Data for Regional Rural Banks are received by the Rural Planning and Credit Department (RPCD) of the RBI. Data with respect to scheduled state cooperative banks and scheduled urban cooperative banks are received in Final Form 'B' by RPCD and Urban Banks Department (UBD) of RBI, respectively. These data are merged with the other data pertaining to commercial banks and the consolidated statements for all scheduled banks are generated by DESACS of RBI.

2.1.1.1.5. Ensuring Quality Standards

Before the finalisation of these data, the following data checks are done:

- (i) An error report for each bank is generated for a particular fortnight wherein all the items in the return having

either more than 20% variation or more than Rs. 5 crore difference from its previous reporting fortnight level are listed in the case of RRBs and State Cooperative Banks. This list is checked with hard copy Form A returns and errors in punching, if found are rectified.

- (ii) In the case of commercial banks, an error report for each bank is generated for a particular fortnight wherein all the items in the return having either more than 20% variation or more than Rs.50 crore difference from its previous reporting fortnight level are listed. If required, the banks concerned are contacted for clarifications and corrections are made.
- (iii) These returns are also duly checked for statistical consistency by generating 3-sigma / 5-sigma reports.
- (iv) Finally, the bank-group level aggregates are checked with provisional data.

2.1.1.2. Annual Reports of Scheduled Commercial Banks

The present structure of reporting of data items in annual reports of scheduled commercial banks is as per the recommendation of Ghosh Committee Report (1985) on annual accounts of banks, effective from 1992-93. Basic items are initially classified into various blocks (called 'schedules') and data are reported statutorily, under Section 27 of Banking Regulation Act, 1949. Detailed bank-wise data based on annual reports are published in 'Statistical Tables Relating to Banks in India'. Individual definitions of each item in the schedules of Balance Sheet and Profit & Loss Account of commercial banks are given in the *Annex 2.1*. Table-wise major contents of this publication is presented in *Annex 2.2*. Definitions/concepts of some of the important ratios based on annual report information published in 'Statistical Tables Relating to Banks in India' are as follows:

- a) (i) *Cash* in cash-deposit ratio includes cash in hand and balances with RBI.
- (ii) *Investments* in investment-deposit ratio represent total investments including investments in non-approved securities.

- (iii) *Net interest margin* is defined as the total interest earned less total interest paid.
 - (iv) *Intermediation cost* is defined as total operating expenses.
 - (v) *Wage bills* is defined as payments to and provisions for employees.
 - (vi) *Operating profit* is defined as total earnings less total expenses, excluding provisions and contingencies; and
 - (vii) *Burden* is defined as the total non-interest expenses less total non-interest income.
- b) Items like capital, reserves, deposits, borrowings, advances, investments and assets / liabilities used to compute various financial earnings / expenses ratios are averages for the two relevant years.
- c) (i) Cash-deposit ratio = $(\text{Cash in hand} + \text{Balances with RBI}) / \text{Deposits}$.
- (ii) Ratio of secured advances to total advances = $(\text{Advances secured by tangible assets} + \text{Advances covered by bank or Govt. guarantees}) / \text{Advances}$.
- (iii) Ratio of interest income to total assets = $\text{Interest earned} / \text{Total assets}$.
- (iv) Ratio of net interest margin to total assets = $(\text{Interest earned} - \text{Interest paid}) / \text{Total assets}$.
- (v) Ratio of non-interest income to total assets = $\text{Other income} / \text{Total assets}$.
- (vi) Ratio of intermediation cost to total assets = $\text{Operating expenses} / \text{Total assets}$.
- (vii) Ratio of wage bill to intermediation costs (Operating Expenses) = $\text{Wage bills} / \text{Operating Expenses}$.
- (viii) Ratio of wage bill to total expenses = $\text{Wage bills} / \text{Total expenses}$.
- (ix) Ratio of wage bill to total income = $\text{Wage bills} / \text{Total income}$.
- (x) Ratio of burden to total assets = $(\text{Operating expenses} - \text{Other income}) / \text{Total assets}$.
- (xi) Ratio of burden to interest income = $(\text{Operating expenses} - \text{Other income}) / \text{Interest income}$.
- (xii) Ratio of operating profits to total assets = $\text{Operating profit} / \text{Total assets}$.
- (xiii) Return on assets for a bank group is obtained as weighted average of return of assets of individual banks in the group, weights being the proportion of total assets of the bank as percentage to total assets of all banks in the corresponding bank group.
- (xiv) Return on Equity = $\text{Net Profit} / (\text{Capital} + \text{Reserves and Surplus})$.
- (xv) Cost of Deposits = $\text{Interest Paid on Deposits} / \text{Deposits}$.
- (xvi) Cost of Borrowings = $\text{Interest Paid on borrowing from RBI and others} / \text{Borrowings}$.
- (xvii) Cost of Funds = $\text{Total Interest Paid on deposits and borrowings} / (\text{Deposits} + \text{Borrowings})$.
- (xviii) Return on Advances = $\text{Interest Earned on Advances} / \text{Advances}$.
- (xix) Return on Investments = $\text{Interest Earned on Investments} / \text{Investments}$.
- (xx) Return on Advances adjusted to cost of funds = $\text{Return on advances} - \text{Cost of funds}$.
- (xxi) Return on Investment adjusted to Cost of Funds = $\text{Return on investments} - \text{Cost of funds}$.

2.1.1.2.1. Sources and Systems

The balance sheet and profit and loss account data that are published in the 'Statistical Tables Relating to Banks in India' are sourced from the Annual Reports of banks. Balance sheet and profit & loss account is based on audited information and thus quality of data is automatically ensured. Statutory time limit for submission of data is 3 months from the reference date, i.e., June 30.

2.1.1.2.2. Ensuring Quality Standards

In order to ensure quality standards, the following steps are followed:

- (i) Annual Reports are obtained from each of the Scheduled Commercial bank including Regional Rural Banks.
- (ii) Data entry of the required fields is done and required calculations for the relevant tables are made.
- (iii) If any discrepancies are observed, data are again checked from the original source, i.e., the annual reports of banks.
- (iv) Cross Checking of various tables are done for consistency checks.
- (v) Data are again compared with those of the previous year's report.

2.1.2. Statistics based on Special Returns

2.1.2.1. Basic Statistical Return (BSR) System

The BSR system was introduced in December 1972 following the recommendation of the Committee on Banking Statistics adapting from the erstwhile data reporting system called Uniform Balance Book (UBB). The Uniform Balance Book (UBB) system was designed to provide a detailed and up-to-date picture of the sectoral and regional flow of bank credit and was introduced in December 1968 in the context of the setting up of the National Credit Council. It had twin objectives of ensuring a steady flow of information while minimising the reporting load on branches. The UBB proforma was required to be submitted by every bank office every month and provided for the reporting of account-wise information in regard to credit limits sanctioned and advances outstanding according to the type of account, type of borrower, occupation, purpose, security and rate of interest charged. This was considered sufficiently comprehensive for policy and information purposes. However, the response and the accuracy of the data obtained through the UBB system had proved to be quite inadequate. After few rounds of survey, it was noticed that response from branches was very poor and also the quality of reporting had not been satisfactory.

Besides these difficulties, the UBB had not gone beyond experimental stage.

Meanwhile with the nationalisation of major Indian banks and the more definite shape given to the new policy of diversifying the pattern of credit, the demand for information on various aspects of credit deployment was mounting. A more determined effort at systematising the reporting of banking data to ensure the availability of fairly comprehensive information with a minimum time lag had become necessary. Accordingly, the Reserve Bank of India constituted a 'Committee on Banking Statistics' in April 1972 under the chairmanship of Shri A. Raman, Director, Credit Planning Cell, RBI, having members from various departments of RBI and commercial banks to look into various aspects of statistical reporting of data by banks and suggest appropriate steps.

The Committee submitted its report in August 1972. The overall pattern of the statistical reporting system envisaged by the committee which, taken together, was designated as Basic Statistical Returns (BSR) to provide a steady flow of the required data was as follows:

1. *BSR 1 – Return on Advances* – half-yearly – as on the last Friday of June and December – from all branches – in two parts – Part A for accounts with limits over Rs.10,000 and Part B for accounts with limits of Rs.10,000 and less.
2. *BSR 2 – Return on Deposits* – half-yearly – as on the last Friday of June and December – from all branches.
3. *BSR 3 – Return on Advances against the Security of Selected Sensitive Commodities* – monthly – as on last Friday of each month – from Head Offices.
4. *BSR 4 – Return on Ownership of Bank Deposits* – once in two years – as on the last Friday of March – from all branches (replacing present annual survey from head offices).
5. *BSR 5 – Return on Bank Investments* – annual – as on the last day of March – from Head Offices (on the lines of Survey of Bank Investments).

In addition to this, it was recommended that the Survey of Debits to Deposits, which was done annually, to be done once in three years.

RBI agreed with the recommendations of the Committee and accordingly implementation actions followed:

1. A 'Committee of Direction on Banking Statistics (CDBS)' in RBI was constituted in to have overall charge of the Basic Statistical Returns, with officials of different departments of RBI and of various banks as its members.
2. UBB returns were discontinued from the month of July 1972.
3. The BSR system was implemented from December 1972 with BSR 1, 2 and 3.
4. The BSR 4 return was implemented from March 1976, which was collected from all branches. Ownership classifications were also changed from March 1976 survey. BSR 4 was collected on sample basis for 1978 and 1980 and on census basis for 1982 survey. From 1984 it was made biennial sample survey.
5. BSR 5 return commenced from March 1973.
6. The Survey on Debit to Deposits account which was conducted till 1971-72 annually, was next conducted in 1974-75 on census basis and renamed as *BSR 6* from 1985-86 as biennial sample survey. The survey has been made quinquennial from the year 2000.
7. The *BSR 7* return was originally introduced in August 1974 as a monthly return to capture branch-wise information on gross bank credit and aggregate deposits. The periodicity of the return was changed to quarterly from the quarter ended March 1984.
8. *BSR-8* on portfolio management scheme of banks, obtained on fortnightly basis, was introduced in 1992. The return was discontinued in 1999 following recommendation of CDBS.

2.1.2.1.1. Basic Statistical Returns 1 and 2

Basic Statistical Returns (BSR) 1 and 2 forms the major part of the BSR system. Comprehensive data on deposits and credit of scheduled commercial banks and the information on number of employees of the banks are collected presently through the annual statistical surveys, Basic Statistical Returns (BSR)-1 and 2, with 31st March as the reference date, and are obtained from the offices of scheduled commercial banks in India including Regional Rural Banks.

The surveys used to be conducted half-yearly, as on last Friday of June and December, from 1972 till 1990. From the year 1990, the surveys have been made annual with 31st March as the reference date. To provide guidance for filling in of BSR 1 and 2 returns, the Reserve Bank brought out the first Handbook of Instructions in September 1972. Consequent upon the improvements in the BSR system, the Handbook was revised from time to time. Following the developments in banking scenario in the last couple of years and to have uniform coding system for occupation/activity classification in line with National Industrial Classification (NIC) 1998, which itself is based on International Standard Industrial Classification (ISIC) 1990, a few revisions were introduced with effect from March 2002 survey. The latest edition, sixth in the line, provides these amendments in the system. As suggested by the Government of India to adopt a uniform classification system in order to keep the data comparable, nationally as well as internationally, the Reserve Bank of India had appointed an Informal Group on Coding System for Banking Statistics to look into the feasibility and adoptability of NIC 1998 for BSR and similar information systems in the banks. The new activity coding system in BSR was based on the recommendation of the Informal Group.

BSR-1 relates to gross bank credit and comprises term loans, cash credit, overdrafts, bills purchased and discounted, bills re-discounted under the New Bill Market Scheme and also dues from banks, whereas, the bank credit data, based on returns under Section 42(2) of the RBI Act, 1934, is exclusive of dues from banks and

bills re-discounted under the New Bill Market Scheme. The BSR-1 return is divided into two parts - Part A and Part B (termed as BSR-1A and BSR-1B). The cutoff credit limit for an account for inclusion in BSR-1A was kept as Rs. 10,000/- in 1972 at the time of its introduction. In the year 1984 the cutoff limit was raised to Rs. 25,000/- and the cut-off credit limit was raised to Rs. 2 lakh for BSR-1A return for scheduled commercial banks other than Regional Rural Banks from March 1999 survey. In the case of Regional Rural Banks, the cut off limit for classifying accounts in BSR-1A has been made as Rs. 2 lakh from March 2002 onwards. In BSR-1A, information in respect of each of the borrowal account is collected on various characteristics, such as place (district and population group) of utilisation of credit, type of account, type of organisation, occupational category, nature of borrowal account, rate of interest, credit limit and amount outstanding. In BSR-1B, information in respect of accounts with individual credit limit upto Rs. 2 lakh (termed as small borrowal account) is obtained in consolidated form for broad occupational categories. The BSR-1B Return has two separate credit limit size groups, i.e., 'up to Rs. 25,000' and 'over Rs. 25,000 to Rs. 2 lakh'. The information on small borrowal accounts are obtained in BSR-1B return from all scheduled commercial banks (including regional rural banks).

In BSR-2, each bank office submits information on deposits with their break-up into current, savings and term deposits. Information on deposit accounts of *females* is given separately. Information of term deposits according to different maturity periods is also furnished in this return. In addition, BSR-2 provides information on staff strength, classified according to gender and category (i.e. officers, clerical and subordinates), in individual bank offices as on the reference date of the returns. Deposits exclude inter-bank deposits. Current deposits comprise (i) deposits subject to withdrawal on demand (other than savings deposits) or on notice of less than 14 days, or term deposits with a maturity period of less than 7 days (ii) call deposits withdrawable not later than 14

days; (iii) unclaimed deposits; (iv) overdue fixed deposits; (v) credit balance in cash credit and overdraft accounts and (vi) contingency unadjusted account if in the nature of deposits. Savings deposits are deposits accepted by banks under their savings bank deposit rules. Term deposits are deposits with a fixed maturity of not less than 7 days and above or subject to notice of not less than 14 days. These would also include (a) deposits payable after 14 days notice; (b) cash certificates; (c) cumulative or recurring deposits; (d) Kuri & Chit deposits and (e) special deposits in the nature of term deposits. Conceptually, the deposits data in BSR-2 and the aggregate deposits in Section 42(2) return are the same. However, the deposits exclude the proceeds of Resurgent India Bonds (RIBs) as well as India Millennium Deposits (IMDs). In BSR-2, bank branches also give classification of term deposits according to broad interest rate ranges as well as size of deposits. The data on residual maturity of term deposits, introduced in March 2003, are collected through Part-V of this return in respect of computerised branches of scheduled commercial banks, except regional rural banks.

2.1.2.1.1.1. Dissemination of data

The dissemination of information of BSR 1 & 2 data is done through various publications brought out by the Bank. The main publications are the various Volumes of 'Banking Statistics – Basic Statistical Returns', which was renamed as 'Basic Statistical Returns of Scheduled Commercial Bank in India' from Volume 29, March 2000. This publication is also available on RBI website www.rbi.org.in from the year 1996. The annual publication is also brought out in the form of a CD-ROM since 2002 presenting the data in the form of excel tables. A special publication on CD-ROM titled 'Banking Statistics: Basic Statistical Returns 1 & 2, Volume 1 to 31: 1972 to 2002' was brought out, which presents the three decades data, published in various volumes, at one place, in PDF format. This publication is also available on RBI website. The publication presents distribution of credit and deposits of scheduled commercial banks in India on various characteristics/ parameters.

The data on credit and deposits are published on aggregate basis on various characteristics.

1. Bank group-wise – SBI & its associates, Nationalised Banks, Foreign Banks, Regional Rural Banks, Other Scheduled Commercial Banks (Private Sector Banks)

- Nationalised banks, which include IDBI Ltd. from 2005.

2. Spatial Distribution – Region, State & District

- Data on Credit are presented as per place of sanction and also as per place of utilisation. The details are given in BSR Volumes.
- The BSR-1A return provides the identification of the district and population group of the place where the credit is utilised. However, in BSR-1B return, such information is not collected. It is presumed that in respect of these accounts, the credit is utilised at the same place where it is sanctioned.

3. Population group – Rural, Semi-Urban, Urban, Metropolitan.

- Data on Credit are presented as per place of sanction and also as per place of utilisation.

4. Credit data are presented on various parameters

- Occupation – Available for BSR 1A & BSR 1B. Credit data are presented according to occupation of the borrower.
 - Data are aggregated on sectors and sub-sectors.
- Size of credit limit – Includes in both BSR 1A & BSR 1B.
- Interest rate range – Based on BSR-1A data only, referred as 'Loans and Advances', which excludes Bills.
- Types of account – Data are based on BSR-1A only. Data of loans against

Credit Cards are included in Demand Loans. Inland bills include both trade and other bills.

- Organisation – Organisational categories of borrowing account holder is based on BSR-1A only.
- Data on Small Scale Industries are based on both BSR 1A and BSR 1B returns. This include
 - 'Artisans and Village & Tiny Industries' comprising Artisans/Craftsman, Village/Cottage Industries and Tiny Industries
 - Other small scale industries.

5. Distribution of deposits data are present on various characteristics

- Type of Deposits – Current, Savings, Term.
- Broad ownership pattern – Data are published against individuals (Male and Female) and Others (excludes inter-banks).
- Original period of maturity.
- Percentage distribution of residual period of maturity.
- Percentage distribution of interest rate range.
- Percentage distribution of size of deposits.

6. Employment in banks – Total and Female (Officers, Clerks, Sub-ordinates).

The utility of BSR data is immense and multifarious. The information is not only used within RBI for the purpose of policy formulations but also used for answering various queries raised by members of the parliament. The data is supplied to various Central government ministries and departments such as Central Statistical Organisation. State governments also require the data for monitoring the progress and economic development of their states and state-level publications. The data is also used extensively by individuals and institutions for research purposes.

2.1.2.1.1.2. Concepts, Definitions and Classifications

BSR-1: BSR-1 return relates to bank credit. Each branch/office of a bank is required to submit this return to the Reserve Bank of India as on 31st March every year. In case 31st March is a holiday, the figures relates to the immediate preceding working day.

The bank credit reported in this return comprises the following items:

- (a) loans, cash credits and overdrafts,
- (b) inland bills purchased and discounted,
- (c) foreign bills purchased and discounted.

The above items reported in BSR-1 take account of

- (a) Dues from banks which represent loans and advances granted to banks (including participations without risk sharing),
- (b) Bills rediscounted with the financial institutions,
- (c) Advances extended through Credit Cards,
- (d) Bad debts (not written off) and protested bills,
- (e) Inter-bank participation with risk sharing.

However, Money at call and short notice is not included.

On comparison, the credit reported in BSR-1 return comprises (i) credit including 'dues from banks' within the meaning of fortnightly return under Section 42(2) of the Reserve Bank of India Act, 1934 and (ii) bills rediscounted with the financial institutions.

The BSR1 has two parts, Part A of the return (BSR-1A) relates to accounts with individual credit limits of over Rs.2,00,000. Particulars in respect of each of these accounts are collected separately. In BSR 1A, the particulars of the account, viz., name of the party, account number given for identification by the lending bank office, district and population group code of the place of utilisation of credit, type of account, organisation, occupation, nature of the borrowal account, asset classification of the borrowal

account, rate of interest, credit limit and amount outstanding are recorded separately for each account with credit limit of over Rs.2,00,000.

In Part B of the BSR1 return (BSR-1B), account-wise information is not collected. It calls for consolidated information on the occupation-wise totals of accounts with individual credit limits of Rs.2,00,000 and less. The information are given separately for loans with individual credit limit of Rs. 25,000 or less and above Rs. 25,000 to Rs. 2,00,000.

The cut-off point of Rs.2,00,000 for each individual account relates to the credit limit in force as on the date of the return and not the amount outstanding in the account. In case no specific credit limit is sanctioned, the amount outstanding itself is to be treated as the credit limit.

Reporting under BSR1 (Part A and Part B) is done account-wise and not party-wise. The size of the credit limit of each account is the factor for deciding whether it is to be individually reported in BSR-1A or consolidated with other accounts of the same occupational category in BSR-1 B.

- a. **Uniform branch code:** The uniform branch code allotted by the DESACS of RBI to each branch/office is used for unique identification of a branch. At present, the branch code consists of two parts, viz., Part I and Part II, and each part consists of seven digits.

The attributes of an account, collected in BSR-1A return are as under:

- b. **Place of Utilisation of Credit:** The information on place of utilisation of credit is being collected under two heads viz., district and population group.
 - (i) **District:** The district code indicates the district where actual credit has been or will be utilised by the borrower.
 - (i) **Population Group:** The code indicates the population group status of the place of utilisation of credit. The

relevant codes are given in *Annex 2.3* (List 'A'). Information given in these columns is important for ascertaining the State and district/population group-wise flow of credit. The credit extended by a branch/office is not always used in the same district/population group and State in which the branch office is located. In several major urban and metropolitan branches, a good part of the credit extended, is utilised elsewhere. For example, if a company having Head Office in Mumbai is granted an advance for utilisation for its factory located in Pen (Raigad district in Maharashtra), the appropriate district code will be Raigad and as the population of Pen is between 10,000 and one lakh, the appropriate population group code 2 for semi-urban area is used for the account.

It may not always be possible to indicate the district and population group where certain advances are utilised, for instance, advances granted to a Government Corporation (e.g. Food Corporation of India) or statutory bodies (e.g. Electricity Boards) or a privately owned company, the operations of which extend to more than one district, population group or state. In such cases, the codes of the district and population group where the major portion of the advances is utilised, is recorded. In case it is difficult to identify those aspects, the information of the place where the branches are located, is used.

- c. *Type of Account:* The code numbers allotted to the various types of accounts are given in *Annex 2.3* (List 'B'). All accounts in the books of a branch/office are classified under one type or the other appropriately. In case, a party is given borrowing facilities under different types of accounts, each account is separately listed. Such accounts are not combined. Pre-shipment finance under any type of facility, viz., cash credit, overdraft and demand loans are classified as Packing

Credit. Advances by way of rediscounting of bills of other party are reported as 'Bills discounted' with appropriate occupation category.

- d. *Type of Organisation:* The code number relevant to the type of organisation of the borrower is also recorded. *Annex 2.3* (List 'C') contains the code numbers allotted to different types of organisations. Organisation code consists of two digits. The list itself provides a brief explanation for each category of organisation. Some further explanations are given below :

Government companies are defined under Section 617 of the Indian Companies Act, 1956, as companies in which not less than 51 per cent of the paid-up capital is held by the Central or a State Government either singly or jointly.

Statutory corporations, owned by the Central Government or by a State Government, as well as companies which are subsidiaries of Government companies are also to be treated as Government companies. If a company is owned by the Central and State Government jointly on 50:50 basis, it is treated as a State Government undertaking for the purpose of this return. Loans sanctioned to a State Government or its departments, e.g. for food procurement operations, is coded as 'State Government' (code 12).

However, advances to Co-operative Marketing Federations for food procurement operations as also for other purposes are coded as 'Co-operatives' (code 20). All types of co-operative institutions are given organisation code 20. The activities of the co-operative institutions are not relevant. Thus, organisation code 20 includes co-operative marketing and other federations, co-operative housing societies, co-operative retail stores, etc. Even where the co-operative institution is sponsored by a Government body, the correct organisation code is 20 and not 14. The activity of the co-operative (farming, processing, marketing,

trading, housing, etc.) are given in a separate column.

Public and Private Limited companies are classified as Private Corporate Sector (code 31 & 32) and other private sector entities such as Partnerships, Propriety concerns, Joint families, Self-Help Groups, NGOs Associations, Clubs, Trusts and Groups, etc., are taken as Private Sector - Others (codes 33, 34 and 35). Non-profit institutions serving business and privately funded quasi-corporate institutions are classified as private corporate sector. Loans granted to individuals, singly or jointly with one or more persons are assigned the code number 41 (Individuals - Male) or 42 (Individuals - Female) depending on the gender of the sole/first account holder.

- e. *Nature of borrowal account:* The nature of borrowal account is recorded against each individual account. Codes relating to nature of borrowal account are given in *Annex 2.3* (List 'D'). Tiny industries are classified with village and cottage industries. For loans given to industry, the nature of borrowal account can be 1 or 2 or 3 and for all other loans it is 3.
- f. *Asset Classification of borrowal account:* Information on asset classification of each account with credit limit of over Rs.2,00,000 is reported as per asset classification code assigned to a borrowal account for reporting to DBOD/DBS of the Reserve Bank of India. The relevant codes are given in *Annex 2.3* (List 'E'). The accounts are classified as 'Standard', 'Sub-standard', 'Doubtful' or 'Loss' Assets. The changes in guidelines as prescribed from time to time by the Reserve Bank of India, is taken into account while reporting under this column. The information on asset classification is captured for internal consistency and this data is not disseminated.
- g. *Activity/Occupation:* Information given in this column brings out the sector-wise flow of credit. *Annex 2.3* (List 'F') summarises 5 digit code numbers for different types of occupation or activities. The details are presented in *Annex 2.4*. The code number

appropriate to the occupation or activity of the borrower for each account is indicated in this column. If the borrower is engaged in more than one type of activity and if separate limits/sub-limits are sanctioned by the bank for different activities, the credit limit and outstanding amount are segregated for each activity and reported separately. For example, if a company engaged in the manufacture of cotton textiles and chemicals is granted credit limits by the bank, the credit limits and amount outstanding are reported separately for the two units, if separate credit limits are sanctioned. If, however, separate limits are not sanctioned, the major activity of the borrower is taken as the basis for classification. In a majority of cases, the occupation code can be determined on the basis of the activity of the borrower. However, in the case of consumption and personal loans such as housing loans, loans for education, etc., activity of the borrower may not by itself determine the occupation code. For Example, in the case of personal loans (codes 94003, 94004, 94006, 94007, 94008 and 94009), housing loans (codes 94001 and 94002), loans for education (code 94005), etc. It is, however, not proper to determine the occupation code on the basis of the activity of the borrower. In such cases, purpose for which the credit is extended (whether for education, housing or consumption) is the guideline for determining the correct occupation code.

- h. *Rate of Interest:*
The rate of interest (per cent per annum) charged to an account is reported, up to two decimals, and is exclusive of interest tax.
 - i) Where slab rates of interest are charged on advances, the rate corresponding to the largest portion of the advances should be recorded. If two rates are charged, the rate applicable to the major portion of amount outstanding should be reported.
 - ii) In the case of Inland and Foreign Bills Purchased/Discounted, the rate of interest column is not filled in.

- i. **Credit Limit:** The sanctioned credit limit in force as on the date of the return is treated as the credit limit. Any additional limits granted temporarily for short periods at the discretion of agents/managers and other competent authorities are included if they are in force at the time of reporting. The 'drawing limit' which is linked to the value of stocks hypothecated or pledged and the margin prescribed is taken as credit limit.

In recording credit limits in respect of term loans, it shows only the operative limit, i.e. the limit sanctioned minus the principal amount repaid. For example, a company has been sanctioned a term-loan of Rs.25 lakh, for installation of some plant, which is to be repaid in ten equal half-yearly installments. Suppose, the company has repaid Rs.5 lakh (i.e., 2 half-yearly instalments of Rs.2.5 lakh each). Hence, under this column, only the operative credit-limit, i.e., Rs.20 lakh will be shown and not Rs.25 lakh. If the operative limit of an account is reduced to Rs.2,00,000 or less, it will be reported in a consolidated manner in BSR-1B.

In the case of other loans, which have not been fully drawn, the sanctioned limit is indicated. The credit limit is not adjusted for the unpaid or overdue instalments. If a borrower is sanctioned a composite credit limit against more than one account, the limit is split up in proportion to the outstanding amounts and shown against the respective accounts. Where no specific credit limit is sanctioned, the amount outstanding is treated as the credit limit.

- j. **Amount Outstanding:** The actual amount outstanding (debit) in each account as at the close of business on the reporting date, rounded off to the nearest thousands of rupees is reported. If the account is having a credit balance, the amount outstanding reported is Nil. The actual amount of credit balance is not reported.

The information on accounts aggregated on different characteristics, collected in BSR-1B return is as under:

In BSR-1B return, information in respect of accounts with credit limits of Rs.2,00,000 and less is collected in a consolidated form. These accounts are further classified into two credit limit size-groups viz., 'Rs.25,000 and less' and 'Over Rs.25,000 and upto Rs. 2 lakh'. Accounts are grouped according to the occupational categories specified in the format. The number of accounts, credit limits and amount outstanding are totaled up for each of these occupational categories and given separately for the two credit limit size-groups. Each occupation in BSR-1B is referred as a item code. The item code numbers in the format of BSR-1B for classifying various occupational categories have been allotted 2-digit codes. A table given in the Handbook* provides the relationship between BSR-1A occupation codes (5-digit) and for BSR-1B item codes.

Asset classification of borrowal accounts reported in BSR-1B are consolidated for all occupation categories and recorded against item codes 81 to 84, separately for each size-group, viz., 'Rs. 25,000 and less' and 'Over Rs.25,000 and upto Rs.2 lakh'. The information on asset classification is captured for internal consistency and this data is not disseminated.

Information on Gender classification in respect of borrowal accounts of Individuals reported in BSR-1B are consolidated against item codes 86 and 87, separately for each size-group. The information on gender classification is not reported uniformly by all the branches and as such only the percentage distribution is disseminated.

Basic Statistical Return (BSR) 2 – Type of Deposit Accounts

This return relates to deposits. Branches/Offices of all *Scheduled Commercial Banks* in India furnish information on number of employees, number of accounts and amount outstanding according to type of deposits and classification of term deposits according to maturity, broad interest rate ranges and size of deposits as on

* Handbook of Instructions on BSR 1 & 2 March, 2002.

31st March every year. All Administrative Offices, Regional and Zonal Offices and Branches/Offices without any deposits such as Training Colleges, Lead Bank Offices, Service Branches, etc. furnish employment details in this return, even though they do not have deposits.

a. *Employment details*

All permanent and temporary full-time staff on the rolls of the branch/office as on the date of the return are included. This relates to the actual strength of the branch and not the sanctioned strength. Part-time and casual employees are excluded. The category wise staff position is collected in the block on employment details. Category-wise number of female employees is also reported against item code 101.

b. *Part - I: Classification of Deposits according to Type*

Through this part of the return information from each office is obtained on the deposits classified according to their type, viz., current, savings and term deposits. The additional information on gender of account holder is also collected in this part of the return. The information on different types of deposits is collected under two broad ownership categories, i.e. 1) Individuals and 2) Others. Individuals include Hindu Undivided Families. The data on categories such as Non-resident individuals, Farmers, Businessmen, Traders, Professionals and Self-employed persons, Wage and salary earners, etc. are reported under this category. In case of joint accounts under individual, the gender of the first account holder is the deciding factor for classifying the account under 'Female' category. The inter-bank deposits are excluded from total deposits. Three types of deposit accounts are defined as follows:

- (1) The scope of deposits reported in this part of the return is same as deposits reported in the fortnightly return submitted under section 42(2) of the Reserve Bank of India Act, 1934. Interest accrued and payable on deposits should be treated as 'Other liabilities' and should not be included in BSR-2.
- (2) Savings deposit shall mean a form of demand deposit which is a deposit account

whether designated as "Savings Account", "Savings Bank Account", "Savings Deposit Account" or other account by whatever name called which is subject to the restrictions as to the number of withdrawals as also the amounts of withdrawals permitted by the bank under their savings account rules during any specified period and would include special savings deposits.

- (3) Term deposit shall mean a deposit received by the bank for a fixed period and which is withdrawable only after the expiry of the said fixed period. At present, the term deposits are deposits with a fixed maturity of not less than a specified period (which is amended from time to time) or subject to notice of not less than a specified period (which is amended from time to time). They would also include (a) deposits including inter-bank deposits payable after 14 days' notice, (b) cash certificates, (c) cumulative, recurring, annuity or reinvestment deposits, (d) Kuri* and chit deposits, (e) certificates of deposits, (f) non-resident deposits in the nature of term deposits, and (g) any other special deposits in the nature of term deposits. Interest accrued and payable on these deposits are treated as 'Other liabilities' and therefore not included in this part of return.
- (4) Current Account shall mean a form of demand deposit wherefrom withdrawals are allowed any number of times depending upon the balance in the account or upto a particular agreed amount and shall also be deemed to include other deposit accounts which are neither Savings Deposit nor Term Deposit; At present the Current accounts comprise (a) deposits subject to withdrawal on demand (other than savings deposits) or with a maturity period of less than a specified period (which is amended from time to time), or on notice of less than a specified period (which is amended from

* Kuri or chit means a transaction by which foreman enters into an agreement with number of subscribers. Every subscriber shall subscribe a certain sum of money for certain period. Each subscriber in his turn shall be entitled to a prized amount.

time to time), (b) call deposits withdrawable not later than a specified period (which is amended from time to time), (c) unclaimed deposits, (d) overdue fixed deposits, (e) credit balance in cash credit and overdraft accounts and (f) contingency unadjusted accounts if in the nature of deposits. It must be noted that deposits from banks, UTI, LIC, etc., at call or short notice not exceeding 14 days are treated as borrowings and are not included in this return.

- (5) Staff security deposits, margin deposits and staff provident fund deposits should be classified under current or fixed deposits depending upon payment of interest on such deposits.

c. *Part - II: Classification of Term Deposits according to Maturity*

Information on outstanding amount of term deposits as on the date of the return, classified according to the original period of maturity for which deposits have been placed with the branch by depositors is collected in this part.

d. *Part - III : Classification of Term Deposits according to Interest Rate Range*

In Part III, outstanding amounts of term deposits are classified according to interest rate for which deposits have been placed with the branch by depositors and outstanding as on the reference period. These deposits are grouped under the different interest rate ranges.

e. *Part - IV: Classification of Term Deposits according to Size*

In Part IV, outstanding amounts of term deposits are classified according to size of deposits which have been placed with the branch by depositors and outstanding as on the reference period. These deposits are grouped under the different sizes as per original deposit amount.

f. *Part - V: Classification of Term Deposits according to Residual Maturity (Excluding RRBs)*

Information on outstanding amount of term deposits as on the date of the return, classified

according to the *residual period of maturity* is collected in this part.

2.1.2.1.1.3. Sources and Systems

The data on BSR 1 & 2 returns, as survey is done on a census basis, are collected from each branch/office of the scheduled commercial banks in India. The Banking Statistics Division of the Department of Statistical Analysis and Computer Services, Reserve Bank of India, is the nodal office for collection, compilation and dissemination of BSR 1 and 2 data. Data are submitted in soft form by most of the banks, except some regional rural banks. Some banks, specially a few public sector banks and a few new private sector banks, have implemented integrated software for their MIS, through which the BSR 1&2 data are generated directly. The data are received from banks in the following mode: Paper Return (mostly from regional rural banks), Floppies/CDs and Emails. With more and more banks computerising their branches and implementing the integrated software and increasing use of Internet, the data are being received through email.

2.1.2.1.2 Basic Statistical Return - 4: Survey of Ownership of Deposits

The Basic Statistical Return (BSR)-4: Survey of Ownership of Deposits of Scheduled Commercial Banks as on March 31, is an annual return, under the BSR system obtained from a sample of branches, selected scientifically for the year under reference. The BSR-4 intends to capture composition and ownership pattern of deposits, with the objective of building up estimates on the composition and ownership pattern of deposits at different levels of aggregation. Till 1972, the annual Survey of Ownership of Deposits was conducted to get data from Head Offices of banks. It was replaced by BSR 4 return from March 1976, which was received from all branches. Ownership classifications were also changed from March 1976 survey. BSR 4 was collected on sample basis for 1978 and 1980 and on census basis for 1982. From 1984, it was made biennial sample survey. The survey has been made annual from 1990.

2.1.2.1.2.1 Measurement needs of the area

The estimates arrived at through this survey are an important source of information on the changes in profile and structural shifts in composition and ownership pattern of deposits with Scheduled Commercial Banks (SCBs). They are utilized in the compilation of National Accounts Statistics (NAS), the Flow of Funds Accounts of the Indian Economy, Financial saving of the Household sector, etc. Major users of the survey results are the CSO, RBI, commercial banks and others, e.g., researchers and others.

An article presenting salient features of the results of the BSR-4 survey is published annually in the RBI Bulletin. Various other publications also present data based on the results of the BSR-4 survey.

2.1.2.1.2.2. Concepts, Definition and Classifications

Sampling Design Used for the March 2005 survey:

A stratified sampling design was used for selection of branches of banks for this survey. Based on State/Union Territory, population group of the centre where bank branch was located, and bank group, all branches of the scheduled commercial banks (SCBs) in the country were classified into 379 basic strata. The population groups are (i) rural; (ii) semi-urban; (iii) urban; and the metropolitan group, further sub-divided into two groups (iv) four major metropolitan centers (viz., Mumbai, Delhi, Chennai and Kolkata) and (v) the other metropolitan centers. Five bank groups, viz., (i) State Bank of India and its Associates; (ii) Nationalised Banks; (iii) Regional Rural Banks; (iv) Other Indian Scheduled Commercial Banks and (v) Foreign Banks, were considered for the purpose. If branches in a basic stratum numbered 7 or less, all branches were selected with certainty in such strata. As an exception, all 9 branches operating in Lakshadweep Islands were included in the sample to provide adequate representation to this union territory. In the remaining basic strata, each stratum was further stratified into 2 or 3 sub-strata taking into

account the range in total deposits of the branches in the strata and number of deposit accounts. For this purpose, threshold values were determined for each basic-stratum taking into account above two characteristics.

In such basic strata, Size Class Strata (SCS) were formed as per descending order of deposits. The branches having aggregate deposits greater than threshold value-I were included under SCS-I. The SCS-II covered branches having aggregate deposits between threshold value-I and threshold value-II and the SCS-III included all those branches having aggregate deposits up to the threshold-value-II. Thus, 912 Size Class Strata (ultimate strata) were formed.

The branches under SCS-I were included in the sample with certainty. In SCS-II and SCS-III of each basic stratum, sample branches were selected by circular systematic sampling after arranging the branches within the SCS in descending order of their aggregate deposits, subject to selecting a minimum of 2 branches from each SCS. The sample size in the case of SCS-II varied from about 20 to 50 per cent of branches (depending upon the total size of SCS). If the number of units (branches) exceeded 200, 15 per cent of branches were drawn as sampling units. In the case of SCS-III, 10 per cent sample was selected.

Based on the above procedure, 9,933 branches were selected for the survey for March 2005. In all, 2,292 bank branches were selected with certainty. Out of the remaining 63,778 bank branches, 7,641 branches were selected using above sampling design from sub-strata SCS II and SCS III.

The deposits are classified into Current deposits, Savings deposits and Term deposits-Certificates of Deposits (CDs) and Other Term Deposits, while the major economic sectors according to which ownership is to be classified are Government sector, Private corporate sector, Financial sector, Household sector and Foreign sector. Detailed definitions, as provided in the Guidelines attached with the BSR-4 return, March 2005 are:

Current deposits comprise: (a) deposits subject to withdrawal on demand (other than savings deposits) or with a maturity period of less than 15 days (7 days in case of Rs. 15 lakh & above), (b) call deposits withdrawable not later than 14 days; (c) unclaimed deposits; (d) overdue term deposits; (e) credit balance in cash credit and overdraft accounts and (f) contingency unadjusted accounts, if in the nature of deposits. The inter-bank deposits at call or short notice not exceeding 14 days are treated as inter-bank borrowings and not included in this return. However, inter-bank deposits in current account are included. Savings deposits are deposits accepted by banks under their savings banks deposits rules and include deposits under Special Savings Schemes. Term deposits are deposits with a fixed maturity of not less than 15 days

(7 days in the case of Rs. 15 lakh & above), or subject to notice of not less than 15 days (7 days in the case of Rs. 15 lakh & above). They also include (a) deposits including inter-bank deposits payable after 14 days notice, (b) cash certificates, (c) cumulative or recurring deposits, (d) kuri and chit deposits and (e) special deposits and certificates of deposits (CDs). Interest accrued but not paid on these deposits is treated as other liabilities and therefore not included in this return. Certificates of Deposits (CDs) figures are separately under term deposits. Any deposits treated as 'other demand and time liabilities' for the purpose of fortnightly/ special return under Section 42 (2) are not reported in this return.

The coverage of the sectors classified in this return is presented in Table 2.1.

Table 2.1: Coverage of the sector under BSR - 4 return

Major sector	Sub-sectors	Details/ illustrations
1 Government sector	Central Government	Central Govt. departments, departmental undertakings, like Railways, P& T.
	State Governments	State Govt. departments, departmental undertakings like, Road Transport Undertakings, etc.
	Local Authorities	Municipalities, Panchayti Raj institutions, Port Trusts
	Quasi-Government Bodies	Housing Boards, SEBs, ICAR, ICSSR.
	Non-Departmental Commercial Undertakings	Public sector undertakings, STC, FCI, State Warehousing Corporations
	Others	
2 Private Corporate Sector	Financial companies	
	Housing Finance companies	HDFC, Dewan Housing Finance, etc.
	Auto finance companies	Bajaj Auto Finance, Ashok Leyland Finance, etc.

Major sector	Sub-sectors	Details/ illustrations
	Mutual Funds-private sector	Kothari Pioneer, Apple Mutual Fund, etc.
	Financial services companies	Issue Management, Portfolio Management Companies, e.g., DSP Financial Consultants, etc.
	Other financial companies	Leasing companies, Hire-purchase, etc.
	Non-Financial companies	Non-Government companies, Companies managed (but not owned by Government) engaged in Manufacturing, Trading, etc., activities and registered under Companies Act 1956
	Non-credit Co-operative institutions	Marketing, Housing, Industrial etc., co-operative societies
	Others including Quasi-Corporate Institutions like large educational Institutions which are funded privately	Non-Profit Institutions, Privately funded educational institutions, e.g., CII, FICCI, etc.
3 Financial sector	Banks	Indian Commercial Banks, Foreign Banks, Co-operative Banks and Credit societies like PACS.
	Other FIs.	
	Unit Trust of India	
	Mutual Funds	Floated by FIS and commercial Banks.
	Insurance Companies	Includes both Life and Non-Life insurance companies.
	Term Lending institutions	e.g., IFCI, SFCs, NHB.
	Provident Fund Institutions	PF Commissionners, Trustees of PFs., Staff PF of the Bank.
	Others	
4 Household sector	Individuals - - Farmers; - Businessmen, Traders, Professionals and self-Employed; - Wage and salary-earners-Shroffs, Money-lenders, etc. - Others	Includes HUFs and Joint Accounts of Individuals.

Major sector	Sub-sectors	Details/ illustrations
	Trusts, Associations, Clubs	
	Proprietary & partnership concerns	
	Educational Institutions	
	Religious Institutions	
	Others	
5 Foreign sector	Foreign consulates, Embassies, Trade missions, Information Services, etc.	
	Non-Residents	Individuals and also overseas companies, firms, societies, OCBs, trusts, etc, owned to the extent of atleast 60 per cent by NRIs or PIOs
	Others	Also includes non-resident banks.

2.1.2.1.2.3. Sources and Systems

The basic data for the survey flows from the branches of scheduled commercial banks that are selected in the sample for survey. The format for the BSR-4 return, together with guidelines for filling-in the same are provided to the reporting and controlling offices of the banks. The head/controlling offices of the banks submit the returns (hard copy) along with data in soft form to the respective regional office of DESACS, RBI. However, the banks or their branches that can directly extract the data from their systems, are provided file-structure so that they can submit the data without using our data-entry software. Further, banks unable to use the data-entry software for certain reasons, are permitted to send data either in any acceptable form or submit only hard copies. The data so received are processed at DESACS, RBI, Mumbai, using the software developed in-house. The data are edited by putting them through rigorous computer programs to check their consistency, validity and integrity and wherever required, necessary corrections are carried out.

2.1.2.1.3. Basic Statistical Return – 5: Survey of Investments of Scheduled Commercial Banks

The Survey of Investments of Scheduled Commercial Banks, conducted through BSR 5, analyses the position of investments in India and abroad of Scheduled Commercial Banks (excluding Regional Rural Banks) as at the end of March annually. The investment portfolio covers investments in securities issued by Central and State Governments, private sector companies, financial companies, banks, approved for the purpose of investments under the Indian Trusts Act, 1882; other domestic securities and investments; foreign securities and other foreign investments. Analysis of investments is done according to bank groups, namely, State Bank of India and its Associates (SBI and its Associates), Nationalised Banks, Other Indian Scheduled Commercial Banks (OSCBs) and Foreign Banks in terms of instruments, maturity, interest rate (coupon) and states. BSR 5 return commenced from March 1973 and replaced earlier survey on Bank Investments. The proforma for reporting State-wise investments was also introduced in the revised survey.

2.1.2.1.3.1. Measurement needs of the area

The results of the survey capture the changes in the composition pattern of investments of SCBs and thus provide valuable information on banks investments according to type, maturity profile, interest/ coupon rates and according to states. Such information is useful to policy-makers, analysts, bankers and researchers.

An article presenting salient features of the results of the BSR-5 survey is published annually in the RBI Bulletin. Various other publications also present data based on the results of the BSR-5 survey.

2.1.2.1.3.2. Concepts, Definition and Classifications

The BSR-5 survey covers all the SCBs, excluding RRBs and Head offices of the banks submit the return. The exclusion of RRBs is due to their low share (about 2.8 per cent, as on end-March 2005) in total investments of all SCBs. The return seeks information on banks' investments in Central and State Government securities; securities, other than Central and State Government securities, approved for the purpose of investments under the Indian Trusts Act, 1882; other domestic securities; foreign securities and other foreign investments. In respect of each category, the banks report their investments in terms of face value, book value, and wherever applicable, market value and market rate. Details of investments in shares, debentures is called for separately for quoted and Non-quoted instruments. A complete list of securities and other investments included in the survey is provided in the return. This list is updated annually. The concepts used for the survey broadly refer to the Reserve Bank's guidelines/ instruction on Valuation, Classification and operation of investments portfolios, as applicable to SCBs.

2.1.2.1.3.3. Sources and Systems

Head offices of scheduled commercial banks form the basic source for the supply of data in BSR 5. The format of the return, together with guidelines for filling-in the same are provided to

the head offices of the banks who submit the filled-in returns to Central Office, DESACS, RBI. The head offices of the banks submit the paper returns along with data in soft form. Software developed for the purpose, is provided to the banks for data entry. Further, the banks which are unable to use the data-entry software for certain reasons, are permitted to send data either in any acceptable form or submit only hard copies. The banks also submit a copy of their annual accounts/Balance sheet as on March 31.

Preliminary scrutiny of the returns is done with the annual accounts as on March 31 so as to ensure the two sets of data match, and after reconciliation of the same, the data are processed at DESACS, RBI, Mumbai. Necessary references are made to banks to seek clarifications, before data processing. The data are edited by putting them through rigorous computer programs to check their consistency, validity and integrity and wherever required, necessary corrections are carried out.

2.1.2.1.4. Basic Statistical Return – 6: Survey of Debits to Deposit Accounts

The Basic Statistical Return (BSR)-6 which is canvassed for the Survey of Debits to Deposit Accounts with Scheduled Commercial Banks is a quinquennial return under the BSR system. The return is submitted by the branches which are selected in the sample for the year under reference. The BSR-6 intends to capture the value of debits to deposit accounts, with a view to work out the rate of turnover of deposits, which is one of the important measures of economic activity in the country as a whole. The Survey on Debit to Deposits account (form T-1) which was conducted till 1971-72 annually, was next conducted in 1974-75 on census basis and renamed as BSR 6 return from 1985-86 as biennial sample survey as per decision taken by the Committee of Direction on Banking Statistics. Subsequently, the survey has been made quinquennial from the year 2000. The BSR-6 survey covers the same branches as are selected for the BSR-4 survey for the year in which the BSR-6 survey is being conducted.

2.1.2.1.4.1. Measurement needs of the area

Debits to deposits accounts of banks represent withdrawals made by depositors either in the form of cheques or in cash. Comparison of the total of such withdrawals for a certain period with the average balances held by the depositors in such accounts provides a measure of the extent to which depositors make use of the funds in their bank accounts for making payments and thus are an important source of information. Major users of the survey results are the Government departments/Organisations, RBI, commercial banks and others, e.g., researchers and others. Information on cash debits (including those made through ATMs) is also being collected in the survey for 2004-05 and is expected to be a useful source of data for policy purposes and researchers.

An article presenting salient features of the results of the BSR-6 survey is published in the RBI Bulletin. Various other publications also present data based on the results of the BSR-6 survey.

2.1.2.1.4.2. Concepts, Definition and Classifications

The data covered are quarterly outstanding balances in Current and Savings Deposit accounts and approved limits in Cash Credit and Overdraft accounts and total debits (quarter-wise) and cash debits (quarter-wise) in above types of accounts. The Outstanding Balances/ approved limits are as on Last Friday of June, September and December, and as on March 31 in case of March quarter. Detailed definitions, are provided in the Guidelines attached with the BSR-6 return. The definitions/concepts used in the BSR-6 for 2004-05 return are:

Inter-bank deposits / credit accounts of banks (whether commercial or co-operative, scheduled or non scheduled) are excluded entirely from the data reported. Total debits (withdrawals) to current deposit accounts, savings deposit accounts, cash credit accounts and overdraft accounts during the quarters April-June, July-September, October-December and January - March are reported. Debits (withdrawals) made by all means are covered. These cover debits made through cheques, in cash and also include

those made through ECS, ATMs, Internet banking and other electronic banking channels. Debits through ATM are a subset of all debits reported in Part on Total Debits. Savings and current deposits include the amount of interest due to the depositors. Current deposits include credit balances in cash credit accounts, deposits repayable at call or on notice of less than 15 days, (7 days in case of deposits above Rs.15 lakh), unclaimed deposits and fixed deposits matured but not paid. Contingency and unadjusted accounts, if in the nature of deposits, are also included in current deposits. Margin deposits, staff provident fund and security deposits and interest due on these are excluded from the data furnished. Approved limits refer to effective limits (drawing powers) in respect of cash credits and overdrafts as on the last Friday of the quarters April-June, July-September, October-December and as on 31st March for January- March quarter even if such limits have not been availed of. In the case of clean overdrafts, the full sanctioned limits are taken. As stated above, the sample branches are selected for the survey following the same sampling scheme described for BSR 4 whenever this survey is conducted.

2.1.2.1.4.3. Sources and Systems

The basic data for the survey flow from the branches of scheduled commercial banks that are selected in the sample for survey. The format for the BSR-6 return, together with guidelines for filling-in the same are provided to the selected branches through their head/controlling offices for the particular year's survey. The data to be submitted through the return are extracted by the branches from their system. The head/controlling offices of the banks submit the paper returns along with data in soft form to the regional offices of DESACS, RBI. Software developed, in FoxPro, for the purpose of data entry, is provided to the banks. However, these banks or their branches, which can directly extract the data from their systems, are provided file-structure so that they can submit the data without using DESACS's data-entry software. Further, certain banks which are unable to use the data-entry software for certain reasons, are

permitted to send data either in any acceptable form or submit only hard copies. The data so received are processed at DESACS, RBI, Mumbai using the software developed in-house. The data are edited by putting them through rigorous computer programs to check their consistency, validity and integrity.

2.1.2.1.5. Basic Statistical Return - 7: Quarterly Return on Aggregate Deposits and Gross Bank Credit

The Reserve Bank of India was collecting information on aggregate deposits and gross bank credit of Scheduled Commercial Banks (including Regional Rural Banks) on monthly basis through Basic Statistical Return (BSR) 7 introduced in August 1974. The periodicity of the return was changed to quarterly from the quarter ended March 1984. These data on aggregate deposits and gross bank credit were disseminated from the year 1981 through the publication titled "Banking Statistics-Monthly Return on Aggregate Deposits and Gross Bank Credit". Subsequently, the data were published under the title "Banking Statistics - Quarterly Handout" from March 1984. The name of the publication has further been changed to "Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks" from September 2003. These publications provide the data on deposits and credit, *inter alia*, according to States/Districts/Centres/Population Groups/Bank Groups.

2.1.2.1.5.1. Measurement needs of the area

The information on the geographical distribution of aggregate deposits and gross bank credit based on BSR 7 return serves as an important input to monetary policy and regional development process. Besides, it serves as an important input to analysis of banking potential of different regions/centers. Reserve Bank, Commercial and Co-operative Banks and Researchers extensively use the BSR-7 data. These data are also an important input for preparing material for replies to parliamentary queries and used by different committees set up by the government/RBI on various economic issues. The data are disseminated through

quarterly publication, which can also be accessed through Internet site of the Reserve Bank.

2.1.2.1.5.2. Concepts, Definition and Classifications

The BSR-7 return is a simple return wherein the head/controlling offices of banks report branch/office-wise quarterly data on aggregate deposits and gross bank credit as on the reference date, which is the last Friday in the case of June, September and December quarters and March 31 in the case of March quarter. The Aggregate Deposits represent demand and time liabilities of a bank (excluding inter-bank deposits and India Millennium Deposits). The Gross Bank credit represents bank credit (excluding interbank advances) as per Form A return under Sec 42(2) of RBI Act, 1934, together with outstanding amount of bills rediscounted with Reserve Bank of India and Financial Institutions. A Centre is defined as the revenue unit classified and delineated by the respective State Government, *i.e.*, a revenue village/city/town/municipality/municipal corporation, etc., as the case may be, in which the branch is situated. The Population Group classification of banked Centres is based on 1991 Census. The Population Groups are defined as under:

- i) 'Rural' group includes centres with population of less than 10,000,
- ii) 'Semi-urban' group includes centres with population of 10,000 and above but less than 1 lakh,
- iii) 'Urban' group includes centres with population of 1 lakh and above but less than 10 lakhs, and
- iv) 'Metropolitan' group includes all centres with population of 10 lakhs and above.

2.1.2.1.5.3. Sources and Systems

The basic data for the survey flow from the branches/offices of scheduled commercial banks. The head/controlling offices of the banks arrange to obtain data from their branches/offices and after preliminary scrutiny submit the same to DESACS, RBI. For the purpose of data entry, software developed in FoxPro for the purpose, is

provided to the banks. However, some banks or their branches are allowed to extract the data from their systems, and are provided file-structure so that they can submit the data without using DESACS data-entry software. Further, if banks are unable to use the data-entry software for certain reasons, then they are permitted to send data either in any acceptable form or submit hard copies.

The data so received are processed at DESACS, RBI, Mumbai using the software developed in-house. The data are edited by putting them through rigorous computer programs to check their consistency, validity and integrity and wherever required, queries are forwarded to banks and after obtaining their replies, necessary corrections are carried out.

2.1.2.1.6. Ensuring Quality Standards of BSR data

On the processed data reported under BSR 1 and BSR 2 returns, various code-validation and inter-consistency checks are performed such as (i) branch-wise totals are tallied with BSR-7 data to check large dimensional variations; (ii) checking large growth / decline as compared to past year data; (iii) examining outliers (out of range) – very large/ small values; (iv) locate logical inconsistencies (a combination of codes/ attributes appearing together); and (v) bank-wise totals are tallied with Section 42(2) and banks' annual report data. The inconsistency reports are sent back to the banks for getting clarification/feed-back/ corrected/revised data. The final results are also checked with the other sources of data published by RBI.

To ensure receipt of good quality data obtained in BSR returns, besides vigorous follow-up, workshops and meetings are arranged periodically to train the bank personnel and to impress upon them the need to submit complete, accurate and timely data. The workshops also dwell upon common errors/discrepancies observed in earlier surveys as also provide demonstration/hands-on sessions on data entry software. To ensure correct data entry, various validation and consistency checks are in-built into the data entry software. Cleaning of data is done in-house

and its consistency is cross-checked at different levels of aggregation with the data emanating from other returns. Further, the preliminary tabulations are examined in the light of other macro-economic developments to ensure consistency in the survey results.

2.1.2.2. International Banking Statistics

Importance of maintenance and timely dissemination of quality and adequate data on external transactions have been felt necessary by regulatory authorities, both national and international, for efficient functioning of the global financial system. This helps to identify and analyze the undercurrents in the international financial markets. Thus, the development of appropriate data of high quality and management thereof has to be a vital function of all central bank authorities. The crisis in East Asia, in particular, brought into sharp focus the need for collection of timely and comprehensive data on international exposures of banks and the size and structure of international debt positions.

In India, with the growing liberalization of the external sector, close monitoring, on an ongoing basis, of the cross-border flow of funds has assumed critical importance. This calls for concerted efforts to collect the data on international claims and liabilities of the banking sector. At present, banks in India provide various details of their operations in India as well as abroad to different departments in the RBI to meet the specific requirement of the departments concerned. While a lot of information flows to different departments of the RBI to cater to their specific needs, these are not adequate for meeting the international standards as well as for participating in the International Banking Statistics (IBS) collected and published by the Bank for International Settlements (BIS). The IBS system of the BIS mainly designs to collect/ compile/provide information on banks' external/ international liabilities and assets vis-à-vis (a) non-residents in any currency and (b) residents in foreign currency. Under the system, the information from scheduled commercial banks on disaggregated items such as, loans, deposits, investments, borrowings, other assets and other

liabilities with details into currency (domestic and foreign currencies), sector (banks, non-bank public and non-bank private) and country (individual countries, international institutions and monetary authorities) is compiled at quarterly intervals.

For the above purpose, RBI constituted a Working Group on International Banking Statistics to suggest, *inter alia*, a comprehensive reporting mechanism, to enable India's participation in the IBS system of the BIS. As per the recommendations of the Working Group, the requisite detailed data on international assets and international liabilities of banks are being collected from banks on quarterly basis since December 1999. A Standing Monitoring Group (SMG) representing senior officers of the RBI and commercial banks has been monitoring the implementation of the recommendations of the Working Group on International Banking Statistics. The SMG is an ongoing body and reconstituted once in two years.

Since March 2001 quarter, the consolidated data of banks in India in the form of 23 statements (18 locational banking statistics (LBS) and 4 (5 from March 2006) consolidated banking statistics (CBS)) are being supplied regularly to the BIS on quarterly basis. The BIS started incorporating India's IBS data from December 2001 quarter and as a result, India became the third among all developing countries in the world complying with the BIS requirements of compilation of IBS. While the BIS publishes (www.bis.org) consolidated data of all reporting countries, the RBI publishes consolidated data on IBS of India in the form of article in the RBI Bulletin (www.rbi.org.in). The BIS publishes consolidated statistics of all reporting countries regularly in the "BIS Quarterly Review- International Banking and Financial Market Developments" and "The BIS Consolidated Banking Statistics". Apart from the BIS, international organizations and central banks in other countries have been using country specific detailed data for further investigations.

In order to improve upon the coverage of data, the BIS revised its guidelines for consolidated

banking statistics (CBS) by increasing the coverage of products/instruments, namely, derivative contracts, guarantees, credit commitments, etc., modifying its reporting formats and increasing the number of CBS statements (from 4 to 5). The newly introduced CBS statement present - (i) the consolidated international claims by country and sector of ultimate risk, and (ii) instrument wise (viz., derivative contracts, guarantees, credit commitments) outstanding amounts by country of ultimate risk. There is only one return i.e., IBS Return, in India for collating both kinds of statistics viz., LBS and CBS. In the light of the revised guidelines of the BIS and certain observations recorded, for enhancement of the system, during the course of implementation of the IBS system of BIS in India, the Guide to IBS for banks in India and Indian banks' offices abroad was revised/modified. The revised system has been implemented from the reporting quarter March 2005. The following are the major revisions/modifications.

- i) The asset/liability codes have been modified to capture data on financial instruments, viz., Derivatives, Letter of Credits, guarantees and credit commitments.
- ii) The banks/branches had been reporting the outstanding 'amount/balance' and 'accrued interest' in rupee terms. Now, the outstanding amount/balance and accrued interest are also reported in terms of currency of the account.
- iii) The sectoral classification has also been modified by reducing the number of categories to 8 [two for banks viz., Bank Own Office and Bank Other's Office, one for Official Monetary Authorities, one for Government, three for Non-bank and one for cash collateral (applicable only for sector of ultimate risk)] as compared to the earlier sector classification into 12 categories (8 codes for banks based on various criteria viz., ownership, location of head office and own/other bank's office, one code for official monetary authorities and three codes for non-

banks, viz., non-bank public sector, non-bank private sector and non-bank others).

- iv) In comparison to the existing reporting of information on six currencies, viz., US Dollar, Euro, Japanese Yen, Swiss Franc, Pound Sterling and Domestic Currency (Indian Rupee), and all other currencies clubbed under residual category 'OTH', the revised system requires reporting, for items other than derivatives, of the currency of account/transaction as ISO currency code. It would require reporting of information on 25 currencies including Indian Rupee and remaining foreign currencies under residual currency category "OTH". However, for reporting of derivatives from branches to their RO/ZO/LHO/HO, the currency of settlements of the derivative contracts are reported as ISO currency code. A list of about 161 currencies and their ISO codes are provided in *Annex-2.5*. The currency of settlements, along with country of the counter-party, are reported for the purpose of netting, if applicable, at Head Office.

2.1.2.2.1. Measurement needs of the area

The IBS provides an understanding of the total magnitude of international assets and liabilities of the banking system and their composition, mainly in terms of sector (bank, non-bank), residual maturity, currency and country of residence. International assets / liabilities cover claims/liabilities of reporting banks with/toward non-residents in any currency and residents only in foreign currency.

The IBS data are primarily compiled to comply with the BIS requirement. The BIS releases (www.bis.org) international liabilities and assets position of banks of member countries on a quarterly basis through their publications viz., (i) *Consolidated Banking Statistics* and (ii) *BIS Quarterly Review: International Banking and Financial Market Developments*. The IBS data compiled by the BIS are used by the central banks of member countries, international organizations

e.g., IMF, etc. The methodology of compilation of LBS/CBS and explanation to various terms used in IBS are provided in *Annex 2.6*.

2.1.2.2.2. Concepts, Definitions and Classifications

The definitions of various items used in IBS are given below:

Reporting Country: The term "reporting country" refers to the country, which compiles and provides IBS data to the BIS. Here, India is the reporting country and any country other than India is foreign country.

Local Currency and Non-Local Currency: Local or domestic currency is the currency of the country where the banking office is located. The currencies other than domestic are termed as non-local or foreign currencies. Here, in India, Indian Rupees (INR) is the local or domestic currency and all other currencies are foreign currencies.

International Assets and International Liabilities: Balances in the accounts of the ledgers maintained with the branch, representing assets placed with (or claims on) and liabilities towards (i) non-residents in any currency (i.e., foreign currencies and domestic currency); and (ii) residents in foreign currencies are treated, respectively, as international assets and international liabilities.

Who are Treated as Non-Resident: For the purpose of these statistics, *non-resident means:*

- i) An individual permanently resident outside India,
- ii) An individual who has stayed or intend to stay outside India for a period as stipulated in the FERA guidelines or guidelines issued under FEMA,
- iii) An individual normally resident outside India who is temporarily resident in India,
- iv) Student or an individual undergoing medical treatment, who is a foreign national, irrespective of the length of his stay in India,

- v) A company/firm/institution located outside India,
- vi) Diplomatic missions and personnel, irrespective of length of their stay in India.

Items of Information captured in IBS: The branches of banks in India report to their head/principal offices the following items relating to international assets/liabilities:

Country (Code) of Residence of the reporting branch ("IN" for the branches in India),

Broad Category of Asset/Liability,

Type of Asset/Liability under Category,

Currency of Account/Transaction/Settlement as an ISO Currency Code,

Country of Borrower/Customer as an ISO Country Code,

Sector of Borrower/Customer as a Sector Code,

Residual Maturity as a Maturity Code,

Country of Ultimate Risk as an ISO Country Code,

Sector of Ultimate Risk as Sector Code,

Balance in terms of Currency of Account/Transaction (MTM value of derivatives in terms of US Dollar, irrespective of currency of settlement),

Accrued Interest in terms of Currency of Account/Transaction (this should be Zero/Nil if the accrued interest is already reflected in the Balance Amount),

Balance in Accounts/MTM Value of Derivatives in terms of Equivalent Indian Rupee, and

Accrued Interest in terms of Equivalent Indian Rupee (this should be Zero/Nil if the accrued interest is already reflected in the Balance Amount).

Country of Residence of the Reporting Branch: Country of residence of the reporting branch/office means the country where the reporting branch is located. All reporting branches in India, including branches of foreign banks, should provide the value as "IN" ("IN" is the ISO country code for India). The ISO country codes are provided in *Annex 2.7*.

Classification of International Assets / Liabilities under various categories and type

A. INTERNATIONAL ASSETS

Asset Category	Category Code (ALCD)	Asset Type Description	Type Code (TYPECD)
International Loans and Deposits	11	Loans to Non-residents	11
		Foreign Currency Loan to Residents	12
		Outstanding Export Bills	21
		Foreign Currency in hand, Travelers Cheques, etc.	41
		NOSTRO Balances and Placements Abroad	51
International Holdings of Debt Securities	21	Investment in Foreign Government Securities	11
		Investment in Other Debt Securities Abroad	12
International Other Assets	31	Investments in Equities Abroad	11
		Other International Assets	21

B. INTERNATIONAL LIABILITIES

Liability Category	Category Code (ALCD)	Liability Type Description	Type Code (TYPECD)
International Deposits and Loans	51	FCNR (B)	11
		Residents Foreign Currency (RFC) Deposits	12
		Exchange Earners' Foreign Currency (EEFC) A/Cs	13
		Other FC deposits	14
		Borrowings	41
		Balances in VOSTRO Accounts	51
		Non-Resident External (NRE) Rupee Accounts	52
		Non-Resident Ordinary (NRO) Rupee Accounts	55
		Embassy Accounts	57
		Foreign Institutional Investors' (FIIs) Accounts	58
		ESCROW Accounts	59
Own Issues of International Debt Securities	61	International Bonds (IMDs of SBI, etc.,)	11
		FRNs (Floating Rate Notes)	12
		Other Own Issues, if any, of International Debt Instruments	13
International Other Liabilities	71	GDRs/ADRs (issued by the reporting banks)	11
		Rupee Equities of banks held by NRIs/OCBs	12
		Other international liabilities	13

C. DERIVATIVES, LETTER OF CREDITS, GUARANTEES AND CREDIT COMMITMENTS

Derivatives, Letter of Credits, Guarantees and Credit Commitments	81		
		Derivatives	11
		Letter of Credits	21
		Guarantees	31
		Credit Commitments	41

Currency of Account/Transaction/Settlement (Curcd): The banks/branches report, for items other than derivatives, the currency of account/transaction as ISO currency code provided below. For reporting of derivatives from branches to their RO/ZO/LHO/HO, the currency of settlements of the derivative contracts are reported as ISO currency code as provided in Annex 2.5. Although, the MTM values of derivative contracts are reported in terms of equivalent US Dollar and Indian Rupee, the currency of settlements, along with country of the counter parties, are reported for the purpose of netting at Head Office.

While recording rupee equivalent amount for foreign currency accounts/transactions, banks in India use notional exchange rates for various currencies. The notional exchange rates vary from bank to bank and the differences between market rate and notional rate for certain currencies are very high. Accordingly, the currency of accounts/transactions along with amounts/balances/interests in terms of currency of accounts/transactions (US dollar equivalent amounts/balances/interests in the case of currency of account/transaction is "OTH") and rupee equivalent amounts/balances/interests, calculated at notional rates, are reported in the

IBS. While rupee equivalent amounts calculated at notional rates would help the banks to tally with their ledgers, the foreign currency amounts would be converted into equivalent US Dollar at market rates uniformly for all banks at the RBI for reporting to the BIS.

Country of Residence of Borrower/Customer (COUNCD): The country code of the country of residence of the person/entity (bank, corporate, individual, institution, etc.) with whom bank has assets or towards whom bank has liabilities is reported as ISO Country Code. In other words, the country of residence of borrower/customer means the country of the person/entity in whose name the account is maintained in the books of the bank/branch. The resident country of the borrower/customer is also called as “Country of Immediate Risk”. The country information is reported as per the ISO country code listed in *Annex 2.9*.

Sector of Borrower/Customer (SECTCD): The sector of borrower/ customer, with/towards whom bank/branch has asset/liability, is reported as sector code provided below. Also, the same set of codes is applicable for allocating “Sector of Guarantor (Ultimate Risk)” (S_U_CD). In addition to these codes, the code “35” is used as sector of ultimate risk for “Cash Collateral”.

CLASSIFICATION OF SECTOR	Sector Code (SECTCD)
Bank - Own Branch/Office (i.e., Assets/Liabilities of reporting banks with/towards their OWN branch/office)	11
Bank - Branch/Office of Another Bank (i.e., Assets/Liabilities of reporting banks with/towards branch/office of ANOTHER bank. This includes assets/liabilities with/towards certain International Organizations). For the international organizations, the country code should be furnished as ZZ and NOT as per the location of country of the organization. A list of international organizations is provided in <i>Annex-2.10</i> .	12

CLASSIFICATION OF SECTOR	Sector Code (SECTCD)
Official Monetary Authorities (i.e., Assets/Liabilities of reporting banks with/towards Central Banks of various countries, Multilateral Development Banks, etc). A list of official monetary authorities is provided in <i>Annex-2.9</i> .	21
Bank for International Settlements (BIS), European Central Bank (ECB) (i.e., Assets/Liabilities of reporting banks with Bank for International Settlements (BIS), European Central Bank (ECB), etc).	22
Governments (i.e., Assets/Liabilities of reporting banks with/towards Central, State or Local Governments, Government Departments)	25
Non-Bank – Public Sector Undertakings (i.e., Assets/Liabilities of reporting banks with/towards companies/institutions other than banks in which share holding of state/central governments is at least 51 per cent). This includes assets/liabilities with/towards certain International Organizations. For the international organizations, the country code should be furnished as ZZ and NOT as per the location of country of the organization.	30
Non-Bank – Private Sector (i.e., Assets/Liabilities of reporting banks with/towards Joint Stock and Private/Public Limited Companies)	31
Non-Bank – Others (i.e., Assets/Liabilities of reporting banks with/towards individuals, HUFs, etc.)	32
Cash Collateral (This could be furnished as Sector of Ultimate Risk, if the banks exposure is against the cash collateral)	35
Unallocated (In case of fixed assets, where the sector cannot be determined, the sector should be assigned to this residual category.)	40

Country of Ultimate Risk (C_U_CD): This is applicable only for Asset items, Derivatives, Letters of Credit, Guarantees and Credit Commitments. The Country of Ultimate Risk is the country in which the guarantor of a financial claim resides (for individuals) and/or the country in which the head office of the guarantor entity (bank, public/private organization, etc.) is located. The same set of ISO country codes should be used for allocating Country of Ultimate Risk Codes.

Sector of Ultimate Risk Code (S_U_CD): The Sector of Ultimate Risk is defined as the sector of the guarantor of a financial claim. This is applicable only for Asset items, Derivatives, Letters of Credit, Guarantees and Credit Commitments. The same set of sector codes as provided should be used for allocating Sector Codes of Ultimate Risk.

Residual Maturity Code (MATCD): Residual Maturity as on reporting date means the remaining maturity period, which is calculated by taking the difference between the date of maturities of international assets/liabilities and reporting date of IBS data. Residual maturity of asset/liability is reported as per the following classification:

Residual Maturity Classification	Residual Maturity Code (MATCD)
Up to and inclusive of six months [Includes the accounts/transactions (saving/current deposits, etc.) where amounts are received/paid on demand]	1
Over six months but up to and inclusive of one year	2
Over one year but up to and inclusive of two years	3
Over two years	4
Unallocated [In certain cases, like, investment in equity shares (in FC/abroad), participations, fixed assets abroad, etc., residual maturity cannot be determined and these should be reported as unallocated.]	5

Outstanding Amount in Terms of Currency of Account (FC_BAL): The outstanding balance in the account, in terms of currency of account OR the marked to market (MTM) value of derivative contracts in terms of US Dollar, as at the end of reporting quarter are reported against this item.

Accrued Interest in Terms of Currency of Account (FC_INT): If the interest accrued up to the end of the reporting quarter is already debited/credited to the outstanding balance of the account, then '0' (zero), otherwise, the accrued interest is calculated in terms of currency of account/transaction and reported separately under this item.

Outstanding Amount in Terms of Indian Rupee (RS_BAL): The outstanding balance in the account (as it appears in the ledger in terms of Indian Rupee) OR the marked to market (MTM) value of derivative contracts as at the end of the reporting quarter, in terms of Indian Rupee (INR) is reported against this item after rounding off to Rupee.

Accrued Interest in Terms of Indian Rupee (RS_INT): If the interest accrued up to the end of the reporting quarter is already debited or credited to the outstanding balance of the account then '0' (zero), otherwise, accrued interest amount, in terms of Indian Rupee (INR), is reported after rounding to Rupee.

Reporting Conventions:

All amounts under Assets and Liabilities, on- and off- balance sheet items, are reported with positive sign EXCEPT credit balances in MIRROR NOSTRO Accounts, debit balances in VOSTRO Accounts, loan/cash credit/over draft accounts and negative MTM values of Derivative contracts.

Reporting of Balance Amount in NOSTRO Accounts: Balances in NOSTRO accounts are reported as per local books, i.e., as per mirror book of NOSTRO accounts. The Credit balances are reported with -ve sign, which is clubbed under Overseas Borrowings (i.e., Liabilities).

Reporting of Balance Amount in VOSTRO Accounts: Debit balances in VOSTRO accounts

are reported with -ve sign, which are clubbed under Lending to Non-Residents (i.e., Assets). In this case Country & Sector of Ultimate Risk Code (i.e., C_U_CD & S_U_CD) are furnished.

The system of International Banking Statistics (IBS) as pursued by the Bank for International Settlements (BIS) is expected to reduce the inadequacies in data and data gaps in the international assets and liabilities of the banks in India. The IBS system of reporting comprises two sets of tabulations viz., Locational Banking Statistics (LBS) and Consolidated Banking Statistics (CBS). The features of LBS and CBS are summarized below:

Locational Banking Statistics (LBS): The locational banking statistics provide for the collection of data on the positions of all banking offices located within the reporting area. The 'reporting area' is used to refer to the countries, which submit IBS data to the BIS. Such offices report exclusively on their own (unconsolidated) business, which thus include international transactions with any of their own affiliates (branches, subsidiaries, joint ventures) located either inside or outside the reporting area. The basic organizing principle underlying the reporting system is the residence of the banking office. This conforms to balance of payments and external debt methodology. In addition, data on an ownership or nationality basis are also calculated by regrouping the residence-based data according to countries of origin.

The LBS comprises 18 statements, of which 8 statements represent Instrument-wise (viz., International Loans and Deposits, International Holdings/Own Issues of Debt Securities and International other Assets/Liabilities) international assets and liabilities of the banking sector by country and sector of borrower and currency, the 10 statements represent major currency - wise international assets and liabilities of reporting banks according to their country of incorporation and sector of borrower.

Consolidated Banking Statistics (CBS): The consolidated banking statistics are designed to provide comprehensive and consistent quarterly data on banks' financial claims, i.e., assets side of balance sheet, on other countries on two

different bases. While the first set of statistics collects data on an ultimate risk basis, i.e., allocated to the country where the final risk lies, for assessing country credit risk exposures, the second set of statistics collects data on an immediate borrower basis, i.e., allocated to the country where the original risk lies, for providing a measure of country transfer risk. The data cover on and off- balance sheet claims reported mainly by domestic banks, including the exposures of their foreign offices (i.e., subsidiaries and branches), and are collected on a worldwide-consolidated basis with inter-office positions being netted out.

The CBS comprises 5 statements, of which 4 statements represent country (on immediate risk basis) and sector of borrower, and residual maturity-wise international/foreign claims according to the type of reporting banks (viz., domestic banks, inside area banks [foreign banks incorporated in the countries submitting IBS to the BIS], outside area banks [foreign banks incorporated in the countries NOT submitting IBS to the BIS]), the last statement represents country (country of ultimate risk) and sector - wise foreign claims and the claims arising from derivatives, guarantees and credit commitments.

Allocation and Reporting of Immediate/Ultimate Risk: Reporting domestic banks provide information on the volume of their cross-border financial claims, and the local claims of their foreign offices in any currency, that has been reallocated from the country of the immediate borrower to the country of ultimate risk as a result of guarantees, collateral and those credit derivatives that are part of the banking books. The risk reallocation also includes that between different economic sectors (banks, public sector and non-bank private sector) in the same country. The risk reallocation also covers loans to domestic borrowers, which are guaranteed by foreign entities and, therefore, represent inward risk transfers, which increase the exposure to the country of the guarantor. Equally, foreign lending which is guaranteed by domestic entities (e.g., a domestic export credit agency) is reported as an outward risk transfer, which reduces the exposure to the country of the foreign borrower.

If all outward and inward risk transfers were to be reported, they would add up to the same total. However, because in the case of risk reallocations from or to a reporting bank's home country only the part relating to the foreign counter-party country is reported, inward and outward risk transfers may not necessarily add to the same total. Similarly, the issuer (or protection buyer) of credit-linked notes and other collateralized debt obligations and asset-backed securities only report an outward risk transfer and no inward risk transfer because he is perceived to have received cash collateral which extinguishes the exposure to his original claim.

Local Assets and Local Liabilities in Local Currency of Domestic Banks' Foreign Affiliates: Head offices of banks in the reporting area provide data on the local assets and liabilities in local currency of their affiliates in other countries on a gross basis. In the revised system, while the data on local liabilities in local currencies are reported on gross basis (i.e., one record only), the data on local assets in local currency are reported with details of country & sector of borrower, country & sector of guarantor, currency, residual maturity, etc. The consolidated banking statistics, though measures only claim, are a counterpart to borrowing countries' liabilities and, thus, can be aggregated to construct a measure of international debt owed to banks.

Derivative Contracts: Reporting domestic banks provide consolidated data on the cross-border financial claims (i.e., positive market values) resulting from derivative contracts of all their offices worldwide and the financial claims from derivative contracts of their foreign offices vis-à-vis residents of the countries where the offices are located, independent of whether the derivative contracts are booked as off- or on-balance sheet items. The data are reported on a consolidated and ultimate risk basis, i.e., inter-office positions are netted out and the positions are allocated to the country where the final risk lies.

The data cover in principle all derivative contracts that are reported in the context of the BIS regular OTC derivatives statistics. The data

thus mainly comprise forwards, swaps and options relating to foreign exchange, interest rate, equity, commodity and credit derivative contracts. However, credit derivatives, such as credit default swaps and total return swaps, are only to be reported under the item "Derivative contracts" if they are held for trading by a protection buying reporting bank. Credit derivatives, which are not held for trading, are reported as "Risk transfers" by the protection buyer and, all credit derivatives are reported as "Guarantees" by the protection seller.

Guarantees and Credit Commitments: Reporting domestic banks provide data on guarantees outstanding vis-à-vis non-residents of all their offices worldwide and the exposures of their foreign offices from guarantees vis-à-vis residents of the countries where these offices are located. Similar data should also be provided separately for credit commitments outstanding. Both types of data are reported on a consolidated and ultimate risk basis, i.e., inter-office positions are netted out and - except when the exposure is mitigated by cash collateral or by exposure to a resident (i.e., home country) third party, in which case no foreign exposure is reported - the positions should be allocated to the country where the final risk lies.

Guarantees and credit commitments are reported to the extent that they represent the unutilized portions of both binding contractual obligations and any other irrevocable commitments. These cover only those obligations which, if utilized, would be reported in total cross-border claims and local claims of foreign offices in any currency. Performance bonds and other forms of guarantee are reported only if, in the event of the contingency occurring, the resulting claim would have an impact on total cross-border claims and local claims of foreign offices in any currency. A more detailed definition of guarantees and credit commitments and a non-exhaustive list of typical instruments that qualify as guarantees and credit commitments are provided below.

Guarantees: Guarantees are contingent liabilities arising from an irrevocable obligation to pay to a third party beneficiary when a client fails to

perform some contractual obligation. They include secured, bid and performance bonds, warranties and indemnities, confirmed documentary credits, irrevocable and standby letters of credit, acceptances and endorsements. Guarantees also include the contingent liabilities of the protection seller of credit derivative contracts.

Credit Commitments: Credit commitments are arrangements that irrevocably obligate an institution, at a client's request, to extend credit in the form of loans, participation in loans, lease financing receivables, mortgages, overdrafts or other loan substitutes or commitments to extend credit in the form of the purchase of loans, securities or other assets, such as backup facilities including those under note issuance facilities (NIFs) and revolving underwriting facilities (RUFs).

Other Reporting Conventions

Netting of Assets: International assets and liabilities are, in principle, reported on gross basis i.e., bank's assets and liabilities vis-à-vis the same counter-party are reported separately, NOT netted one against the other. However, for reporting of derivatives, while branches submit counter-party and contract-wise marked to market (MTM) values on gross basis to their HO/PO, the HO/PO of banks do netting for a counter-party *where specific legally enforceable bilateral netting arrangement such as International Swaps and Derivative Association (ISDA) master agreement, etc., exists* before summarizing the data on derivatives.

Valuation: International claims in the form of loans and receivables originated by the bank and not held for trading as well as held to maturity investments be in principle valued at face value or amortized cost price. Financial assets available for sale and held for trading are valued at market or fair values. Contingent liabilities resulting from guarantees and credit commitments are valued at face value or the maximum possible exposure. The procedure for valuation and reporting of derivatives is given in *Annex 2.10*.

Arrears of Interest and Principal: Until they are written off, interest in arrears on international

claims and principal in arrears (including capitalized interest) are reported/included in the data on international assets/claims.

Provisions: Financial claims against which provisions have been made are normally reported as foreign assets at their gross value. However, accounting rules may require in certain instances that these claims be reported on a net basis if there is an identified loss.

Write-Offs of Claims and Debt Forgiveness: Although an asset that has been written off may still be a legally enforceable claim, it is excluded from the reporting.

Currency Conversion: The banks/branches report, for items other than derivatives, the outstanding amounts/balances and accrued interest in terms of currency of the account/transaction as well as in equivalent rupee terms. The positions in terms of currency of the account/transaction reported by banks are converted in terms of US Dollar by the RBI at the exchange rate prevailing on the reporting date, for the purpose of reporting to the BIS. For derivatives, no conversion is required as the banks/branches report the MTM values of derivative contracts in terms of equivalent US Dollar as well as Indian Rupee terms, irrespective of currency of settlement.

2.1.2.2.3. Sources and Systems

Source of Data: The required/relevant data items are available in the account ledgers of the branch, under assets and liabilities, which are further divided into different ledgers. On the first folio of any account the information relating to the account holder such as name, address, maturity date, etc., and nature of the account is recorded. Besides, balance in the account as at any given date is also available in the balance column.

The Reporting System: The Reporting System under IBS involves branches, head/principal offices (HOs/POs) of banks and the RBI. The Reporting System comprises:

Branches/Offices of Banks: The branches/offices of banks (Indian banks and Foreign banks) operating in India from the source which report

account-wise data on international assets, international liabilities and the claims arising from derivatives, guarantees and credit commitments; and provide summarized data to the HO/POs. The reporting branches/offices may submit summarized data to their RO/ZO/LHO or directly to the HO/PO depending upon the arrangements of the banks concerned. Also, foreign branches of Indian banks prepare account-wise data on international assets and claims arising from derivatives, guarantees and credit commitments and provide summarized data to the HO/POs.

Head/Principal Office of Banks: The HO/PO process and consolidate the data of branches and forward bank level summarized data to the RBI,

Reserve Bank of India: The IBS data received from banks' HO/PO are processed to arrive at the consolidated positions for all reporting banks in India. Based on final consolidated IBS data of all reporting banks in India, LBS and CBS statements are generated and supplied to the Bank for International Settlements (BIS).

For the purpose of securing bank level IBS data from banks in India, a senior level officer from each of the banks concerned, nominated by the banks, is acting as Nodal Officer. The RBI (DESACS) conduct workshops on IBS for the benefit of Nodal Officers at bank level. Banks in turn conduct regular training/workshops on IBS in their Staff Training Colleges. In order to facilitate data preparation/compilation by banks/branches, windows based software has been provided to them. The banks submit bank level consolidated data, in a specified format (text files), to the RBI within one month from the reporting date. Data transmission is done in electronic form only. The HO/PO of banks submit the data to the RBI through e-mail/floppy.

The IBS return is not statutory, however, it is mandatory. The return was introduced as per recommendations of the working group on the BIS system of IBS in India. The working and development in compilation of the return is overseen by a standing monitoring group (SMG)

on IBS, which comprises of senior officers of select banks and the RBI. The SMG is reconstituted, normally, once in two years.

2.1.2.2.4. Ensuring Quality Standards

The IBS data are collected/compiled as per the guidelines/recommendations of the BIS and hence, the data compilation is of international standards. There is a standing monitoring group (SMG) to facilitate implementation of the BIS system of IBS in India in an effective manner and to consider necessary changes in the event of further easing of foreign exchange controls.

Suitable facilities have been provided in the software to generate certain reports to ensure the coverage and correctness of data. The banks are advised to verify these reports and compare with the data reported to the RBI under other returns. Also, suitable checks are provided in the software to ensure the quality of data. Further, provision has been made in the software to record the reasons for large variations in data with respect to the data reported in the previous quarters. At RBI level, while processing the data received from banks, the correctness/coverage of data are ensured by comparing the IBS data with similar aggregate level data reported by banks to the RBI under different set of return.

In order to train/educate bank/branch officials workshops/training programs are conducted regularly. Also, banks conduct workshops for their officials in their training establishments.

2.1.3 Branch Banking Statistics (Master Office File System)

The Reserve Bank of India collects data/information on different aspects of banks through periodical returns/ statements. For processing these data, it is necessary to keep a unique identity of the source of data. This is achieved through allotting suitable code number, named as Uniform Code Numbers to all the bank offices. Evolving a code numbering system that could be uniformly used in all returns to be submitted by bank branches/offices was considered in late sixties by the RBI and put in place initially for commercial banks in 1972. Similarly, allotment of Uniform Code Numbers to all the co-operative

credit institutions and the state financial corporations, which participated in the Lead Bank Scheme, was attempted in 1982.

2.1.3.1. Measurement needs of the area

Comprehensive and updated list of branches is maintained by RBI (DESACS) in the Master Office File (MOF) constituting the frame of bank branches for various Basic Statistical Return (BSR) surveys, other bank related surveys and various foreign exchange related returns received in DESACS. It may not be out of place to mention here that MOF is the only official and reliable source of branch-banking details of commercial banks in India.

Maintenance of up-to-date branch records in the MOF has assumed great significance for the following multi-dimensional utility of branch banking statistics:

- i) Submission of branch-banking data to the Ministry of Finance for replying Parliament questions.
- ii) Submission of branch details to various Central and state government departments in connection with their publications, disbursement of pension, online reporting of tax payment data to Income Tax Department pertaining to On Line Tax Accounting System (OLTAS), etc.
- iii) Submission of details of branches, handling foreign exchange business, with uniform code number to the Office of the Customs and Central Excise, New Delhi in connection with clearance of export consignments by the respective customs authorities.
- iv) Submission of details of branches/offices of commercial banks and summarized data thereof to Department of Banking Operations and Development (DBOD) and Rural Planning and Credit Department (RPCD) in connection with Branch Licencing Policy.

Besides some of the requirements listed above, other Central Office Departments of RBI other than DBOD and RPCD Offices make use of the uniform code numbers and the data compiled

based on MOF. Based on branch details of commercial banks available in the MOF, DESACS brings out regularly two publications viz., “BRANCH BANKING STATISTICS” (providing summarized branch banking data on commercial banks) and “DIRECTORY of COMMERCIAL BANK OFFICES in India” (providing list of branches/offices with locational and other details) in CD-ROM as well as through RBI website. These data in modified form are also published in other publications of the Bank.

2.1.3.2. Concepts, Definitions and Classifications

a. Master Office File (MOF)

The uniform codes along with other particulars of each and every branch/office of commercial and co-operative banks and financial institutions handling foreign exchange and temporary offices, are maintained in the Department of Statistical Analysis and Computer Services (DESACS) in the form of Master Office File (MOF) in its computer system.

b. Uniform Code Number (UCN)

UCN of branches/offices of banks comprises two parts as Part - I code and Part - II code of 7 digits each; two additional digits are assigned to Part - I code of temporary offices (Not Administratively Independent Offices-NAIO).

Part-I code is defined as follows:

- *for branches/offices/NAIOs of commercial banks and other financial institutions:*
first three digits *from the left* stand for bank code;
next four digits stand for branch code.
In case of NAIOs last two digits stand for NAIO code.
- *for branches/offices/NAIOs of state/district central co-op. banks, state/central land development banks:*
first four digits *from the left* stand for bank code;
next three digits stand for branch code;

last two digits stand for NAIIO code. (In case of NAIIOs).

- *for branches/offices/NAIOs of other co-op. banks, salary earners' banks, state financial corporations and tours, travels, finance & leasing companies:*

first five digits *from the left* stand for bank code;

next two digits stand for branch code;

last two digits stand for NAIIO code.

Part-II code, irrespective of the category of a bank, is defined as follows:

first three digits *from the left* stand for district code;

next three digits stand for centre code within the district;

last single digit stands for population range code.

Relationship between population range code (last digit in the Part – II code) and population group code is shown below:

Last digit of Part II of the Uniform Code Number (Population Range code)	Population range	Population Group	Population Group Code
1	Up to 4999	Rural	1
2	5000 to 9999		
3	10,000 to 19,999	Semi-Urban	2
4	20,000 to 49,999		
5	50,000 to 99,999		
6	1,00,000 to 1,99,999	Urban	3
7	2,00,000 to 4,99,999		
8	5,00,000 to 9,99,999		
9	10 lakhs and above	Metropolitan	4

c. **Uniform Code, BSR Code and AD Code Number**

There is no difference between *Uniform Code, BSR Code and AD Code Number*. They are one and the same.

d. **Proformae - I & II**

Detailed information on branches/offices of banks are regularly collected in the prescribed proformae, viz., *Proforma-I* and *Proforma-II*. Details of new branches/ offices opened in banked/ unbanked centres such as date of opening of branch/office, names and addresses of branch/ office, other locational details, population of centre, nature of business activities pursued and a host of auxiliary information such as AD category, currency chest details, status of computerisation, etc., are reported through *Proforma-I*. The information of relocation/ closure/ merger/ conversion of a bank branch/ change of branch name/AD category/ change of any auxiliary information is collected through *Proforma-II*. Specimen copy of Proformae-I & II and explanatory note thereon is enclosed at *Annex 2.11*.

e. **Definition of a Centre with particular reference to location of a bank branch/ office**

A Centre refers to a revenue unit having definite surveyed boundary, defined by a local administration/state government and includes such places as revenue village/town/city/ municipality/municipal corporation/cantonment board, outgrowths to a city /municipality/ municipal corporation, etc. In decennial population census, same definition of centre is used by the Census Authority. Name of centre reported by banks in the Proforma is checked against records available in the census document.

f. **Definition of a Banked Centre**

A revenue center as defined above having at least a branch/office of a commercial or co-operative bank or a temporary office, such as an extension counter or a satellite office or an off-site ATM of a commercial or co-operative bank is called a banked center.

g. **Population Group classification of Banked Centres used in RBI**

Population groups of banked centres are defined as follows:

- i) Rural group includes centres with population less than 10,000.
- ii) Semi-urban group includes centres with population 10,000 and above but less than 1 lakh.
- iii) Urban group includes centers with population 1 lakh and above but less than 10 lakh.
- iv) Metropolitan group includes centres with population of 10 lakh and above.

h. *Population Group classification used by Census Authority*

Population group classification used in the Bank is different from the one used by the Census Authority. Population group classification used by the Census Authority in the 2001 Census is as follows:

The following places are treated as urban:

- 1. All statutory towns i.e., all places with a municipality, corporation, cantonment board or notified town area committee, etc.
- 2. All other places which satisfy the following criteria:
 - A minimum population of 5,000;
 - At least 75% of the male working population engaged in non-agricultural pursuits;
 - A density of population of at least 400 per sq. km. (1,000 per sq. mile).

All other places (revenue villages) having definite surveyed boundaries were classified as rural.

i. *Various Commercial Bank Groups currently in use*

- i) Public Sector Banks: (a) SBI and its 7 Associates, (b) 19 Nationalised Banks, (c) Other Public Sector Banks (IDBI Ltd.)
- ii) Regional Rural Banks
- iii) Foreign Banks
- iv) Other Scheduled Commercial Banks (Private Banks): (a) Old Private Sector Banks and (b) New Private Sector Banks

- v) Non-scheduled Commercial Banks (Local Area Banks)

j. *Difference between Satellite Office and Extension Counter*

Satellite Offices are normally located in remote areas and carry out all normal functions of a branch but only on a limited number of days in a week. Whereas, Extension Counters are open in all working days but discharge only limited functions of a branch such as opening of savings account, acceptance of deposit, etc.

2.1.3.3. Sources and Systems

Basic data sources are commercial banks, co-operative banks and non-banking financial companies handling foreign exchange business, wherefrom branch banking details are obtained in Proforma-I & II. Information relating to merger and reorganization of centers/districts/states are received from gazette notifications issued by state/central governments. Based on Decennial Census population data of centers released by the Office of the Registrar General, Government of India, updation of population group classification of banked centers vis-à-vis bank branches is carried out.

In respect of banks other than public sector banks, Proforma-I & II are submitted directly by the head office of the banks, to whom Part-I & II Uniform are advised. In respect of public sector banks, there is a two-tier arrangement. zonal/circle/local head offices report Proforma-I & II in respect of the branches/offices coming under their jurisdiction to their head office, who in turn submit consolidated proforma to us after allotment of Part-I uniform code to the newly opened branches/offices, to whom the Part-II uniform code is advised.

For collection of branch banking data from banks, recently data entry software (Visual Basic 6.0 software has been used as the front end tool and MS Access as the back end) has been developed and forwarded to banks. Master Office File system, wherein all branch/office/NAIOs details are maintained, is based on Oracle RDBMS system (Visual Basic software has been used as the front end tool and Oracle 9i as the

back end one). In this system, Crystal Reports-11.0 has been used for generating the reports. The main feature of the system is to capture branch-wise transactional records so that history of any branch/office/NAIO can be viewed at any point of time in the future. Also, in the bank level software, to cumulate all the records from the zonal/circle/local head offices, there is a provision to import the zonal/circle/local head offices level files at the HO level and they can be exported as a single/cumulated format of all records, which can be later sent to RBI. Using the bank level data entry software, banks have started sending soft copy of Proformae- I & II, in magnetic medium/ by using Internet facility.

For branches/offices handling foreign exchange business, Proformae are submitted on an on-going basis. Whereas, banks submit Proformae on a quarterly basis, in respect of branches/offices not handling foreign exchange business.

2.1.3.4. Ensuring Quality Standards

To ensure receipt of good quality data from banks, besides earmarking certain important data fields in Proformae-I & II as mandatory, a large number of consistency checks have been also incorporated in the data entry software. Workshops are being conducted from time to time to impress upon bank representatives about submission of good quality data in time. Regulatory authorities in RBI, such as Department of Banking Operations and Development, Foreign Exchange Department, Rural Planning and Credit Department, etc., issue guidelines to banks from time to time emphasizing the need to submit quality data with in stipulated time.

2.1.4. Other Banking Statistics

Besides statistics based on statutory and special returns, RBI collects and compiles various other banking statistics relating to priority sectors, supervision and other areas of banking. Information based on these subjects are regularly disseminated in various publications like Statistical Tables Relating to Banks in India, Report on Trend and Progress of Banking, etc.

Some of the salient features of these statistics are presented below.

2.1.4.1. Priority Sectors' Statistics

At a meeting of the National Credit Council held in July 1968, it was emphasized that commercial banks should increase their involvement in the financing of priority sectors viz., agriculture and small-scale industries. The description of the priority sectors was later formalized in 1972 on the basis of the report submitted by the Informal Study Group on Statistics relating to advances to the priority sectors constituted by the Reserve Bank in May 1971. On the basis of this report, the Reserve Bank prescribed a modified return for reporting priority sector advances and certain guidelines were issued in this connection indicating the scope of the items to be included under various categories of priority sectors. Although initially there was no specific target fixed in respect of priority sector lending, in November 1974, the banks were advised to raise the share of these sectors in their aggregate advances to the level of 33 1/3 per cent by March 1979.

At a meeting of the Union Finance Minister with the Chief Executive Officers of Public Sector banks held in March 1980, it was agreed that banks should aim at raising the proportion of their advances to priority sectors to 40 percent by March 1985. Subsequently, on the basis of the recommendations of the Working Group on the modalities of implementation of Priority Sector Lending and the Twenty Point Economic Programme by Banks, all commercial banks were advised to achieve the target of priority sector lending, viz., agriculture, small-scale industries, small road & water transport operators, retail trade, small business, etc., at 40 percent of aggregate bank advances by 1985. Sub-targets were also specified for lending to agriculture and weaker sections within the priority sector. Banks were advised to ensure that direct finance extended to agriculture (including allied activities) reached a level of at least 15% of total bank credit by March 1985 and at least 16% by March 1987 and 17% of their total credit by March 1989 and further raised to 18% by March 1990. In October 1993, banks were advised that with

a view to ensuring the focus of the banks on the direct category of agricultural advances did not get diluted, that agricultural lending under the indirect category should not exceed one-fourth of the sub-target of 18 per cent, i.e., 4.5% of Net Bank Credit. At present, within the overall main lending target of 40 per cent of net bank credit, the scheduled commercial banks should ensure that 18% of net bank credit goes to agricultural sector, 10 per cent of net bank credit to the 'weaker sections'. However, this was not made applicable to foreign banks operating in the country in view of the fact that their coverage in rural and semi-urban areas was small. It was felt that their involvement in financing of priority sectors like SSI, small transport operators, retail trade, etc., could be increased to a much higher level than at present. In 1988, foreign banks operating in India were advised that their priority sector advances should be progressively increased to the level of 15 per cent of their net outstanding advances by the end of March 1992. With a view to reducing the disparity between the domestic banks and foreign banks operating in India in regard to priority sector obligations, foreign banks were advised in April 1993 that their minimum requirement for lending to priority sector by foreign banks was raised from 15 per cent to 32 per cent of their net bank credit to be achieved by March 1994. At the same time, keeping in view that the foreign banks have no rural branch net work, it was decided that with effect from July 01, 1993, the composition of priority sector advances in case of foreign banks would be inclusive of export credit provided by them and the enhanced target of 32% inclusive of export credit. Further, within overall target of 32%, the advances to SSI and export sector should not be less than 10% each of the net bank credit. However, the sub-target prescribed for exports was enhanced to 12% subsequently. In the event of failure to attain the stipulated targets and sub-targets, the foreign banks are required to make good the shortfall in the achievement of the targets/sub-targets by depositing for a period of three years, an amount equivalent to the shortfall with the Small Industries Development Bank of India (SIDBI) at rate of interest ranging from Bank Rate to Bank Rate minus 3 percentage points depending on

the percentage of shortfall in achievement of priority sector lending target/sub-targets as may be decided by RBI from time to time. Domestic scheduled commercial banks having shortfall in lending to priority sector/agriculture are allocated amounts for contribution to the Rural Infrastructure Development Fund (RIDF) established with NABARD. Details regarding operationalisation of the RIDF such as the amounts to be deposited by banks, interest rates on deposits, period of deposits, etc., are decided every year after announcement in the Union Budget about setting up of RIDF. The contributions to be made by banks are communicated to the banks concerned separately. Shortfall in lending to priority sector/agriculture is taken into account while making allocations to banks under RIDF, the amount that has to be deposited with NABARD at a certain rate of interest.

In order to align bank credit to the changing needs of the society, the scope and definition of priority sector have been fine-tuned over time by including new items as also by enhancing credit limit of the constituent sub-sectors. The coverage of the priority sectors, the data, which are published in its various publications by RBI, is described below.

1. Agriculture

1.1 Direct Finance to farmers for agricultural purposes viz.,

1.1.1. Short- term loans for raising crops, i.e., for crop loans. In addition, advances upto Rs.10 lakh to farmers against pledge/hypothecation of agricultural produce (including warehouse receipts) for a period not exceeding 12 months, where the farmers were given crop loans for raising the produce, provided the borrowers draw credit from one bank

1.1.2 Medium and long term loans provided directly to farmers for financing production and development needs,

(i) Purchase of agricultural implements and machinery

- (a) Purchase of agricultural implements (iron ploughs, harrows, hose, land levelers, bundfarmers, hand tools, sprayers, dusters, hay-press, sugarcane crushers, thresher machines, etc.)
- (b) Purchase of farm machinery (viz., tractors, trailers, power tillers, tractor accessories, etc.),
- (c) purchase of trucks, jeeps, pick-up vans, bullock carts and other transport equipments to assist the transport of agricultural inputs and farm products,
- (d) transport of agricultural inputs and farm products,
- (e) purchase of plough animals, etc.
- (ii) Development of irrigation potential through
 - (a) construction of shallow and deep tube wells, tanks, etc., and purchase of drilling units,
 - (b) constructing, deepening clearing of surface wells, boring of wells, electrification of wells, purchase of oil engines and installation of electric motor and pumps,
 - (c) purchase and installation of turbine pumps, construction of field channels (open as well as underground), etc.,
 - (d) construction of lift irrigation project,
 - (e) installation of sprinkler irrigation system,
 - (f) purchase of generator sets for energisation of pumpsets used for agricultural purposes,
- (iii) Reclamation and land development schemes - Bunding of farm lands, terracing, conversion of dry paddy lands into wet irrigable paddy lands, wasteland development, development of farm drainage, reclamation of soil lands and prevention of salinisation, reclamation of ravine lands, purchase of bulldozers, etc.
- (iv) Construction of farm buildings and structures, etc. - Bullock sheds, implement sheds, tractor and truck sheds, farm stores,
- (v) Construction and running of storage facilities - Construction and running of warehouses, godowns, silos and loans granted to farmer for establishing cold storages used for storing own produce,
- (vi) Payment of irrigation charges, etc. - Charges for hired water from wells and tube wells, canal water charges, maintenance and upkeep of oil engines and electric moors, payment of labour charges, electricity charges, marketing charges, service charges to Customs Service Units, payment of development cess, etc.
- (vii) Other types of direct finance to farmers -
 - a. Short-term loans
 - i. To traditional/non-traditional plantations and horticulture
 - ii. For allied activities such as dairy, fishery, piggery, poultry, bee-keeping, etc.
 - b. Medium and long term loans
 - i. Development of loans to all plantations, horticulture, forestry and wasteland
 - ii. Development of loans for allied activities,
 - iii. Development of dairying and animal husbandry in all its aspects,
 - iv. Development of fisheries in all its aspects from fish catching to stage of export, financing of equipment necessary for deep sea fishing, rehabilitation of tanks (fresh water fishing), fish breeding, etc.
 - v. Development of poultry piggery, etc. in all its aspects including erection of poultry houses, pig houses, bee-keeping, etc.

- vi. Development and maintenance of stud farms, sericulture including grainages etc. However, breeding of race horses cannot be classified here,
- vii. Bio-gas plants,
- viii. Financing of small and marginal farmers for purchase of land for agricultural purposes,
- ix. Financing setting up of Agriclincs and Agribusiness Centres by agriculture graduates,
- x. Investment by banks in securitised assets which represent direct advance to agriculture.

1.2: Indirect finance to agriculture

- 1.2.1 (i) Credit for financing the distribution of fertilizers, pesticides, seeds, etc.,
- (ii) loans up to Rs.40 lakh granted for financing distribution of inputs for the allied activities such as cattle feed, poultry feed, etc.
- 1.2.2 (i) loans to Electricity Boards for reimbursing the expenditure already incurred by them for providing low tension connection from step-down point to individual farmers for energizing their wells, loans to power distribution corporations/companies emerging out of bifurcation/restructuring of SEBs may also be classified as indirect finance to agriculture and (ii) loans to SEBs for Systems Improvement Scheme under Special Project Agriculture (SI-SPA),
- 1.2.3 Loans to farmers through PACS, FSS and LAMPS,

- 1.2.4 Deposits held by the banks in Rural Infrastructure Development Fund (RIDF) maintained with NABARD
- 1.2.5 Subscriptions to bonds issued by Rural Electrification Corporation (REC) exclusively for financing pump set energisation programme in rural and semi-urban areas and also for financing System Improvement Programme (SI-SPA). However, the investments that may be made by banks on or after April 1, 2005 in the bonds issued by REC shall not be eligible for classification under priority sector lending and such investments which have already been made by banks upto March 31, 2005, would cease to be eligible for classification under priority sector lending with effect from April 1, 2006.
- 1.2.6 Subscriptions to bonds issued by NABARD with the objective of financing exclusively agriculture/ allied activities. However, the investments made by banks in such bonds issued by NABARD, shall not be eligible for classification under priority sector lending with effect from April 1, 2007.
- 1.2.7 Other types of indirect finance such as (i) finance for hire-purchase schemes for distribution of agricultural machinery and implements, (ii) loans for constructions and running of storage facilities (warehouse, market yards, godowns and silos) including cold storage units designed to store agriculture produce/products, irrespective of their location, (iii) advances to Customs Service Units managed by individuals, institutions or organizations who maintain a fleet of tractors, bulldozers, well-boring equipment, threshers, combines etc and undertake work from farmers on contract basis, (iv) loans to individuals, institutions or organizations who undertake

spraying operations, (v) advances to State-sponsored Corporations for onward lending to weaker sections, (vi) loans to Non Banking Financial Companies (NBFCs) for on-lending to agriculture, investment by banks in securitised assets which represent direct advances to agriculture, etc.

2. Small Scale Industries

2.1. Small and Ancillary Industries

Small-scale industrial units are those engaged in the manufacturing, processing or preservation of goods and whose investment in plant and machinery (original cost) does not exceed Rs.1 crore. These would, inter alia, include units engaged in mining or quarrying, servicing and repairing of machinery. In the case of ancillary units, the investment in plant and machinery (original cost) should not exceed Rs.1 crore to be classified under small-scale industry.

The investment limit of Rs.1 crore for classification as SSI has been enhanced to Rs.5 crore in respect of certain specified items under hosiery, hand tools, drugs & pharmaceuticals and stationery items by the Government of India.

In order to ensure that credit is available to all segments of the SSI sector, banks should ensure that

- (1) 40 per cent of the total credit to small scale industry goes to the cottage industries, khadi & village industries, artisans and tiny industries with investment in plant and machinery up to Rs.5 lakh
- (2) 20 per cent of the total credit to small scale industry goes to SSI units with investment in plant and machinery between Rs.5 lakh and Rs.25 lakh; and
- (3) The remaining 40 per cent goes to other SSI units with investment exceeding Rs.25 lakh

2.2 Tiny Enterprises

The status of 'Tiny Enterprises' may be given to all small scale units whose investment in plant and machinery is up to Rs.25 lakh, irrespective of the location of the unit.

2.3. Small Scale Service & Business Enterprises (SSSBEs)

Industry related service and business enterprises with investment upto Rs.10 lakh in fixed assets, excluding land and building will be given the benefits of small scale sector. For computation of value of fixed assets, the original price paid by the original owner will be considered irrespective of the price paid by subsequent owners.

2.4 Investment made by banks in securitised assets representing direct lending to the SSI sector would be treated as their direct lending to SSI sector under priority sector, provided it satisfies the following conditions:

- (1) The pooled assets represent direct loans to SSI sector which are reckoned under priority sector ; and
- (2) The securitized loans are originated by banks/financial institutions

2.5 Indirect finance in the small-scale sector will include credit to :

- (i) Agencies involved in assisting the decentralized sector in the supply of inputs and marketing of outputs of artisans, village and cottage industries,
- (ii) Government sponsored Corporations/ organizations providing funds to the weaker sections in the priority sector,
- (iii) Advances to handloom co-operatives,
- (iv) Term finance/loans in the form of lines of credit made available to State Industrial Development Corporation/ State Financial Corporations for financing SSIs,
- (v) Credit provided by banks to KVIC under the scheme for provision of credit to KVIC by consortium of banks for on lending to viable Khadi and Village Industrial Units, etc.

2.6 Industrial Estates - Loans for setting up industrial estates.

3. **Small Road & Water Transport Operators (SRWTO)**

Advances to small road and water transport operators owning a fleet of vehicles not exceeding ten vehicles, including the one proposed to be financed.

Advances to NBFCs for on-lending to truck operators and SRWTOs other than truck operators satisfying the eligibility criteria. Also, portfolio purchases (purchases of hire purchase receivables) from NBFCs made after 31 July 1998 would also qualify for inclusion under priority sector lending, provided the portfolio purchases relate to SRWTOs satisfying priority sector norms.

4. **Retail Trade**

Advances granted to (a) retail traders dealing in essential commodities (fair price shops) and consumer co-operative stores, and (b) private retail traders with credit limits not exceeding Rs.10 lakh (Retail traders in fertilizers will form part of indirect finance for agriculture and those to retail traders of mineral oils under small business).

5. **Small Business**

Small business would include individuals and firms managing a business enterprise established mainly for the purpose of providing any service other than professional services whose original cost price of the equipment used for the business does not exceed Rs.20 lakh. Banks are free to fix individual limits for working capital depending upon the requirements of different activities.

Advances for acquisition, construction, renovation of house boats and other tourist accommodation will be included here. Distribution of mineral oils shall be included under 'small business'. Advances to judicial stamp vendors and lottery ticket agents may also be classified under this category.

6. **Professional & Self-employed Persons**

Included under this head are:

- a. Loans to professional and self-employed persons include loans for the purpose of

purchasing equipment, repairing or renovating existing equipment and/or acquiring and repairing business premises or for purchasing tools and/or for working capital requirements to medical practitioners including dentists, chartered accountants, cost accountants, practicing company secretary, lawyers or solicitors, engineers, architects, surveyors, construction contractors or management consultants or to a person trained in any other art or craft who holds either a degree or diploma from any institutions established, aided, or recognized by Government or to a person who is considered by the bank as technically qualified or skilled in the field in which he is employed.

- b. Advances to accredited journalists and cameramen who are freelancers, i.e., not employed by a particular newspaper/magazine for acquisition of equipment by such borrowers for their professional use.
- c. Credit for the purpose of purchasing equipment, acquisition of premises (strictly for business) and tools to practicing company secretaries who are not in the regular employment of any employer.
- d. Financial assistance for running 'Health Centre' by an individual who is not a doctor but has received some formal training about the use of various instruments of physical exercises.
- e. Advances for setting up beauty parlours where the borrower holds qualification in the particular profession and undertakes the activity as the sole means of living/earning his/her livelihood.
- f. Only such professional and self-employed persons whose borrowings (limits) do not exceed Rs.10 lakh of which not more than Rs.2 lakh should be for working capital requirements, should be covered under this category. However, in the case of professionally qualified medical practitioners, setting up of practice in semi-urban and rural areas, the borrowing limits should not exceed Rs.15 lakh with a sub-ceiling of Rs.3 lakh for working capital

requirements. Advances granted for purchase of one motor vehicle to professional and self-employed persons other than qualified medical practitioners will not be included under priority sector.

- g. Advances granted by banks to professional and self-employed persons for acquiring personal computers for their professional use, may be classified in this category, provided the ceiling of total borrowings of Rs.10 lakh of which working capital should not be more than Rs.2 lakh per borrower, is complied with in each case for the entire credit inclusive of credit provided for purchase of personal computer. However, home computers should not be treated on par with personal computers and excluded from priority sector lending.

7. **State sponsored organization for scheduled castes/scheduled tribes**

Advances sanctioned to State Sponsored Organisations for Scheduled Castes/Scheduled Tribes for the specific purpose of purchase and supply of inputs to and/or the marketing of the outputs of the beneficiaries of these organizations.

8. **Education**

Educational loans should include only loans and advances granted to individuals for educational purposes up to Rs.7.5 lakh for studies in India and Rs.15 lakh for studies abroad and not those granted to institutions and will include all advances granted by banks under special schemes, if any introduced for the purpose.

9. **Housing**

Direct Finance

- (i) Loans upto Rs.15 lakh in rural/semi-urban areas, urban and metropolitan areas for construction of houses by individuals, with the approval of the banks' boards, excluding loans granted by banks to their own employees.
- (ii) Loans given for repairs to the damaged houses of individuals upto Rs.1 lakh in

rural and semi-urban areas and Rs.2 lakh in urban areas.

- (iii) Loans granted by banks upto Rs.5 lakh to individuals desirous of acquiring or constructing new dwelling units and upto Rs.50,000/- for upgradation or major repairs to the existing units in rural areas under Special Rural Housing Scheme of NHB
- (iv) Investment by banks in the mortgaged backed securities, provided it satisfies the following conditions
 - (a) The pooled assets are in respect of direct housing loans which satisfy the definition for inclusion under the priority sector
 - (b) The securitised loans are originated by the housing finance companies/banks;

Indirect Finance

- (i) Assistance given to any governmental agency for construction of houses or for slum clearance and rehabilitation of slum dwellers, subject to a ceiling of Rs.5 lakh of loan amount per housing unit,
- (ii) Assistance given to a non-governmental agency approved by the NHB for the purpose of refinance for reconstruction of houses or for slum clearance and rehabilitation of slum dwellers, subject to a ceiling of loan component of Rs.5 lakh per housing unit,
- (iii) All the investment in bonds issued by NHB/ HUDCO exclusively for financing of housing, irrespective of the loan size per dwelling unit, will be reckoned for inclusion. However, the investments that may be made by banks on or after April 1, 2005 in the bonds issued by NHB/ HUDCO shall not be eligible for classification under priority sector lending and such investments which have already been made/to be made by banks upto March 31, 2005 would cease to be eligible for classification under priority sector lending with effect from April 1, 2006.

10. Consumption Loans

Pure consumption loans granted to the weaker sections of the community under the Consumption Credit Scheme should be included in this item. These include:

- i. Loans to NGOs/Self-Help Groups (SHGs)/ Micro Credit,
- ii. Loans provided by banks to NGOs/SHGs for on-lending to SHG/members of SHGs/discrete individuals or small groups which are in the process of forming into SHGs will be reckoned as priority sector lending,
- iii. Lending to SHGs is to be included as a part of bank's lending to weaker sections,
- iv. Micro credit provided by banks either directly or through any intermediary should be included under priority sector.

11. Food and Agro-based Processing Sector

The following items within the food and agro-based processing sector would be eligible for classification as priority sector lending by banks: (i) Fruit and vegetable processing industry, (ii) Food grain milling industry, (iii) Dairy products, (iv) Processing of poultry and eggs, meat products, (v) Fish processing, (vi) Bread, oilseeds, meals (edible), breakfast foods, biscuits, confectionery (including cocoa processing and chocolate), malt extract, protein isolate, high protein food, weaning food and extruded/other ready to eat food products, (vii) Aerated water/soft drinks and other processed foods, (viii) Special Packaging for food processing industries and (ix) Technical assistance and advice to food processing industry.

With regard to the size of the units within this sector, it is clarified that food and agro-based processing units of small and medium size with investment in plant and machinery up to Rs.5 crore would be included under priority sector lending. While loans to units satisfying SSI definition may be shown under advances to SSI, loans to other units should be shown separately in the half-yearly statements on priority sector lending.

12. Software Industry

Loans to software industry with credit limit up to Rs.1 crore from the banking industry to be included under this item.

13. Venture Capital

Investment in Venture Capital will be eligible for inclusion in priority sector, subject to the condition that the venture capital funds/companies are registered with SEBI. However, fresh investments that may be made by banks on or after July 1, 2005 shall not be eligible for classification under priority sector lending and the investments which have already been made by banks upto June 30, 2005 shall not be eligible for classification under priority sector lending with effect from April 1, 2006.

14. Leasing and Hire purchase

Para-banking activities such as leasing and hire purchase financing undertaken departmentally by banks will be classified as priority sector advances, provided the ultimate beneficiary satisfies the criteria laid down by RBI for treating such advances as advances to priority sector

15. Loans to urban poor indebted to non-institutional lenders

Loans to distressed urban poor to prepay their debt to non-institutional lenders against appropriate collateral or group security, subject to the guidelines to be approved by their Boards of Directors, would be eligible for classification under priority sector. Urban poor for this purpose may include those families in the urban areas who are below the poverty line.

16. Weaker Sections

In order to ensure that more under-privileged sections in the priority sector are given proper attention in the matter of allocation of credit, it should be ensured that the advances to weaker sections reach a level of 25 per cent of priority sector advances or 10 per cent of net bank credit. The weaker sections under priority sector shall include the following:

- (a) Small and marginal farmers with land holding of 5 acres and less and landless labours, tenant farmers and share croppers

- (b) Artisans, village and cottage industries where individual credit limits do not exceed Rs.50,000/-,
- (c) Beneficiaries of Swarnjayanthi Gram Swarojgar Yojana (SGSY),
- (d) Scheduled Castes and Scheduled Tribes,
- (e) Beneficiaries of Differential Rate of Interest (DRI) Scheme,
- (f) Beneficiaries under Swarna Jayanti Shahari Rojgar Yojana (SJSRY),
- (g) Beneficiaries under the Scheme for Liberation and Rehabilitation of Scavengers (SLRS),
- (h) Advances to Self Help Groups,
- (i) Loans to distressed urban poor to prepay their debt to non-institutional lenders against appropriate collateral or group security, subject to the guidelines to be approved by their Boards of Directors

17. Differential Rate of Interest Scheme

The scheme was introduced in 1972 and is being implemented by all Indian Scheduled Commercial Banks. The banks are required to lend under the scheme, at least 1% of their aggregate advances as at the end of the previous year. 2/3rd of the total DRI advances must be routed through the banks' rural and semi urban branches.

- i. Objective: To provide bank finance at a concessional rate of interest of 4 % p.a to the weaker sections of the community for engaging in productive and gainful activities so that they could improve their economic conditions.
- ii. Area of operations: The scheme is being implemented throughout the country.
- iii. Target group/Eligibility criteria: Income criteria: The income ceiling for eligibility is annual income of Rs. 7200/- per family in urban or semi urban areas and Rs. 6400/- per family in rural areas.
- iv. Land holding criteria: Size of land holding must not exceed one acre of irrigated land and 2.5 acres of unirrigated land. The land holding criteria is not applicable to SC/STs.

The important categories of borrowers under the scheme are SC/STs and others engaged on a very modest scale, in agriculture and / or allied agricultural activities, people who themselves collect or do elementary processing of forest products, people physically engaged on a modest scale in the fields of cottage and rural industries and vocation, indigent students of merit etc.

- v. Loan amount: The maximum assistance per beneficiary has been fixed at Rs. 6500/- for productive purposes. In addition to this, physically handicapped persons can avail of assistance to the extent of Rs. 5000/- (maximum) per beneficiary for acquiring aids, appliances, equipment, provided they are eligible for assistance under the scheme. Similarly, members of SC/ST s satisfying the income criteria of the scheme can also avail of housing loan up to Rs. 5000/- per beneficiary over and above the loan of Rs. 6500/- available under the scheme.
- vi. Margin money: No margin money has been prescribed under the scheme.
- vii. Capital subsidy/Interest: No capital subsidy is available. Rate of interest to be charged on loans is 4 % p.a. Interest on current due is not to be compounded.
- viii. Security: No collateral security/ third party guarantee is required. Assets created out of the loan amount would only be hypothecated to the banks.
- ix. Repayment: Not exceeding five years including grace period of two years.
- x. Reservation/Preference: The banks are required to ensure that at least 40% of their DRI advances flow to SC/STs.

2.1.4.2. Supervisory Statistics

As supervisor of the banking system, RBI collects voluminous data on several indicators of performance, health, soundness, management, etc., from the banks. These data are being called in exercise of powers vested in RBI under Section 27(2) of Banking Regulation Act, 1949. Most of these information are confidential in nature.

However, RBI is disseminating some information in the form of tables based on off-site supervisory data reporting system in its annual publications, viz., Annual Report, Report on Trend and Progress of Banking in India and Statistical Tables Relating to Banks in India. The source and coverage of data are generally provided in the footnotes to the respective tables. The supervisory returns are received from banks as encrypted email attachments. Concepts, definitions and other information pertaining to data provided in the tables (*Annex 2.12*) are given below:

2.1.4.2.1. Non-performing assets

Beginning April 1, 1992, banks in India switched over to a system of recognition of income, classification of assets and provisioning for bad debts on a prudential basis which is objective, based on record of recovery and ensuring uniform and consistent application of norms. Prior to this, banks were classifying the advances under a Health-code system. Under the existing income recognition, asset classification and provisioning norms, banks assets are classified under the following categories:

1. Standard Assets
2. Sub-standard assets
3. Doubtful assets and
4. Loss assets

Non-performing assets pertain to assets, other than standard assets. An asset, including a leased asset, becomes non-performing when it ceases to generate income for the bank.

A non-performing asset (NPA) is a loan or an advance where;

- (i) interest and / or installment of principal remain overdue for a period of more than 90 days in respect of a term loan,
- (ii) the account remains 'out of order' in respect of an Overdraft / Cash Credit (OD / CC),
- (iii) the bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted,
- (iv) a loan granted for short duration crops will be treated as NPA, if the installment

of principal or interest thereon remains overdue for two crop seasons.

- (v) a loan granted for long duration crops will be treated as NPA, if the installment of principal or interest thereon remains overdue for one crop season.

Banks are advised to classify an account as NPA only if the interest charged during any quarter is not serviced fully within 90 days from the end of the quarter. For further information, one may refer to Master Circular DBOD. No.BP.BC.11 /21.04.048 /2005-06 dated July 1, 2005 on Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances, available in RBI website (www.rbi.org.in). Loan assets of banks are broadly classified as performing (standard) and non-performing assets. Non-performing assets are classified as sub-standard, doubtful and loss assets based on the period for which the asset has remained non-performing and the realisability of the dues.

2.1.4.2.1.1. Sub-standard Assets

A sub-standard asset is one, which is classified as NPA for a period not exceeding two years. With effect from 31 March 2001, a sub-standard asset is one, which remained NPA for a period less than or equal to 18 months. In such cases, the current net worth of the borrower / guarantor or the current market value of the security charged is not enough to ensure recovery of the dues to the banks in full. In other words, such an asset will have well defined credit weaknesses that jeopardise the liquidation of the debt and are characterised by the distinct possibility that the banks will sustain some loss, if deficiencies are not corrected. With effect from 31 March 2005, a sub-standard asset is one, which has remained NPA for a period less than or equal to 12 months.

2.1.4.2.1.2. Doubtful Assets

A doubtful asset is one, which remained NPA for a period exceeding two years. With effect from 31 March 2001, an asset is to be classified as doubtful, if it has remained NPA for a period exceeding 18 months. A loan classified as doubtful has all the weaknesses inherent in

assets that were classified as sub-standard, with the added characteristic that the weaknesses make collection or liquidation in full, - on the basis of currently known facts, conditions and values - highly questionable and improbable. With effect from March 31, 2005, an asset would be classified as doubtful if it remained in the sub-standard category for 12 months.

2.1.4.2.1.3. Loss Assets

A loss asset is one where loss has been identified by the bank or internal or external auditors or the RBI inspection but the amount has not been written off wholly. In other words, such an asset is considered uncollectible and of such little value that its continuance as a bankable asset is not warranted although there may be some salvage or recovery value.

2.1.4.2.2. Provisioning Norms

RBI introduced the system of Asset classification and provisioning in line with international practice for the first time in 1993. The present norms, which are applicable as on March 2005, are presented below:

Asset	Provisioning
1. Substandard	
(a) Secured	10% of outstanding dues
(b) Unsecured	20% of outstanding dues
2. Doubtful	
(a) Doubtful I (first 12 months in doubtful category)	20% of realisable value for security +100% of the shortfall of security.
(b) Doubtful II (further 24 months in doubtful category)	30% of realisable value for security +100% of the shortfall of security
(c) Doubtful III (over 48 months in doubtful category)	100% provisioning
3. Loss Assets	100% provisioning

2.1.4.2.3. Investment Fluctuation Reserve

In terms of the RBI instructions June 12, 1997, the excess provision towards depreciation on investments should be transferred to Capital Reserve Account by way of appropriation in the Profit and Loss Account. It was decided that the excess provision towards depreciation on investments should be appropriated to "Investment Fluctuation Reserve Account" instead of Capital Reserve Account and should be shown as a separate item in Schedule 2 - "Reserves and Surpluses" under the head "Revenue and other Reserves" and will be eligible for inclusion in Tier II capital. The existing amount of excess provision towards depreciation on investments held under Capital Reserve Account should stand transferred to "Investment Fluctuation Reserve Account". The amount held in "Investment Fluctuation Reserve Account" could be utilised to meet, in future, the depreciation requirement on investment in securities. In terms of subsequent instruction dated March 30, 1999, banks were advised to appropriate the excess provision towards depreciation on investments to Investment Fluctuation Reserve Account (IFR) instead of Capital Reserve Account. Banks were permitted to utilise the amount held in IFR to meet, in future, the depreciation requirement on investment in securities. In the context of the substantial decline in the yield on securities, the position was reviewed in consultation with major commercial banks as under:

- i. Banks should transfer maximum amount of the gains realised on sale of investment in securities to the IFR.
- ii. The objective should be to achieve IFR of a minimum of 5 per cent of the portfolio, by transferring the gains realised on sale of investment, within a period of 5 years. Banks are, however, free to build up higher percentage of IFR of upto 10 per cent of the portfolio depending on the size and composition of their portfolio, with the concurrence of their Board of Directors.
- iii. Banks should ensure that the unrealised gains on valuation of the investment

portfolio are not taken to the income account or to the IFR.

- iv. In modification of the earlier instructions dated October 16, 2000, individual scrips held under the 'Available for Sale' category should be marked to market at least at quarterly intervals.
- v. The Investment Fluctuation Reserve, consisting of realised gains from sale of investments, would be eligible for inclusion in Tier 2 capital as hitherto.
- vi. Banks were advised to assess the impact of changes in interest rates on their investment portfolio. In addition, banks were advised therein to fix a definite timeframe for moving over to VaR and Duration methods for measurement of interest rate risk and initiate appropriate steps in this direction.
- vii. Banks were also permitted to transfer balances from IFR to Profit and Loss Account to meet the depreciation requirement on investment as a 'below the line' item would continue, as hitherto.

Further, with a view to ensuring smooth transition to Basel II norms banks were advised on June 24, 2004 to maintain capital charge for market risk in a phased manner over a two year period, as under:

- i) In respect of securities included in the held for trading (HFT) * category, open gold position limit, open foreign exchange position limit, trading positions in derivatives and derivatives entered into for hedging trading book exposures by March 31, 2005, and

- ii) In respect of securities included in the available for sale (AFS) * category by March 31, 2006.

With a view to encourage banks for early compliance with the guidelines for maintenance of capital charge for market risks, it has been decided that banks which have maintained capital of at least 9 per cent of the risk weighted assets for both credit risk and market risks for both HFT (items as indicated at (i) above) and AFS category may treat the balance in excess of 5 per cent of securities included under HFT* and AFS* categories, in the IFR, as Tier I capital. Banks satisfying the above criteria may transfer the amount in excess of the said 5 per cent in the IFR to Statutory Reserve. This transfer shall be made as a 'below the line' item in the Profit and Loss Appropriation Account. In another advice dated October 10, 2005, it was further decided that banks which have maintained capital of at least 9 per cent of the risk weighted assets for both credit risk and market risks for both HFT (items as indicated at (i) above) and AFS category as on March 31, 2006, would be permitted to treat the entire balance in the IFR as Tier I capital. For this purpose, banks may transfer the balance in the Investment Fluctuation Reserve 'below the line' in the Profit and Loss Appropriation Account to Statutory Reserve, General Reserve or balance of Profit & Loss Account.

In the event, provisions created on account of depreciation in the AFS or HFT categories are found to be in excess of the required amount in any year, the excess should be credited to the Profit & Loss account and an equivalent amount (net of taxes, if any and net of transfer to Statutory Reserves as applicable to such excess

* Accounting standards require a Company to classify its investment in debt (bonds) and equity (stocks) securities into one of three categories when they are purchased: (1) held-to-maturity (HTM), (2) trading (HFT), or (3) available-for-sale (AFS). This classification is based on the Company's intended use of that security and the classification dictates the accounting treatment.

Held to maturity – Debt securities that the company has the positive intent and ability to hold to maturity are classified as held-to-maturity securities and are reported at amortized cost. The impact of temporary fluctuations in fair value of the debt securities is not reflected in the Company's financial statements. Since equity securities do not have maturity date, they cannot be classified as held-to-maturity.

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- Trading – Debt and equity securities that are bought and sold principally for the purpose of selling them in the near term are classified as trading securities and are reported in the financial statements at fair value. Changes in the fair value from period to period are reported as a component of net income.
 - Available-for-sale – Debt and equity securities not classified either as held-to-maturity or trading are considered available-for-sale and are reported at fair value. Changes in the fair value from period to period are not reported as a component of net income but are charged or credited directly to equity.

provision) should be appropriated to an Investment Reserve Account in Schedule 2 - "Reserves & Surplus" under the head "Revenue and other Reserves" and would be eligible for inclusion under Tier II within the overall ceiling of 1.25 per cent of total Risk Weighted Assets prescribed for General Provisions / Loss Reserves.

2.1.4.2.4. Capital adequacy ratio

The Committee on Banking Regulations and Supervisory Practices (Basle Committee) had, in July 1988, released the agreed framework on international convergence of capital measure and capital standards. The Committee adopted weighted risk assets approach which assigns weights to both on and off Balance Sheet exposures of a bank according to their perceived risk, as the method of measuring capital adequacy and set the minimum standard at 8 per cent (of risk weighted assets) to be achieved by the end of 1992 (7.25 per cent by end - 1990). The Committee was keen that this accord on capital adequacy measurement (herein after referred as the Basel I standards) should become the basis for a worldwide standard.

In India, various groups of banks were subjected to different minimum capital requirements as prescribed in the Statutes under which they have been set up and operate. The foreign banks operating in India were prescribed to hold foreign funds deployed in Indian business equivalent to 3.5 per cent of their deposits as at the end of each year. Further, there are prescriptions regarding the maintenance of statutory reserves. In the context of the varying minimum capital requirements and taking into account the approach of Basle Committee, it was decided to introduce uniform prescriptions for capital adequacy in April 1992.

The Basel I capital adequacy framework was implemented in phases with banks required to adhere to the following time table:

	Minimum capital requirement
Foreign banks operating in India	8% of RWA by March 31, 1993
Indian banks with foreign branches	8% of RWA by March 31, 1993
All other banks	4% of RWA by March 31, 1993
	8% of RWA by March 31, 1996

With effect from March 31, 2000, all scheduled commercial banks are required to maintain a minimum CRAR of 9%.

2.1.4.2.5. Some Important Definitions

Capital funds: The Basle Committee has defined capital in two tiers - Tier I and Tier II. Tier I capital, otherwise known as core capital, provides the most permanent and readily available support to a bank against unexpected losses. Tier II capital contains elements that are less permanent in nature or are less readily available. Elements of Tier I capital and Tier II capital differ with respect to Indian banks and foreign banks operating in India.

Risk adjusted assets and off-Balance Sheet items: Risk adjusted assets would mean weighted aggregate of funded and non-funded items. It is defined as Balance Sheet assets and conversion factors to off-Balance Sheet items, expressed as a weighted percentage of individual credit risk*. The value of each asset/item shall be multiplied by the relevant weights to produce risk adjusted values of assets and of off-Balance Sheet items. The aggregate will be taken into account for reckoning the minimum capital ratio.

* Credit risk is risk due to uncertainty in counterparty's ability to meet its obligations. Because there are many types of counterparties from individuals to sovereign governments and many different types of obligations from auto loans to derivatives transactions, credit risk takes many forms. Institutions manage it in different ways. In assessing credit risk from a single counterparty, an institution must consider three issues: *Default probability* which is the likelihood that the counterparty will default on its obligation either over the life of the obligation or over some specified horizon, such as a year, *Credit exposure* which is in the event of a default, how large will the outstanding obligation be when the default occurs and the *Recovery rate* which is in the event of a default, what fraction of the exposure may be recovered through bankruptcy proceedings or some other form of settlement.

Every risk comprises two elements: exposure and uncertainty. For credit risk, credit exposure represents the former, and credit quality represents the latter.

Prior to extending credit, a bank or other lender will obtain information about the party requesting a loan. In the case of a bank issuing credit cards, this might include the party's annual income, existing debts, whether they rent or own a home, etc. A standard formula is applied to the information to produce a number, which is called a credit score. Based upon the credit score, the lending institution will decide whether or not to extend credit.

Capital requirement for market risks*: The Basel Committee on Banking Supervision (BCBS) had issued the 'Amendment to the Capital Accord to incorporate market risks' containing comprehensive guidelines to provide explicit capital charge for market risks. Market risk is defined as the risk of losses in on-balance sheet and off-balance sheet positions arising from movements in market prices. The market risk positions subject to capital charge requirement are:

- * The risks pertaining to interest rate related instruments and equities in the trading book; and
- * Foreign exchange risk (including open position in precious metals) throughout the bank (both banking and trading books).

As an initial step towards prescribing capital requirement for market risks, banks were advised to:

- i) assign an additional risk weight of 2.5 per cent on the entire investment portfolio;
- ii) assign a risk weight of 100 per cent on the open position limits on foreign exchange and gold; and
- iii) build up Investment Fluctuation Reserve up to a minimum of five per cent of the investments held in Held for Trading and Available for Sale categories in the investment portfolio.

The interim measures adopted in India represent a broad brush and simplistic approach. Besides, over a period of time, banks' ability to identify and measure market risk has improved. Keeping in view the ability of banks to identify and measure market risk, it was decided to assign explicit capital charge for market risks. Banks are required to maintain capital charge for

market risks in a phased manner over a two year period, as detailed below:

- (a) Banks were required to maintain capital for market risks on securities included in the Held for Trading category, open gold position, open forex position, trading positions in derivatives and derivatives entered into for hedging trading book exposures by March 31, 2005. Consequently, the additional risk weight of 2.5% towards market risk on the investment included under Held for Trading category is not required.
- (b) Banks should maintain capital for market risks on securities included in the Available for Sale category also by March 31, 2006. Consequently, the additional risk weight of 2.5% towards market risks maintained at present on the investment included under Available for Sale and Held to Maturity categories would not be required with effect from the above date or from an earlier date from which bank provides capital for market risk for securities held in the Available for Sale category.

Return on Total assets: $\text{Profit after Tax} \div \text{Total Assets} \times 100$

Return on Equity: $\text{Profit after Tax} \div \text{Total Capital and Reserves} \times 100$

Cost / Income ratio: $\text{Operating expenses} \div (\text{Total income} - \text{Interest expenses}) \times 100$

Operating expenses: Total expenses – interest expenses

Net interest income: Interest income net of interest tax – interest expenses

Net profit: Profit after tax.

Bank groups: Banks are be broadly categorized into:

- i. Public sector banks comprising:
 - a. Nationalised banks: 14 banks were nationalized under the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970. Further,

* Market Risk: Market risk is the risk that is common to an entire class of assets or liabilities. The value of investments may decline over a given time period simply because of economic changes or other events that impact large portions of the market. Asset allocation and diversification can protect against market risk because different portions of the market tend to underperform at different times. Market risk is also known as Systematic Risk.

in 1980, six corresponding new banks were nationalised under the Banking Companies (Acquisition and Transfer of Undertakings) Act 1980. Prior to their nationalization, these banks were in the Private sector. The minimum shareholding of the Government of India in these banks is 51 percent. IDBI converted itself into a bank w.e.f. October, 2004. It was included as 'Other Public Sector Bank'.

- b. **State Bank of India and Associate Banks (SBI group):** State Bank of India (SBI) was established under the State Bank of India Act, 1955 and it took over the undertaking of the Imperial Bank of India established in 1921. SBI has 7 associate banks established under the State Bank of India (Subsidiary Banks) Act of 1959 by taking over the banking undertakings of certain former princely States in India.

ii. **Private sector banks consists of:**

- a. **Old Private Sector banks:** These are the banks existing in the private sector before the issue of new guidelines for entry of private banks in 1993. These banks are registered under the Companies Act.
- b. **New Private Sector banks:** These are banks that were established under the new guidelines in 1993 which enforces relatively stricter entry point norms.

- iii. **Foreign banks:** These banks operate through branches only. The 'tests of entry' as applicable to Indian banks are also applied to branches of foreign banks. Besides, the RBI insists on prior consent of home country regulator and ensures that the laws of the home country do not discriminate in any way against banks incorporated in India.

- iv. **Local Area Banks:** Local area banks were

set up in private sector to cater to the credit needs of the local people and to provide efficient and competitive financial intermediation services in their area of operation. They are registered as a public limited company under the Companies Act, 1956 and licensed under the Banking Regulation Act, 1949 and will be eligible for including in the Second Schedule of the Reserve Bank of India Act, 1934. The minimum paid up capital for such a bank shall be Rs.5 crore. The promoters' contribution for such a bank shall at least be Rs.2 crore. The area of operation of the proposed bank shall be a maximum of three geographically contiguous districts.

2.1.4.3 Statistics on Interest Rates and Sectoral Deployment of Credit

2.1.4.3.1. Data on Interest Rates

Data on interest rates offered on deposits / charged on credit by the scheduled commercial banks are collected by the Monetary Policy Department (MPD) of RBI on a regular basis. For a variety of reasons, data on interest rates is of vital importance to the Reserve Bank. For example, interest rates have a major influence on the demand and supply of bank deposits and credit, saving / investment behaviour, having close linkages with output, prices, etc.

2.1.4.3.1.2. Measurement needs, Concepts, Definitions and Classification

2.1.4.3.1.2.1. Credit

As a step towards deregulation of interest rates and providing more operational flexibility to banks, Prime Lending Rate (PLR) was introduced in October 1994 on advances with credit limits over Rs. 2 lakh. Since then, the norms relating to the operation of PLR by banks had been rationalised. Banks were given freedom to declare their own PLRs along with a maximum spread in April 1999, banks were provided the freedom to offer tenor linked PLRs. Until the announcement of Monetary and Credit Policy in April 2001, PLR served as the ceiling rate for credit limits up to Rs.2 lakh (other than consumer credit) and as floor rate for loans above

Rs.2 lakh. In April 2001 Monetary and Credit Policy, the PLR was converted to a reference or benchmark rate for banks, which allowed banks to offer loans at sub-PLR rates to exporters or other creditworthy borrowers including public enterprises on the lines of a transparent and objective policy approved by their Boards. Nevertheless, the practice of treating PLR as the ceiling for loans up to Rs.2 lakh continued, given the prevailing condition of the credit market in India and the need to continue with concessionality for small borrowers.

With the change in PLR norms, the Reserve Bank, monitors the trend in PLR of commercial banks as also the actual trend in lending rates. For this purpose, the information system on PLR had been modified so as to collect information on PLR as well as minimum and maximum lending rate and also the share of outstanding credit at, below and above PLR to facilitate monitoring the actual trend of lending rates in India vis-à-vis PLR.

The Reserve Bank, in the Monetary and Credit Policy for 2002-03 on April 2002, indicated its intention of collecting maximum and minimum interest rates on advances charged by banks and place the same in the public domain to enhance transparency. Accordingly, Reserve Bank is receiving actual lending rates from scheduled commercial banks (excluding RRBs).

2.1.4.3.1.2.2. Deposits

Banks were given freedom to determine their rates for deposit with maturity of over 2 years with effect from October 1, 1995. Effective from July 2, 1996, the rates of deposits for over 1 year, were freed and minimum maturity period was reduced to 30 days from 46 days. Effective October 22, 1997, banks were given the freedom to determine their interest rates on term deposits of 30 days and over. The Reserve Bank has also encouraged the banks to put in place a flexible interest rate system for deposits with reset at six-monthly intervals, along with the fixed rate option for depositors in its Monetary and Credit Policy Statement, 2002-03. Banks were allowed at their discretion to reduce the minimum tenor of retail domestic term deposits (under Rs.15

lakh) from 15 days to 7 days with effect from November 1, 2004.

2.1.4.3.1.3. Sources and Systems

The data on interest rates in respect of different types deposits and credit are collected on fortnightly/monthly/quarterly basis from the SCBs in pre-defined formats. For deposits, the classification is based on domestic deposits, NRE and NRNR deposits and is maturity period-wise. In the case of quarterly data on credit, the major account types are cash credit, demand loans and term loans with maturity period-wise break-up. For each of these categories, data includes PLR, minimum and maximum rates charged (excluding extreme values), interest rate range at which 60 per cent or more business is contracted and amount outstanding below PLR, at PLR and above PLR*. Data on export credit (in Rupee terms) is collected for - pre-shipment and post-shipment export credit, which are further categorized according to duration as per export credit norms.

Interest rates on term deposit for various tenors can be known from which the interest rate range according to the groups of the banks can be worked out.

Monthly data on deposit rates offered by Public sector banks, Private sector banks and Foreign

* **BPLR:** Banks are free to fix Benchmark Prime Lending Rate (BPLR) for credit limits over Rs.2 lakhs with the approval of their respective Boards. BPLR has to be declared and made uniformly applicable at all the branches. The banks may authorize their Asset-Liability Management Committee (ALCO) to fix interest rates on Deposits and Advances, subject to their reporting to the Board immediately thereafter. The banks should also declare maximum spread over the BPLR with the approval of the ALCO/Board for the advances.

Sub BPLR: Downward flexibility of PLR emerged in the recent past as a significant policy issue for the RBI, especially with respect to credit delivery to small and medium borrowers, at reasonable costs. Sub-PLR lending had enabled corporates to raise funds at competitive rates from banks without incurring any additional cost towards stamp duty, dematerialisation costs or fee payments to issuing/paying agents. The BPLR was introduced to bestow larger transparency in pricing of bank credit. However, with sub-PLR lending, the spreads between minimum and maximum lending rates have risen in a significant manner.

banks of various maturities are published in RBI's various publications such as Bank's Annual Report, Report on Trend & Progress of Banking in India, Macroeconomic & Monetary Developments, etc.

The quarterly lending rates data of Scheduled commercial banks are available on the RBI website since quarter ended June 2002. The data are also available bank-group wise consolidated position on the range of actual lending rates of credit, with credit limit of Rs.2 lakh and above, other than export credit; bank-group wise range of median interest rates on credit, with credit limit of Rs.2 lakh and above other than export credit; bank-group wise range of actual lending rates; bank-group wise median interest rates on export credit; lending rates of individual banks on export credit as well as other credit, having credit limit Rs.2 lakh and above under demand and term loans.

2.1.4.3.1.4. Ensuring Quality Standards

Good quality data is a pre-requisite for any informed decision-making process. Appropriate system for ensuring data quality is in place.

2.1.4.3.2. Sectoral Deployment of Credit

Statistics on flow of gross bank credit to different sectors of the economy, viz.; agriculture, industry, etc., is collected and compiled through BSR 1 return on an annual basis. In view of the need for such information on a more frequent intervals and with minimum time lag in the context of formulation of policy, Monetary Policy Department collects provisional information on sectoral deployment of credit from select banks on a monthly basis, in addition to the annual data collected through BSR system. Such information provides an indication of the movements in flow of bank credit across various sectors and industries and provides inputs for analysis. The consolidated information based on the data is published in various publications of the RBI.

2.1.4.3.2.1. Measurement Needs of the Area

The data on flow of bank credit to different sectors of the economy are useful in analysis

the direction of credit flows, portfolio changes, linkages with the other macroeconomic variables and for providing inputs for policy making. The data can also be of use to the researchers.

2.1.4.3.2.2. Concepts, Definitions and Classification

The broad concept of gross bank credit is the same as in BSR. The concepts and classification are broadly in alignment with that of BSR/NIC, except in the case of loans to construction sector. Besides, these data provide more details of personal loans. The data are collected for total non-food gross bank credit divided into four major sectors, viz.; Agriculture, Industry, Services and Personal Loans with further classification on select sub-sectors and also on credit to the priority sectors. Industrial classification includes data on major industries including infrastructure. The classification of data on sectoral deployment of credit has changed from time to time with structural shifts in sectoral deployment of credit. Some features of the classification is given below:

- a. *Agriculture*: Includes direct as well as indirect credit to agriculture.
- b. *Industry*: Credit given to manufacturing sector. It includes credit given to food processing, textiles, petroleum, chemicals, cement, metals, engineering, vehicles, gems and jewellery, construction and infrastructure industries.
- c. *Services*: Include credit given to transport operators (excluding water transport), computer software, tourism, hotels and restaurants, shipping (water transport), professional and other services, etc. Real estate loans include credit given to individuals/firms engaged in development of real estate activities (like preparation of residential/ commercial buildings/ complexes, land development, etc. for the purpose of purchase/ sale/ lease of real estate, etc.).
- d. *Personal Loans*: Include credit given to individuals for their own consumption purpose; loans to individuals for purchase

of consumer durables; residential house; for education; personal loans given against security of fixed deposits or share/debentures; credit card outstandings, etc. Credit given to individuals as business loans is not included in personal loans, but they are classified into the respective business activity (industry/ service).

- e. **Priority Sector:** The loans under priority sector are classified as per the extant definition given by the RBI from time to time. The details of credit to agriculture, small scale industry, housing, transport operators, computer software under priority sector criteria are required to be shown separately.

Aggregate data for all reporting banks is published for the sectoral classification.

2.1.4.3.2.3. Sources and Systems

The data are collected monthly from the selected banks in a pre-defined specific format on outstanding credit as on last reporting Friday of the month. The selection of banks is based on the size of their business and includes public sector banks, select private sector and foreign banks. Banks with large business are included in the sample so as the total non-food gross bank credit of all select banks comprises above 90 per cent of the total non-food gross bank credit of all the scheduled commercial banks. The returns are received in printed form through e-mail. There are plans to receive these data on-line from banks.

2.1.4.3.2.4. Ensuring Quality Standards

Good quality data is a pre-requisite for any informed decision-making process. Appropriate system for ensuring data quality is in place. In order to improve quality of data, the coverage is also extended from time to time. The last such revision in classification of data and coverage of banks is effective since September 2005.

2.2 Statistics on Cooperative Banks

The cooperative movement in India started and originated as a measure against rural poverty, aggravated by chronic

indebtedness of the farmers and practice of usuary at its worst by the moneylenders. Agrarian disturbances in 1875 in the Deccan against the moneylenders necessitated the enactment of Taccavi Legislation by the government and also led to the concept of the cooperative approach. The Northern India Taccavi Loan Act, 1875, the Land Improvement Loans Act, 1883, the Agriculturist Loans Act, 1884, etc. were, all enacted to facilitate the availability of credit to farmers. In 1892, Sir Frederick Nicholson recommended the establishment of rural cooperative credit societies on German pattern. The Famine Commission (1901) recommended introduction of cooperatives in the country. In 1904, the Cooperative Credit Societies Act was enacted by the Imperial Government to facilitate organisation of credit cooperatives and confer upon them special privileges and facilities, the scope of which was subsequently enlarged by the more comprehensive Cooperative Societies Act of 1912. Under the Government of India Act, 1919, the subject of Cooperation was transferred to the then Provinces, which were authorized to enact their own cooperative laws. Under the Government of India Act, 1935, cooperatives remained a provincial subject. In order to administer the operations of cooperative societies where membership was from more than one province, the Government of India enacted the Multi-Unit Cooperative Societies Act, 1942, which was subsequently replaced by the Multi-state Cooperative Societies Act, 1984, under entry 44 of the Union List.

The societies were not in a position to extend loans to farmers so that the farmers may liquidate past debts, redeem their land and other assets from usurious moneylenders. Loans from cooperative societies were also not enough to enable farmers to improve upon their land and augment their incomes. It was felt that the long term (LT) loans needed by farmers

for these purposes would have to be met by a separate set of institutions. This realization led to the establishment of the cooperative land mortgage banks (LMBs) in the early 1920s. The first cooperative LMB was set up in Punjab in 1920, followed by two more in the Madras Presidency in 1925.

Later, the All India Rural Credit Survey Committee (AIRCSC) recommended establishment of a separate institution, which could provide LMBs the resources for long term lending to farmers for the development of agriculture. The recommendation led to the establishment of the Agricultural Refinance Corporation in 1963 and enabled the LT structure to expand rapidly and change from being land 'mortgage' banks to land 'development' banks (LDBs).

2.2.1. Structures of Cooperative Banks

Co-operatives are structured into two separate arms namely short-term (for providing Production Credit) and long-term institutions (for providing Investment Credit). The short-term co-operative credit structure has at its base the Primary Agricultural Credit Societies (PACS). The long-term co-operative credit structure comprises the Primary Agricultural and Rural Development Banks. These ground level institutions cater to villages using funds received from higher financing institutions.

The short-term cooperative credit structure consists of 31 State Cooperative Banks (SCBs), 367 District Central Cooperative Banks (DCCBs) and 1,05,735 Primary Agricultural Credit Societies (PACS) as on 31 March 2005. The long-term co-operative credit structure consisted of 20 State Cooperative Agriculture and Rural Development Banks (SCARDBs) (8 unitary and 12 federal/mixed structures) with 727 Primary Cooperative Agriculture and Rural Development Banks (PCARDBs) as on 31 March 2005.

2.2.2. Data Dissemination

National Bank for Agriculture and Rural Development (NABARD) is the major source of data on cooperatives in India.¹ Besides data on cooperative movements, NABARD brings out four regular publications. Title-wise contents of these publications are discussed below:

Dossier on Cooperatives: This publication presents data on Cooperative credit Structures, viz., Short Term and Long Term on yearly basis. Consolidated information of SCBs, DCCBs and SCARDBs and PCARDBs on various parameters, viz., Resources, Investment, Outreach, Recovery, Management, Profitability, Classification of Assets, Erosion in Assets, Dividend paying Banks, and Market share of Business are also presented.

Overview on Cooperatives: This publication is brought out annually by NABARD (Institutional Development Department (IDD)), on the performance of Cooperative credit Structures in the country. The performance is reviewed on the various parameters with reference to previous year.

Financial Parameters and Financial Ratio Analysis: This publication presents an analytical overview of performance of cooperatives based on the annual balance sheet information. Various important ratios on financial parameters, viz., Financial Return, Financial Cost, Financial Margin, Cost of Management, Operating Margin, Risk Cost, Miscellaneous Income, and Net Margin, etc., are analysed. In addition, Credit-Deposit Ratio, Recovery and Non-Performing Assets (NPAs) to Loans Outstanding are also presented.

The major source of information for the abovementioned publications is the Balance-Sheet (as at the end of the financial year i.e., March 31). Sometime un-audited data are also considered. The information/details are collected by Regional Offices of NABARD from the SCBs/SCARDBs in the prescribed format. Regional Offices consolidate the information separately by

¹ The data on Urban Cooperative Banks are, however, disseminated by RBI in its key publications.

ST/LT structure and thereafter forward to Head Office for consolidation at the national level. Recovery position giving the details of Demand, Collection and Balance (DCB) of loans is collected as at the end of 30 June every year. The DCB has worked out for each institution as also a consolidated position for the institutions as a whole, in particular structure for a State. Regional Offices compile the details on the basis of audited figures and in case the details are unaudited, they indicate specifically so that such of the details can be checked up with audited figures and rectified at subsequent validation. Client institutions, viz., SCBs, DCCBs, SCARDBs and PCARDBs are advised to include the subject of data compilation in their Training Programmes as well.

Statistical Statements Relating to Cooperative Movement in India: This publication is brought out in two parts - *Part I* relates to Credit Societies (SCBs, CCBs, ICBs, PACS, GBs, PCBs, PNACS, SCARDBs and PCARDBS) and *Part II* relates to Non-Credit Societies (All Marketing Societies, All Processing Societies, Farming, Fisheries, Weaver, Housing, Consumer Co-operative, Forest Labourer, Other Industrial Societies, etc. The contents of the Publication includes statistical data like number, membership, liabilities, assets, operations, etc., in respect of both Credit and Non-credit societies based on audited Balance Sheet and Profit & Loss accounts for a particular year pertaining to the respective co-operative societies. The source of data for the publication is SCBs, CCBs, ICBs, SCARDBs, RCS, etc., for Credit Co-operative Societies and

RCS and Functional Registrars in respect of Non-Credit Co-operative Societies.

The work pertaining to compilation of the statements was originally being done by the Department of Commercial Intelligence and Statistics, GoI since 1932 and published by the Manager of Publications, Delhi. It was subsequently entrusted by them to RBI in March 1942, with effect from the issue for 1940-41 as they considered that the Agricultural Credit Department of the Bank, being in close touch with the Co-operative Movement in the country, was in the best position to undertake the work,

especially as, in the normal course of its duties, it was already collecting data, statistical and otherwise, relating to the working of various classes of co-operative societies and considerable duplication of effort would be avoided. This work was then transferred to NABARD in 1982 by RBI consequent upon the transfer of the regulatory function of RBI in respect of Cooperative Credit structure to NABARD.

The Department of Agriculture and Co-operation under the Ministry of Agriculture, GoI, is concerned with the development of cooperatives and ensuring uniform spread of cooperative movement in the country. To have an understanding of the developments of Cooperatives and for implementation of various cooperative development schemes, the vital information was sought to be compiled at one place. These Statements serve as database for Government of India and Reserve Bank of India in policymaking and also as a source material for internal use and other publications. The scope of the publication has increased over time with the diversification of activities, under Co-operative Movement in the country.

A Standing Committee known as "Review Committee on Co-operative Statistics" - Co-operative Movement in India" under the Ministry of Agriculture is entrusted with the responsibility of rationalizing the system of collection of statistical data and suggesting ways and means for early collection and publication of the same.

The publication upto the period 1942-43 included statistics in respect of the Co-operative Movement in British India and only nine Indian States were included in the Publication. Subsequently, from the period 1943-44, all the states where at least one hundred and more co-operative organizations existed, were also included in the publication. A new set of forms to make the statistics more comprehensive and clear, were approved by the GoI and the revised forms were adopted for 1949-50. Some of the modifications introduced from 1949-50 were:

- a. The data relating to credit and non-credit societies - agricultural as well as non-agricultural, were separately presented.

- b. A new table, showing separately the operations of provincial and central non-credit societies was included.
- c. Several new pictorial and graphical illustrations, and figures at a glance were introduced.

From the publication for the year 1950-51 onwards, the statistical data for all the constituent states of the Indian Union were available and there was uniformity in the period to which the data relate, i.e., the statistical statements in respect of all States except Jammu and Kashmir pertained to one uniform period, viz., the year ended 30 June.

From 1955-56 onwards, few additional features were added in the publication, viz., data relating to marketing societies were given separately and three new abstract tables showing the progress made by PACS, DCCBs and SCBs during the five-year period 1951-56.

The structure and contents of statistical statements were reviewed and redrawn in the year 1995 by the Review Committee on Cooperative Statistics' set up by Government of India. The input formats for collection of data of Credit and Non-Credit Co-operatives which were originally hundred (100) in number were revised and reduced to fifty one by removal of duplicate formats by merging similar formats, Omission of formats that are not widely used and exclusion of redundant items. The following new items were added to serve the requirements in present structure of Co-operatives.

- a. To assess the fixed assets, depreciation values and other related information, input items on land, building, plant and machinery were added.
- b. Items on membership break up as SC, ST and Women have been added.
- c. In credit societies' formats, items on Debentures were added.
- d. In non-credit sector formats, many new classes of societies under Industrial Co-operatives, Processing Societies, Weavers' Societies, Fisheries Co-operatives, etc., were added.

- e. Period of reporting has been changed from end of June to end of March (i.e. financial year).

The broad contents of Part I and Part II of the publication are given in *Annex 2.13*. The publication attempts to ensure quality standard, and for the purpose the following steps are undertaken:

- i. Compilation of data on the basis of audited data submitted by the State level and District level agencies.
- ii. Sensitising officials of offices/agencies providing data for compilation of the Statistical Statements, by organizing zonal workshops, to facilitate accurate, complete and prompt submission of data.
- iii. Validation, by comparison of the output tables with previous year's tables. In case of discrepancies, clarification is sought from the concerned agency.
- iv. Validation of entries by rechecking of vital data vis-à-vis annual report and balance sheets received from agencies.

2.3. Statistics on Regional Rural Banks published by NABARD

In 1972, the Banking Commission observed in their report that despite the massive expansion of network of commercial Banks, there would still be the need and possibility of having specialised network of bank branches to cater to the needs of the rural poor. This led to the concept of "rural bank" by 1975, when the structure of rural money lenders was regulated under the Government's efforts to eradicate rural indebtedness as a part of its 20 point economic programme, and an urgent need was felt for an alternative institutional mechanism to reach the rural poor particularly the small and marginal farmers, artisans and agricultural labourers. Consequently, GOI, vide, its notification dated 1 July 1975, constituted a Working Group on rural banks under Chairmanship of Shri M Narasimhan.

The working group submitted its report on 31 July 1975 and recommended for setting up of state sponsored, region based, rural oriented commercial banks which would blend the rural touch, local feel, familiarity with rural problems and low cost profile with the professional

discipline, ability to mobilise deposits and access to central money markets and the modernised outlook of rural commercial banks. The role as perceived for this new institution was to supplement and not supplant the existing financial institution in the rural sector. Further, it was envisaged that this institution would help in reducing regional imbalances by mobilising and simultaneously deploying resources in the same region. It was asserted that these banks would cover primarily the small and marginal farmers, landless labourers, rural artisans, small traders and other weaker sections of the rural society for the productive credit needs and to limited extent, the consumption credit needs.

Based on the recommendations of the working group of rural banks, the first 5 RRBs were established on 2 October 1975 under presidential ordinance that followed by the promulgation of the Regional Rural Banks Act in April 1976. The RRBs were required, in particular, to undertake the business of providing credit facility to the poorer sections of rural society, generally referred to as 'target group'. The basic objective of setting of RRBs was provision of credit facility for crop production and allied purposes to the rural poor, who had very limited access to the formal credit system as it existed in early seventies. As such, 85 RRBs were set up by 1980 and the number of RRBs stood at 196 as on 31 March 2005.

2.3.1. Measurement Needs of the area

To improve the RRBs' financial health, NABARD is instrumental in preparation of Development Action Plan (DAP) and is having commitment for its execution by the RRBs after signing an MoU with the respective sponsor bank. NABARD also introduced a comprehensive monitoring and review mechanism w.e.f. 01 April 1995 by suitably modifying the formats for Quarterly Progress Report to collect the required data and information through statutory statements.

2.3.2. Concepts, Definition and classification

Based on the information received through the above statements, following publications are published by NABARD for fulfilling the requirements of statute, use of the owners and for the use of customers and all other shareholders.

Review of Performance of RRBs: The publication contains performance of RRBs with sustainable viability, current viability and loss making RRBs. This information is provided for two years in the form of state-wise and sponsor bank-wise data for RRBs. This also comprises the write up on various important parameters like deposits, borrowings, investments, loans and advances and profit and loss position of RRBs for two years. This data is used by GOI for inclusion in their annual report.

Key Statistics of RRBs: This publication contains important broad parameters and financial ratio analysis for the financial year. This information is compiled and finalised from the statement Quick Review Report (QRR) which is obtained from all RRBs irrespective of their audits. These data are given both state-wise, sponsor bank-wise and each individual RRB-wise. Certain salient features of the banks are provided for 5 years period for the purpose of assessing progress.

Financial Statements of RRBs: Based on the information received from all RRBs through their annual reports and audited balance sheets, the assets and liability position of the RRBs is published statwise, sponsor bank wise and individual RRB wise for a period of 2 years (current and previous). It also comprises of various financial ratios and other important information like NPA, Gross NPA, Net NPA, CD ratio, recovery percentage, etc., for the same period.

Statistics on RRBs: This publication comprises 22 statements providing detailed information on the performance of RRBs during the financial year. Details of the statements are presented in Annex 2.14.

2.3.3. Sources and Systems

The sources of information are Quick Review Report (QRR), Monitoring and Review Mechanism (MRM) Statements, Demand Collection and Balance (DCB) statements, Audited Balance Sheets and /or Annual Reports of the banks as at the end of financial year, i.e., 31 March. The figures may be audited or unaudited. The information / details are collected through the sponsor bank and NABARD's Regional Offices

are also involved for follow up with the RRBs so as to receive the data in prescribed format. Information received from RRBs are compiled and consolidated at HO level.

2.3.4. Ensuring Quality Standards

All the data are checked with reference to consistency, wide variations and are accepted only with adequate explanation. All the above publications are available in printed form till the year March 2003 and these publications are available in CD form from March 2004 onwards.

2.4. Statistics on Urban Cooperative Banks

Urban Cooperative Banks (UCBs), also referred to as primary cooperative banks, play an important role in meeting the banking needs of urban and semi urban areas of the country. They mobilise savings from the middle and lower income groups and purvey credit to small borrowers, including weaker sections of the society and thereby fill up an important gap in the mechanism for delivery of financial services. The data collected from the UCBs in Urban Banks Department (UBD) of RBI through On-site inspection and Off-site Surveillance are mostly used for supervision. While On-site Inspection is the predominant mode of supervision, Off-site Surveillance (OSS) was started for 55 scheduled banks in April 2001. The scheduled banks were required to submit 10 OSS returns to RBI. Subsequently, these returns were rationalized with the objective of increasing the breadth and depth of information being obtained from UCBs, while reducing the volume of data required to be submitted by them. Thus, from March 2005, the number of OSS returns was reduced from 10 to 8 (7 quarterly and one annual). Number of returns required to be submitted by UCBs to RBI varies with their size & scheduled status, as under:

Scheduled UCBs	32
Non Scheduled UCBs with deposits > Rs. 100 crore	26
Tier II Non Scheduled UCBs with deposits > Rs. 50 crore	26
Tier I & Tier II banks with deposits < Rs. 50 crore	18

Box: 2.1

Criteria for Gradation of Urban Co-operative Banks

Urban co-operative banks are classified into four grades, viz., Grade I, II, III and IV on the basis of certain broad prudential indicators in the following manner:

- (a) Grade I: Sound banks having no supervisory concerns.
- (b) Grade II: Banks meeting any one of the following parameters:
 - Capital to risk-weighted asset ratio (CRAR): one per cent below the prescribed norms; or
 - Net non-performing assets (NPAs) of 10 per cent or more but below 15 per cent; or
 - Incurred net loss in the previous financial year; or
 - Defaulted in the maintenance of cash reserve ratio (CRR)/statutory liquidity ratio (SLR) in the previous financial year and/or there is more or less continuous default in maintenance of CRR/SLR during the current year.
- (c) Grade III: Banks meeting any two of the following parameters:
 - CRAR below 75 per cent of the minimum prescribed but 50 per cent or above the level required.
 - Net NPAs of 10 per cent or more but less than 15 per cent.
 - Incurred net losses for two years out of the last three years.
- (d) Grade IV: Banks meeting the following conditions:
 - CRAR less than 50 per cent of the prescribed limit; and
 - Net NPAs of 15 per cent or more as on March 31 of the previous year.

In addition, as required under the Banking Regulation Act, the Balance Sheet data are obtained from UCBs at monthly intervals. The nature of data obtained from banks is detailed in *Annex 2.15*.

2.4.1. Measurement needs of the area

UCBs account for about 5 per cent of deposits and almost equal proportion of advances of the banking system. Despite their small share in business, UCBs contribute significantly towards social and economic development, as instruments of financial inclusion. Presently, the financial position of several UCBs is a matter of concern. RBI has a system of classifying UCBs into four grades based on their performance and strength. While Gr-I banks are considered sound, Grade-II UCBs have minor weaknesses, where response required is limited to minor adjustments, and Grade-III and Grade-IV banks signify weakness/sickness (See Box 2.1).

Out of 1853 UCBs in March 2006, 677 UCBs (37%) were in Grade III and Grade IV signifying weak and sick banks. Also, although UCBs account for 5% of total advances of the banking system, they comprise approximately 20% of total NPAs. Thus, the UCBs are significant both from the point of view of their ability to serve the middle and lower classes and marginalized sections of society, as also because of their importance in maintaining stability of the financial system. As such, it is important to maintain a system of 'continuous supervision' over UCBs and also establish an early warning system, to enable prompt action at an incipient stage of deterioration in the financial position of these banks.

2.4.2. Concepts, Definitions and Classifications

- a. Tier I & Tier II UCBs – UCBs having deposits upto Rs 100 crores, whose operations are limited to a single district, are classified as Tier I banks and other banks are classified into Tier II banks.
- b. Grades - UCBs are classified into different grades based on their performance and strength, as stated earlier (see Box 2.1)
- c. NPA – An asset becomes a non-performing one, when it ceases to generate income for the bank. Earlier an asset was considered as NPAs based on the concept of 'past due'. With effect from March 31, 2001, the

concept of 'past due' has been dispensed with and any amount due to the bank under any credit facility is 'overdue', if it is not paid on the date fixed by the bank. W.e.f March 31, 2004, NPAs are identified based on 90 days overdue norm.

- d. NPA definition is different for Tier I banks vis-à-vis international norms - Banks whose operations are limited to a single district and have deposits of less than Rs.100 crore (Tier -I banks) have been allowed to adopt 180 days delinquency norms for classification of assets as non-performing, instead of the 90 days norm which is applicable for the larger cooperative and all commercial banks.
- e. Net Worth - Paid-up capital + Reserves (Statutory and revaluation reserves) + Unappropriated profits (or minus accumulated loss) - Intangible Assets - Shortfall in provisions for impaired assets - Investment in subsidiaries
- f. Total Assets includes a contra item, viz., Overdue Interest Reserves (OIR)

2.4.3. Sources and Systems

Data relating to UCBs are received through various returns. The returns submitted by UCBs and agencies involved in data collection are presented in *Annex 2.15*. The data submitted by banks are as prescribed by RBI Act and Banking Regulation Act. RBI obtains certain data in exercise of its powers given under Section 27 (2) of BR Act.

2.4.4. Ensuring Quality Standards

In order to maintain the data integrity, the application software adopted for the purpose provides checks for data consistency within and across returns. Quality of data can also be checked through the software for comparing on-site with off-site data for the same period. The quality of data provided by the regional offices is also checked in the form of variance reports compiled across time. Consistency checks across banks of similar size are also done through standard reports.

Annex 2.1**Details of Balance Sheet Items and Notes on Accounts****A. Balance Sheet**

Item	Schedule	Coverage	Notes and Instructions for compilation
Capital	1.	<p>Nationalised Banks Capital (Fully owned By Central Government)</p> <p>Other Banks (Indian) Authorised Capital (.....shares of Rs. each)</p> <p>Issued Capital (.....shares of Rs. each)</p> <p>Subscribed Capital (.....shares of Rs. each)</p> <p>Called up Capital (.....shares of Rs. each)</p> <p>Less : Calls unpaid</p> <p>Add : forfeited shares</p> <p>Paid up Capital</p> <p>Banking Companies incorporated outside India</p>	<p>The Capital owned by Central Government as on the date of the balance sheet should be shown. In the case of other Indian banks, Authorised, Issued, Subscribed, Called up capital should be given separately. Calls-in-arrears will be deducted from the called-up capital while the paid-up value of forfeited shares should be added thus arriving at the paid-up capital. Where necessary, items which can be combined should be shown under one head for instance 'Issued and Subscribed Capital'.</p> <p>In the case of Banking Companies incorporated outside India, the amount of deposit kept with Reserve Bank of India, under sub-section 2 of section 11 of the Banking Regulation Act, 1949 should be shown under the head 'capital'; the amount, however, should not be extended to the outer column.</p> <p>Notes – General The changes in the above items, if any, during the year, say, fresh contribution made by the Government, fresh issue of capital, capitalisation of reserves, etc. may be explained in the notes.</p>
Reserves & Surplus	2	<p>I) Statutory Reserves</p> <p>II) Capital Reserves</p> <p>III) Share Premium</p> <p>IV) Revenue and other Reserves</p> <p>a) Investment Fluctuation Reserve</p> <p>V) Balance of Profit</p>	<p>Reserve created in terms of section 17 or any other section of Banking Regulation Act must be separately disclosed.</p> <p>The expression 'capital reserves' shall not include any amount regarded as free for distribution through the profit & loss account. Surplus on revaluation or sale of fixed assets should be treated as capital reserves. Premium on issue of share capital may be shown separately under this head.</p> <p>The expression 'Revenue Reserves' shall mean any reserve other than capital reserve. This item will include all reserves, other than those separately classified. The expression 'reserve' shall not include any amount written off or retained by way of providing for depreciation, renewals or diminution in value of assets or retained by way of providing for any known liability.</p> <p>Includes balance of profit after appropriations. In case of loss the balance may be shown as a deduction.</p> <p>Notes – General</p> <p>i) Movements in various categories of reserves should be shown as indicated in the schedule.</p>

Item	Schedule	Coverage	Notes and Instructions for compilation
Deposits	3.	<p>A.I. Demand Deposits</p> <p>i) from banks</p> <p>ii) from others</p> <p>II. Savings Bank Deposits</p> <p>III. Term Deposits</p> <p>i) from banks</p> <p>ii) from others</p> <p>B. i) Deposits of branches in India.</p> <p>ii) Deposits of branches outside India.</p>	<p>Includes all banks deposits repayable on demand. Includes all demand deposits of the non-bank sectors. Credit balances in overdrafts, cash credit accounts deposits payable at call, overdue deposits, inoperative current accounts, matured time deposits and cash certificates, etc. are to be included under this category.</p> <p>Includes all savings bank deposits (including inoperative savings bank accounts). Includes all types of banks deposits repayable after a specified term. Includes all types of deposits of the non-bank sector repayable after a specified term. Fixed deposits, cumulative and recurring deposits, cash certificates, annuity deposits, deposits mobilised under various schemes, ordinary staff deposits, foreign currency non-resident deposits accounts, etc. are to be included under this category. The total of these two items will agree with the total deposits.</p> <p>Notes – General</p> <p>a) Interest payable on deposits (whether accrued and due and accrued but not due) should not be included but shown under other liabilities. Deposits, repayment of which is subject to restrictions by its very nature, like margin deposits, security deposits from staff, etc. also should not be included under deposits but shown under 'other liabilities.'</p> <p>b) Matured time deposits and cash certificates, etc. should be treated as demand deposits</p> <p>c) Deposits under special schemes should be included under term deposits if they are not payable on demand. When such deposits have matured for payment they should be shown under demand deposits.</p> <p>d) Deposits from banks will include deposits from the banking system in India, co-operative banks, foreign banks which may or may not have a presence in India.</p>
Borrowings	4.	<p>I. Borrowings in India</p> <p>i) Reserve Bank of India</p> <p>ii) Other banks</p> <p>II. Borrowings outside India</p> <p>Secured borrowings included above</p>	<p>Includes borrowings/refinance and rediscount obtained from Reserve Bank of India. Includes borrowings/refinance and rediscount obtained from commercial banks (including co-operative banks)</p> <p>Includes borrowings/refinance and rediscount from Industrial Development Bank of India, Export-Import Bank of India, National Bank for Agricultural and Rural Development and other institutions, agencies (including liability against participation certificates, if any)</p> <p>Includes borrowings and rediscounts of Indian branches abroad as well as borrowings of foreign branches. This item will be shown separately: Includes secured borrowings/refinance in India and outside India.</p>

Item	Schedule	Coverage	Notes and Instructions for compilation
			<p>Notes – General</p> <p>i) The total of I & II will agree with the total borrowings shown in the balance sheet.</p> <p>ii) Inter-office transactions should not be shown as borrowings.</p> <p>iii) Funds raised by foreign branches by way of certificates of deposits, notes, bonds, etc. should be classified, depending upon documentation, as 'deposits', 'borrowings' etc.</p> <p>iv) Refinance obtained by banks from Reserve Bank of India and various institutions are being brought under the head 'Borrowings'. Hence advances will be shown at the gross amount on the asset side.</p>
Other Liabilities and provisions	5	<p>I. Bills Payable</p> <p>II. Inter-Office</p> <p>III. Interest Accrued</p> <p>IV. Deferred Tax</p> <p>V. Others</p>	<p>Includes drafts, telegraphic transfers, mail transfers payable, pay slip, bankers cheques, other miscellaneous items, etc.</p> <p>The inter-office adjustments balance, if in credit, should be shown under this head. Only net position of inter-office accounts, inland as well as foreign should be shown here.</p> <p>Includes interest due and payable and interest accrued but not due on deposits and borrowings. Includes net provision for income tax and other taxes like interest tax (less advance payment, tax deducted at source, etc.), surplus provisions in bad debts provision account, surplus provisions for depreciation in securities, contingency funds which are not disclosed as reserves but are actually in the nature of reserves, proposed dividend/transfer to Government, other liabilities which are not disclosed under any of the major heads such as unclaimed dividend, provisions and funds kept for specific purposes, unexpired discount, outstanding charges like rent, conveyance, etc. certain types of deposits like staff security deposits, margin deposits, etc. where the repayment is not free, should also be included under this head.</p> <p>Notes – General</p> <p>i) For arriving at the net balance of inter-office adjustments all connected inter-office accounts should be aggregated and the net balance only will be shown, representing mostly items in transit and unadjusted items.</p> <p>ii) The interest accruing on all deposits, whether the payment is due or not, should be treated as a liability.</p> <p>iii) It is proposed to show only pure deposits under the head 'deposits' and hence all surplus provisions for bad and doubtful debts contingency funds, secret</p>

Item	Schedule	Coverage	Notes and Instructions for compilation
			reserves, etc. which are not netted off against the relative assets should be brought under the head 'Others' (including provisions).
Cash and balances with the Reserve Bank of India	6	I. Cash in hand (including foreign currency notes) II. In Current Account with Reserve Bank of India.	Includes cash in hand including foreign currency notes and also of foreign branches in the case of banks having such branches. Includes the balance maintained with the Reserve Bank of India in Current Account.
Balances with banks and money at call and short notice	7	I) In India <ul style="list-style-type: none"> i) Balances with Reserve Bank of India (other than in current account) ii) Balances with other banks in India iii) Money at call and short notice with banks and other institutions. II) Outside India <ul style="list-style-type: none"> i) Current accounts ii) Deposit accounts 	Includes balances held with the Reserve Bank of India other than in current accounts, if any. Includes all balances with banks in India (including co-operative banks). Balances in current accounts and deposit accounts should be shown separately. Includes deposits repayable within 15 days or less than 15 days' notice lent in the inter-bank call money market. Includes balances held by foreign branches and balances held by Indian branches of the banks outside India. Balances held with foreign branches by other branches of the bank should not be shown under this head but should be included in inter branch accounts. The amounts held in 'current accounts' and 'deposit accounts' should be shown separately. Includes deposits usually classified in foreign countries as money at call and short notice.
Investments	8	I. Investments in India <ul style="list-style-type: none"> i) Government securities ii) Other approved securities iii) Shares iv) Debentures and Bonds v) Investments in subsidiaries/associate companies. vi) Others II. Investments outside India <ul style="list-style-type: none"> i) Government securities (including local authorities) ii) Others 	Includes Central and State Government securities and Government treasury bills. Securities other than Government securities, which according to the Statutes are treated as approved securities, should be included here. Investments in shares of companies and corporations not included in item (ii) should be included here. Investments in debentures and bonds of companies and corporations not included in item (ii) should be included here. Investments in subsidiaries/associate companies should be included here. A company will be considered as an associate company for the purpose of this classification if more than 25% of the share capital of that company is held by the bank. Includes residual investments, if any, like gold. All foreign Government securities including securities issued by local authorities may be classified under this head. All other investments outside India may be shown under this head.

Item	Schedule	Coverage	Notes and Instructions for compilation
Advances	9	<p>A. i) Bills purchased and Discounted ii) Cash credits, overdrafts and loans repayable on demand iii) Term loans</p> <p>B. i) Secured by tangible assets ii) Covered by Bank/ Government Guarantee iii) Unsecured</p> <p>C.I. Advances in India i) Priority sectors ii) Public sector iii) Banks iv) Others</p> <p>II. Advances outside India i) Due from banks ii) Due from others</p>	<p>In classification under Section 'A', all outstandings – in India as well as outside – less provisions made, will be classified under three heads as indicated and both secured and unsecured advances will be included under these heads.</p> <p>All advances or part of advances which are secured by tangible assets may be shown here. The item will include advances in India and outside India.</p> <p>Advances in India and outside India to the extent they are covered by guarantees of Indian and foreign governments and Indian and foreign banks are to be included.</p> <p>All advances not classified under (i) and (ii) will be included here.</p> <p>Advances should be broadly classified into 'Advances in India' and 'Advances outside India'. Advances in India will be further classified on the sectoral basis as indicated. Advances to sectors which for the time being are classified as priority sectors according to the instructions of the Reserve Bank are to be classified under the head 'Priority sectors'. Advances to Central and State Governments and other Government undertakings including Government companies and corporations which are, according to the statutes, to be treated as 'public sector'. All advances to the banking sector including co-operative banks will come under the head 'Banks'. All the remaining advances will be included under this head 'Others' and typically this category will include non-priority advances to the private, joint and co-operative sectors.</p> <p>Notes – General</p> <p>i) The gross amount of advances including refinance but excluding provisions made to the satisfaction of auditors should be shown as advances.</p> <p>ii) Term loans will be loans not repayable on demand.</p> <p>iii) Consortium advances would be shown net of recoveries from other participating banks/ institutions.</p>
Fixed Assets	10	I. Premises	<p>Premises wholly or partly owned by the banking company for the purpose of business including residential premises should be shown against 'Premises'. In the case of premises and other fixed assets, the previous balance, additions thereto and deductions there from during the year as also the total depreciation written off should be shown. Where sums have been written off on reduction of capital or revaluation of assets, every balance sheet after the first balance sheet</p>

Item	Schedule	Coverage	Notes and Instructions for compilation
		<p>II. Other Fixed Assets (including furniture and fixtures)</p> <p>III. Capital work-in-progress or premises under construction</p>	<p>subsequent to the reduction or revaluation should show the revised figures with the date and amount of revision made.</p> <p>Motor vehicles and all other fixed assets other than premises but including furniture and fixtures should be shown under this head.</p>
Other assets	11	<p>I. Inter-office adjustments (net)</p> <p>II. Interest accrued</p> <p>III. Tax paid in advance/ tax deducted at source.</p> <p>IV. Stationery and stamps</p> <p>V. Others</p>	<p>The inter-office adjustments balance, if in debt, should be shown under this head. Only net position of inter-office accounts, inland as well as foreign, should be shown here. For arriving at the net balance of inter-office adjustment accounts, all connected inter-office accounts should be aggregated and the net balances, if in debit, only should be shown representing mostly items in transit and unadjusted items.</p> <p>Interest accrued but not due on investments and advances and interest due but not collected on investments will be the main components of this item. As banks normally debit the borrowers' account with interest due on the balance sheet date, usually there may not be any amount of interest due on advances. Only such interest as can be realised in the ordinary course should be shown under this head.</p> <p>The amount of tax deducted at source on securities, advance tax paid, etc. to the extent that these items are not set off against relative tax provisions should be shown against this item.</p> <p>Only exceptional items of expenditure on stationery like bulk purchase of security paper, loose leaf or other ledgers, etc. which are shown as quasi-asset to be written off over a period of time should be shown here. The value should be on a realistic basis and cost escalation should not be taken into account, as these items are for internal use.</p> <p>This will include non-banking assets and items like claims which have not been met, for instance, clearing items, debit items representing addition to assets or reduction in liabilities which have not been adjusted for technical reasons, want of particulars, etc. advances given to staff by a bank as employer and not as a banker, etc. Items, which are in the nature of expenses, which are pending adjustments, should be provided for and the provision netted against this item so that only realisable value is shown under this head. Accrued income other than interest may also be included here.</p>

Item	Schedule	Coverage	Notes and Instructions for compilation
Contingent liabilities	12	I. Claims against the bank not acknowledged as debts. II. Liability for partly paid investments. III. Liability on account of outstanding forward exchange contracts IV. Guarantee given on behalf of constituents. a) In India b) Outside India V. Acceptances, endorsements and other obligations VI. Other items for which the bank is contingently liable	Liability on partly paid shares, debentures, etc. will be included in this head. Outstanding forward exchange contracts may be included here. Guarantees given for constituents in India and outside India may be shown separately. This item will include letters of credit and bills accepted by the bank on behalf of its customers. Arrears of cumulative dividends, commitments under underwriting contracts, estimated amount of contracts remaining to be executed on capital account and not provided for etc. are to be included here.
Bills for collection			Bills and other items in the course of collection and not adjusted will be shown against this item in the summary version only. Not separate schedule is proposed.

B. Profit & Loss Accounts

Item	Schedule	Coverage	Notes and Instructions for compilation
Interest earned	13	I. Interest /discount on advances/bills. II. Income on investments III. Interest on balances with Reserve Bank of India and other inter bank funds Others	Includes interest and discount on all types of loans and advances like cash credit, demand loans, overdrafts, export loans, term loans, domestic and foreign bills purchased and discounted (including those rediscounted), overdue interest and also interest subsidy, if any, relating to such advances/bills. Includes all income derived from the investment portfolio by way of interest and dividend. Includes interest on balances with Reserve Bank and other banks, call loans, money market placement, etc. Includes any other interest/discount income not included in the above heads.
Other Income	14	I. Commission, Exchange & brokerage II. Net Profit on sale of Investments III. Net Profit on revaluation of investments IV. Net Profit on sale of land, building & other assets	Net profit on sale of Investments = Profit on sale of Investments – Loss on revaluation of investments Net profit on revaluation of investments = Profit on revaluation of investments – Loss

Item	Schedule	Coverage	Notes and Instructions for compilation
		V. Profit (net of loss) on exchange transactions VI. Income earned by way of dividends, etc. from subsidiaries/ companies and/or joint ventures abroad/in India VII. Miscellaneous Income	Net profit on sale of land, building & other assets = profit on sale of land, building & other assets - Loss on sale of land, building & other assets
Interest Expended	15	I. Interest on deposits II. Interest on RBI/ Inter-Bank borrowings III. Others	
Operating Expenses	16	I. Payments to and provisions for employees II. Rent, Taxes & Lighting III. Printing & Stationery IV. Advertisement and Publicity V. Depreciation on Banks' property VI. Directors' fees, allowances and expenses VII. Auditors' fees & expenses (including branch auditors) VIII. Law charges IX. PB Legal and other expenses debited in respect of PB accounts X. Postage, Telegram, Telephones, etc. XI. Repairs and Maintenance XII. Insurance XIII. Other Expenditure	
Provisions & Contingencies		Provisions & Contingencies made for i) Income Tax ii) Other Taxes iii) NPAs iv) Investments v) Others	
Appropriation of Profit		I. Transfer to Statutory Reserves II. Transfer to Capital Reserves	

Item	Schedule	Coverage	Notes and Instructions for compilation
		III. Transfer to Investment Fluctuation Reserves IV. Transfer to Debenture redemption reserves V. Transfer to Other reserves VI. Transfer to Proposed Dividend VII. Transfer to Tax on Dividend VIII. Balance carried over to Balance Sheet	

C. Notes on Accounts

Item	Schedule	Coverage	Notes and Instructions for compilation
Movement of NPAs	17	I) Gross NPAs II) Net NPAs	
Lending to Sensitive Sectors	17	I) Advances to Capital Market Sector II) Advances to Real Estate Sector III) Advances to Commodity Sector	
Maturity Profile of Selected items of Liabilities & Assets	17	I) Deposits II) Borrowings III) Loans & Advances IV) Investments V) Foreign Currency Assets and VI) Foreign Currency Liabilities	
Loans subjected to Res-structuring and Corporate Debt Re-structured	17	I) Standard Assets during the year II) Sub Standard Assets during the year III) Doubtful Assets during the year	
Capital adequacy Ratios	17	I) Capital Adequacy Ratio II) Capital Adequacy Ratio – Tier I and III) Capital Adequacy Ratio – Tier II	
Business Ratios	17	I) Return on Assets II) Business (Deposits+ Advances) per employee III) Profit per employee	

Annex 2.2

Major Contents of the Publication ‘Statistical Tables Relating to Banks in India’

A. Tables based on information obtained through Basic Statistical Returns

A1. SUMMARY TABLES

Sr. No.	Table
1.	Offices of Commercial Banks in India
2.	Population group-wise distribution of offices opened or closed by Commercial Banks
3.	State and population group-wise distribution of offices opened by Commercial Banks
4.	State and population group-wise distribution of centres and offices of Commercial Banks
5.	State-wise distribution of deposits and credit of Scheduled Commercial Banks in India
6.	State and bank group-wise distribution of deposits and credit of Scheduled Commercial Banks
7.	Population group-wise distribution of deposits and credit of Scheduled Commercial Banks
8.	Maturity pattern of term deposits of Scheduled Commercial Banks
9.	Bank group-wise distribution of outstanding credit of Scheduled Commercial Banks according to occupation
10.	Bank group-wise distribution of outstanding credit of Scheduled Commercial Banks according to size of credit limit
11.	Distribution of outstanding credit of Scheduled Commercial Banks according to interest rate range
12.	State-wise distribution of employees of Scheduled Commercial Banks
13.	Population and bank group-wise distribution of employees of Scheduled Commercial Banks
14.	Bank group-wise and occupation-wise weighted average lending rate and deposit rate

A2. BANK-WISE TABLES

15. Bank-wise and population group-wise number of offices of Scheduled Commercial Banks
16. Commercial Banks and their offices in States and Union Territories

B. Tables Based on Information Collected from other Departments of the Bank / Other Institutions

B.1. SUMMARY TABLES

Sr. No.	Table	Source
1.	Offices of Indian Commercial Banks outside India	DBOD
2.	Region-wise distribution of offices of State and District Central Co-operative Banks	RPCD
3.	State-wise distribution of number of branches of State and District Central Co-operative Banks	NABARD
4.	State-wise distribution of liabilities and assets of Urban Co-operative Banks	UBD
5.	State-wise distribution of liabilities and assets of State Co-operative Banks	NABARD
6.	State-wise distribution of liabilities and assets of District Central Co-operative Banks	NABARD
7.	Liabilities and assets of Indian Scheduled Commercial Banks in foreign countries	DBS
8.	Ownership of deposits with Scheduled Commercial Banks	RBI Bulletin
9.	Outstanding advances of Scheduled Commercial Banks to exporters	MPD
10.	Outstanding advances of Scheduled Commercial Banks for public food procurement operations	DEAP
11.	Sector-wise gross bank credit of Scheduled Commercial Banks	MPD
12.	Industry-wise gross bank credit of Scheduled Commercial Banks	MPD
13.	Scheduled Commercial Banks' advances under Priority Sectors	RPCD
14.	State-wise distribution of outstanding advances of Scheduled Commercial Banks to agriculture	RPCD
15.	State-wise distribution of outstanding advances of Scheduled Commercial Banks to small scale Industries, industrial estates and road & water transport operators	RPCD
16.	Distribution of outstanding advances of Public Sector Banks to Priority Sectors	RPCD
17.	Distribution of outstanding advances of Public Sector Banks to 'Other Priority Sectors'	RPCD
18.	Outstanding loans and advances of Public Sector Banks to small scale industries	RPCD
19.	Outstanding advances of Public Sector Banks under Differential Rates of Interest (DRI) scheme	RPCD

Sr. No.	Table	Source
20.	Bank group-wise classification of loan assets of Scheduled Commercial Banks	DBS
21.	Composition of NPAs of Public Sector Banks	DBS
22.	Investments of Scheduled Commercial Banks	RBI Bulletin
23.	State-wise distribution of investments of Scheduled Commercial Banks in State Government Securities and Shares/Debentures/Bonds of State Associated Bodies	RBI Bulletin
24.	Cash reserve ratio and interest rates (Weekly Statistical Supplement to RBI Bulletin)	W.S.S.
25.	Cheque clearances	DEAP
26.	Number of Clearing Houses	DIT
27.	Bank group-wise insured deposits	DICGC
B 2. BANK-WISE TABLES		
28.	Bank-wise Non-Performing Assets (NPAs) of Scheduled Commercial Banks	DBS
29.	Bank-wise and category-wise employees of Scheduled Commercial Banks	IBA
30.	Bank-wise monthly stock prices	NSE
31.	Unclaimed deposits with Scheduled Commercial Banks	DBOD

Annex 2.3

LIST 'A'
POPULATION GROUP

Serial No.	Population Group of Centre *	Population of Centre	Code
1.	Rural	less than 10,000	1
2.	Semi-urban	10,000 and above but less than 1 lakh	2
3.	Urban	1 lakh and above but less than 10 lakhs	3
4.	Metropolitan	10 lakhs and more	4

* For reporting the Place of Utilisation of Credit

LIST 'B'
TYPE OF ACCOUNT

Serial No.	Type of Account	Code
1.	Cash Credit	10
2.	Overdraft	20
3.	Demand Loan	30
4.	Loan extended through Credit Cards	31
5.	Term Loan <i>(including interim cash credit pending sanction of term loans and installment credit)</i> (1) Medium - Term Loans <i>(i.e. loans and advances granted for a period of above 1 year and upto and inclusive of 3 years)</i> (2) Long - Term Loans <i>(i.e. loans and advances granted for a period above 3 years)</i>	41 42
6.	Packing credit <i>(all export pre-shipment finance under any type of facility should be coded as packing credit)</i>	50
7.	Export bills purchased	61
8.	Export bills discounted	62
9.	Export bills advanced against	63
10.	Advance against Export cash incentives and Duty draw back claims	64
11.	Inland bills purchased	71
12.	Inland bills discounted	72
13.	Advances against import bills	80
14.	Foreign Currency Cheques, TCs/DDs/TTs/MTs purchased	90

LIST 'C'
TYPE OF ORGANISATION

Serial No.	Organisation	Code
1.	<u>Public Sector</u> 1.1 Central Government owned undertakings <i>(corporations, companies and subsidiaries of Central Government companies)</i> 1.2 State Government 1.3 State Government owned undertakings <i>(corporations, companies and subsidiaries of State Government companies)</i> 1.4 Quasi-Government bodies like Local Authorities, Electricity Boards, Housing Boards, Port Trusts, Universities, etc.	11 12 13 14
2.	Co-operative Sector	20
3.	<u>Private Sector</u> <u>3 (a) Private Corporate Sector</u> 3.1 Public and Private limited companies not owned but managed by Government <i>(e.g. sick textile mills whose management is taken over by the Government)</i> 3.2 Public and Private limited companies other than Government managed companies <i>[Foreign Banks having branches in India, Non-profit institutions (NPIs) serving business (like FICCI, ASSOCHAM, CII etc.) and privately funded quasi - corporate institutions (like large educational institutions which are funded privately) are also included here]</i> <u>3 (b) Private Sector – Others</u> 3.3 Partnerships, Propriety concerns and Joint families 3.4 Self-Help Groups and NGOs 3.5 Associations, Clubs, Trusts and Groups	31 32 33 34 35
4.	<u>Individuals (Singly or Jointly)</u> 4.1 Male 4.2 Female	41 42
5.	<u>Joint Sector</u> Companies owned and managed by public sector and private sector jointly	50
6.	<u>Foreign Governments and foreign banks</u> Foreign Governments and Foreign banks having no branches in India <i>(Foreign Governments for turn-key projects under buyers' line of credit and Foreign banks under agency arrangements)</i>	60

LIST 'D'
NATURE OF BORROWAL ACCOUNT

Serial No.	Nature of Borrowal Account	Code
1.	Artisans/Craftsmen; Village/Cottage Industries; Tiny Industries	1
2.	Other Small Scale Industries (registered as well as unregistered)	2
3.	All Others	3

LIST 'E'
ASSET CLASSIFICATION OF BORROWAL ACCOUNT

Serial No.	Asset Classification of Borrowal Account	Code
1.	Standard Assets	1
2.	Sub-standard Assets	2
3.	Doubtful Assets	3
4.	Loss Assets	4

LIST 'F'
CLASSIFICATION OF ACTIVITY / OCCUPATION - SUMMARY

Division	Description	Range of Code
01	A: AGRICULTURE AND FORESTRY	
	Agriculture & Related Service Activities	
	Growing of Food and Cash Crops (excluding Plantation Crops)	01101 to 01119
	Plantation Crops including Development Finance	01121 to 01129
	Other Direct Finance to Agriculture - including funds provided directly to farmers	01151 to 01159
	Indirect Finance to Agriculture	01182
	Farming of Animals, Poultry, Silkworm etc.	01201 to 01209
	Mixed Farming	01301
	Agriculture and Animal Husbandry Services	01401 to 01409
02	Forestry, Logging & Related Service Activities	
	Forestry, logging & related service activities	02001
05	B: FISHING	
	Fishing, operation of fish hatcheries and Fish farms & Service activities incidental to fishing	05001

Division	Description	Range of Code
	C : MINING AND QUARRYING	
10	Mining of Coal and Lignite; Extraction of Peat	10001
11	Extraction of crude petroleum and natural gas & related Service activities excluding surveying	11101 to 11201
12	Mining of Uranium and Thorium	12001
13	Mining of Metal Ores	13101 to 13201
14	Other Mining and Quarrying	14101 to 14203
	D: MANUFACTURING	
15	Manufacturing of food products and beverages	15101 to 15409
	Manufacturing of Food products	15501 to 15502
	Manufacture of Beverages	16001 to 16003
16	Manufacture of Tobacco Products	17101 to 17301
17	Manufacture of Textiles	18101 to 18201
18	Manufacture of Wearing apparel; dressing and dying of fur	19101 to 19102
19	Tanning and dressing of leather, manufacture of leather & leather products	19201 to 19202
	Manufacture of Footwear	
20	Manufacture of Wood and Products of wood and cork except furniture	20101 to 20202
21	Manufacture of Paper and Paper products	21001 to 21004
22	Publishing, Printing and reproduction of recorded media	22101 to 22301
23	Manufacture of Coal products (coke), refined Petroleum products and Nuclear Fuels	23101 to 23301
24	Manufacture of Chemicals and Chemical products	24101 to 24301
25	Manufacture of Rubber and Plastic products	25101 to 25202
26	Manufacture of Other non-metallic mineral products	26101 to 26905
27	Manufacture of Basic metals	27101 to 27302
28	Manufacture of fabricated metal products, except machinery and equipments	28101 to 28901
29	Manufacture of Machinery and Equipments n.e.c.	29101 to 29301
30	Manufacture of Office, accounting and computing machinery	30001 to 30002
31	Manufacture of Electrical machinery and apparatus n.e.c.	31101 to 31901
32	Manufacture of Radio, Television and Communication equipment and apparatus	32101 to 32301
33	Manufacture of Medical, precision and optical instruments, watches and clocks	33101 to 33301
34	Manufacture of Motor Vehicles, Trailers and Semi-Trailers	34101 to 34301
35	Manufacture of other Transport equipment	35101 to 35909
36	Manufacture of furniture; manufacturing n.e.c.	36101 to 36909
37	Recycling	37001

Division	Description	Range of Code
40 41	E : ELECTRICITY, GAS AND WATER SUPPLY Electricity, Gas, Steam and Hot Water Supply Collection, purification and distribution of water	40101 to 40301 41001
45	F: CONSTRUCTION Construction Construction other than Infrastructure Infrastructure Construction	45001 to 45004 45011 to 45019
50 51 52	G: WHOLESALE AND RETAIL TRADE; REPAIR OF MOTOR VEHICLES, MOTORCYCLES AND PERSONAL / HOUSEHOLD GOODS Sale, Maintenance and Repair of Motor Vehicles and Motorcycles; Retail sale of Automotive Fuel Wholesale Trade and Commission trade (except Motor Vehicles and Motorcycles) Retail Trade (except of Motor Vehicles and Motor Cycles); Repair of Personal / Household Goods	50001 to 50005 51101 to 51909 52101 to 52601
55	H: HOTELS AND RESTAURANTS Hotels and Restaurants	55101 to 55201
60 61 62 63 64	I: TRANSPORT STORAGE AND COMMUNICATIONS Land Transport; Transport via pipelines Water Transport Air Transport Supporting and auxiliary transport activities, activities of Travel agencies Post and Telecommunications	60101 to 60301 61101 to 61202 62001 to 62101 63001 to 63019 64101 to 64202
65 66 67 68 69	J: FINANCIAL INTERMEDIATION Financial Intermediation except Insurance and Pension Funding Banks Co-operative Institutions and Land Development Banks Non - Banking Financial Institutions/Companies Other Financial Intermediation Insurance and Pension Funding, except compulsory Social Security Activities auxiliary to Financial Intermediation	65101 to 65104 65901 to 65909 65911 to 65929 65931 to 65939 66001 to 66003 67101 to 67201
70 71 72 73 74	K: REAL ESTATE, RENTING AND BUSINESS ACTIVITIES Real Estate Activities Renting of Machinery and Equipments Computer and Related Activities Research and Development Other Business activities	70001 71101 to 71301 72101 to 72909 73001 74101 to 74901

Division	Description	Range of Code
75	L: PUBLIC ADMINISTRATION AND DEFENCE; COMPULSORY SOCIAL SECURITY Public Administration and Defence; Compulsory Social Security	75001
80	M: EDUCATION Education	80001 to 80003
85	N: HEALTH AND SOCIAL WORK Medical, Health and Social work	85101 to 85301
90	O: OTHER COMMUNITY, SOCIAL AND PERSONAL SERVICE ACTIVITIES Sewage and Refuse Disposal, Sanitation & similar activities	90001
91	Activities of Membership organisation	91101 to 91901
92	Recreational, Cultural and Sporting activities	92101 to 92401
93	Other Service activities	93001 to 93002
94	Personal loans and Consumer loans	94001 to 94009
99	Miscellaneous	99999

Annex 2.4**CLASSIFICATION OF ACTIVITY/OCCUPATION**

Group	Sub-Group	Code No.	Description
A. AGRICULTURE AND FORESTRY			
Division 01: Agriculture & Related Service Activities			
Growing of Food and Cash Crops (excluding Plantation Crops)			
011	01	01101	Growing of cereals
011	02	01102	Growing of pulses
011	03	01103	Growing of oilseeds including peanuts or soya beans
011	04	01104	Growing of sugarcane or sugar beet
011	05	01105	Growing of cotton
011	06	01106	Growing of Jute, Mesta, Sun hemp or other kindred/ other vegetable textile fibre plants (Includes growing of plant materials for plaiting, padding or stuffing or brushes or brooms)
011	07	01107	Growing of tobacco, including its preliminary processing in the farm
011	08	01108	Growing of vegetables (Olericulture), Including Singhara, Makhana, Chilles and Mushroom cultivation
011	09	01109	Growing of flowers (Floriculture), horticultural specialties and nursery products
011	11	01111	Growing of plants used chiefly in pharmacy (medicinal plants) or for insecticide, fungicidal or similar purposes (Includes growing of opium and ganja)
011	19	01119	Growing of other crops, n.e.c. (Includes growing of potatoes, jams, sweet potatoes or cassava; hop cones, chicory roots or roots and tubers with a high starch or insulin content; growing of seeds of a kind used for sowing, growing of forage plants including grasses and of crops not elsewhere classified)
Plantation Crops including Development Finance			
011	21	01121	Growing of tea or mate leaves by tea estates/gardens not having their own processing units
011	22	01122	Growing and processing of tea or mate leaves by tea estates/gardens having their own processing and blending (including manufacture of instant tea) units. (Processing by independent units is classified under 15406)
011	23	01123	Growing of coffee or cocoa beans
011	24	01124	Growing of rubber trees; harvesting of latex and treatment on the plantation of the liquid latex for the purpose of transport or preservation
011	25	01125	Growing of fruit crops including setting up and maintenance of orchard; activities incidental to growing of fruit crops

Annex 2.4 (Contd.)

Group	Sub-Group	Code No.	Description
011	26	01126	Growing of edible nuts including coconuts
011	27	01127	Growing of spice crops including: spice leaves (e.g. bay, thyme, basil); spice seeds (e.g. anise, coriander, cumin); spice flowers (e.g. cinnamon); spice fruit (e.g. cloves); or other spices (e.g. nutmeg, ginger). Also includes growing of betel leaves
011	29	01129	Growing of any other plantation crops, n.e.c.
Other Direct Finance to Agriculture – include funds provided directly to farmers for			
011	51	01151	Farm Machinery and implements: Purchase of tractors, harvester, Tran planters, pump sets etc. Agricultural implements & tools, accessories
011	52	01152	Farm Transport Vehicles/accessories: Purchase of trucks, mini trucks, jeeps, pick up vans, trailers, semi-trailers, bullock cart and other transport equipments etc. to assist the transport of agricultural inputs and farm products
011	53	01153	Soil/Land/Farm Development Activities such as levelling, bunding and reclamation of land, digging, repairs and cleaning of wells and ponds
011	54	01154	Farm Irrigation: Lift irrigation, sprinkler/drip irrigation, tube-well irrigation, development of irrigation potentials (credit extended to State-sponsored minor irrigation/tube-well corporations should be included here)
011	55	01155	Construction of pump houses, cattle sheds, poultry sheds etc.
011	56	01156	Storage and marketing of Agriculture produce- including loans for construction and running of storage facilities (warehouses, godowns, silos and cold storages) in the producing areas
011	57	01157	Culturing micro-organism for agriculture related purpose, Bio-fertilizers, vermiculture etc.
011	59	01159	Any Other Direct Finance to Agriculture (Financing through Kisan Credit Card should be coded according to the purpose of the loan)(Credit advanced to Bio-gas plant should be indicated against Code 401104 and not here)
Indirect Finance to Agriculture			
011	82	01182	Indirect Finance to Agriculture <u>Excluding</u> the following categories (Credit advanced to the following categories/agencies should be indicated with respective codes provided in brackets against them) (1) Agriculture Custom Services Units (Code 01409) (2) Loans to electricity boards for Energisation of pumpsets (Code 40102)

Annex 2.4 (Contd.)

Group	Sub-Group	Code No.	Description
			(3) Distribution of fertilizers and pesticides (Wholesale Code 51402)
			(4) Distribution of fertilizers and pesticides (Retail sale Code 52301)
			(5) Regional Rural Banks (RRBs) (Code 65102)
			(6) PACS (Code 65901)
			(7) FSS & LAMPS etc. (Code 65902)
			(8) Co-operative Marketing Societies and Co-operatives of producers (code 65904)
			(9) Land Development Banks-SLDBs and PLDBs (code 65905)
			(10) Agricultural Finance Corporations (code 65931)
			[Here only loan activity is classified. Subscription to bonds issued by REC, NABARD etc. and deposits held by banks in RIDF maintained by NABARD should be excluded as they are non-loan activity. For tabulation, the credit advanced to the categories mentioned above {except RRBs } will be grouped along with indirect finance to agriculture]
Farming of Animals, Poultry, Silkworms etc.			
012	01	01201	Dairying: -Including Cattle (including yak and buffalo) breeding, rearing and ranching etc.; production of raw milk and bovine semen
012	02	01202	Rearing of goats, production of milk ; sheep, production of shorn wool; horses, camels, mules and other pack animals
012	03	01203	Raising of poultry (including broiler) and other domesticated birds; production of eggs and operation of poultry hatcheries
012	09	01209	Raising of pigs and swine; Farming of rabbits including angora rabbits; Raising of bees including production of honey; Raising of silk worms including production of silk worm cocoons; sericultureOther animal farming n.e.c. like raising in captivity of semi domesticated or wild live animals including birds and reptiles, operation of worm farms, land mollusc farms, frog farms etc.
Mixed farming			
013	01	01301	Growing of crops combined with farming of animals (mixed farming). [This includes crop growing in combination with farming of animals such as sheep or meat cattle at mixed activity units with specialisation ratio in either one of less than 66 percent. (Mixed cropping or mixed livestock units are classified according to their main activity)]
Agriculture and Animal Husbandry Services			
014	01	01401	Cotton ginning, cleaning and bailing
014	02	01402	Biotechnology including tissue culture services related to Agriculture

Annex 2.4 (Contd.)

Group	Sub-Group	Code No.	Description
014	09	01409	<p>Agricultural Custom Service Units Providing Services for Soil/Land operations machinery/equipments services (e.g. services of tractors for ploughing, harrowing etc., well boring equipment, threshers, combines etc. & operation of other agricultural equipments to farmers on contract basis)</p> <p>Operation of irrigation systems</p> <p>Soil conservation services, including soil testing and soil desalination services.</p> <p>Activities relating to raising a crop, promoting its growth or protecting it from disease and insects (spraying operations etc.). Transplantation of paddy in paddy fields. Horticultural and nursery services.</p> <p>Harvesting and activities related to harvesting, such as preparation of crop by cleaning, trimming, grading, drying, decorticating, retting, cooling or bulk packaging. Includes cotton picking (agro-based service centres like grading of agricultural products etc.)</p> <p>Animal husbandry service: Activities to promote propagation, growth and output of animals and to obtain animal products: artificial insemination, herd testing, poultry caponizing, coop cleaning, dung gathering etc. Sheep dipping and shearing, egg cleaning and grading, animal skinning and related activities. (Veterinary services to be coded under code 85201)</p> <p>Other agricultural and animal husbandry service activities, n.e.c</p>
Division 02: Forestry, Logging & Related Service Activities			
020	01	02001	<p>Forestry, Logging and related service activities:</p> <p>Growing of standing timber: planting, replanting, transplanting, thinning and conserving of forests and timber tracts; Social Forestry; Operation of tree nurseries; Logging: logging camps and loggers primarily engaged in felling timber and producing wood in the rough form. Gathering of tendu leaves and other wild growing forest materials</p> <p>Forestry service activities: timber cruising, timber evaluation, fire fighting and forest management including afforestation and reforestation; Logging service activities: transport of logs in association with logging chiefly within the forest.</p>
B. FISHING			
Division 05: Fishing, operation of fish hatcheries and fish farm and Service activities incidental to fishing			
050	01	05001	<p>Aquaculture, Fishing (including gathering of marine materials), operation of fish hatcheries and fish farms; service activities incidental to fishing</p>

Annex 2.4 (Contd.)

Group	Sub-Group	Code No.	Description
C. MINING AND QUARRYING			
Division 10: Mining of Coal and Lignite; Extraction of Peat			
100	01	10001	Mining and agglomeration of hard coal Mining and agglomeration of hard lignite Extraction and agglomeration of peat
Division 11: Extraction of crude petroleum and natural gas & related service activities Excluding surveying			
111	01	11101	Extraction of crude petroleum and natural gas
112	01	11201	Service activities incidental to oil and gas extraction excluding surveying
Division 12: Mining of Uranium and Thorium			
120	01	12001	Mining of uranium and thorium ores(e.g. pitchblende),including concentration of such ores
Division 13: Mining of Metal ores			
131	01	13101	Mining of iron ores [includes mining of hematite, magnetite, limonite, siderite or taconite etc. which are valued for iron content. Production of sintered iron ores is also included]
132	01	13201	Mining of non-ferrous metal ores n.e.c. - includes manganese ores, chromium ores; aluminum ores (bauxite); gold and silver ores; copper ores; lead and zinc ores; titanium (ilmenite and rutile), niobium, tantalum, vanadium or zirconium ores; tin bearing ores; nickel, cobalt, tungsten, molybdenum, antimony and other non-ferrous metal ores)
Division 14: Other Mining and Quarrying			
141	01	14101	Mining & Quarrying of stone (rock aggregates), sand, clays and other minerals for construction [includes quarrying of marble, granite; slate and other building and monumental stone; dolomite; gypsum including selenite; Operation of sand and gravel pits, basalt/porphyry, clay](ordinary), crushing & breaking of stone for use as a flux or raw material in lime or cement manufacture or as building material, road metal or ballast and other materials for construction; Mining/quarrying of limestone, limeshell, 'kankar' and other calcareous minerals including calcite, chalk and shale; mining of clays (kaoline, ball clay, bentonite, fuller's earth, fire clay etc.); mining of refractory non-clay minerals (andalusite, kyanite, sillimanite, dunite, diaspore, magnesite etc.)

Annex 2.4 (Contd.)

Group	Sub-Group	Code No.	Description
142	01	14201	Mining of chemicals and fertilizers [includes mining of native sulphur or pyrite and pyrrhotites valued chiefly for sulphur; natural phosphate including apatite minerals; earth colours (ochre including red oxide); fluorspar, barytes; potash bearings salt / minerals; borate minerals and other fertilizer and chemical minerals]
142	02	14202	Extraction of Salt [includes salt mining, crushing and screening and salt production by solar evaporation of sea water, lake brine or other natural brines.]
142	03	14203	Other Mining and quarrying n.e.c. [includes mining of precious stones (agate, diamond, emerald, garnet (gem), jasper, ruby/sapphire etc.); abrasive materials (pumice stone, emery, corundum, farnet etc.); mica; natural graphite; asbestos; vermiculites, perlite and chlorites; felspar and silica minerals including quartz, quartzite and fuch. quartzite; talc/steatite; laterite, diatomite and silicious fossil metals; and other natural fluxes; natural asphalt or bitumen and other mining n.e.c.]

D. MANUFACTURING**Division 15: Manufacturing of food products and beverages****Manufacturing of food products**

151	01	15101	MEAT: Slaughtering, preparation and preservation of meat [includes Mutton, Beef, Pork, Poultry and other slaughtering; processing and canning of meat; Rendering and refining of lard and other edible animal fat; Production of flours and meals of meat and meat offals]
151	02	15102	FISH: Processing, canning, freezing and preserving of fish, crustacean and similar foods [includes sun drying, artificial dehydration, radiation preservation of fish, sea food and similar food; manufacture of fish meal; processing & canning of froglegs etc.]
151	03	15103	FRUITS & VEGETABLES: Processing, canning and preserving of fruits and vegetables [includes sun drying, artificial dehydration, radiation preservation; manufacture of fruit/vegetable juices, concentrates, squashes and powder; manufacture of sauces, jams, jellies, marmalades; pickles, chutneys, murabbas etc.; potato flour & meal and prepared meals of vegetables]
151	04	15104	OILS & FATS: Manufacture of vegetable and animal oils and fats [includes manufacture of hydrogenated oils, vanaspati, ghee and other edible oils and fats such as mustard oil, cotton seed oil, sesame & sunflower oil, soyabean oil, coconut & groundnut oil, fish oil, animal oils and fats etc.; manufacture of cakes & meals incl. residual products, e.g. Oleostearin, Palmstearin; manufacture of non-deflated flour or meals of oilseeds, oilnuts or kernels] {Non-edible oils are to be shown under the code 242.12}

Annex 2.4 (Contd.)

Group	Sub-Group	Code No.	Description
152	01	15201	DAIRY PRODUCTS: Manufacture of dairy products [includes milk powder, ice-cream powder, condensed milk, baby milk foods, butter, ghee, cream, cheese, khoya etc.; manufacture of pasteurised milk (plain or flavored); Manufacture of ice-cream, kulfi and other dairy products] including chilling of milk.
153	01	15301	GRAIN MILL PRODUCTS: Manufacture of grain mill products [includes Flour, Rice and Dal milling; husking of paddy, flour chakkies; processing and grinding of grains; vegetable milling, flour or meal of dried leguminous vegetables of roots or tubers or of edible nuts; manufacture of breakfast foods obtained by roasting or swelling cereal grains; manufacture of prepared, blended flour and dough for bread, cake, etc.]
153	02	15302	STARCH AND STARCH PRODUCTS: Manufacture of starches and starch product [includes sago and sago products; glucose & glucose syrup, maltose, gluten, tapioca substitutes prepared from starch, corn oil etc.] ANIMAL FEED: Manufacture of prepared animal feeds [includes cattle feed, poultry feed and other animal and bird feed]
154	01	15401	Manufacture of confectionery product, bakery products, biscuits, cakes, pastries, confectionery products and other bakery products
154	02	15402	Manufacture and refining of sugar & sugar products (vacuum pan sugar factories) and by-products including manufacture of molasses
154	03	15403	Manufacture of indigenous sugar, 'Boora', 'Gur' and 'Khandsari' from sugarcane or other than sugar cane, candy and indigenous sugarcane/sugarbeet/palm juice products etc.
154	04	15404	Manufacture of cocoa, chocolate and sugar confectionery including manufacture of sweetmeats, chewing gum and preservation in sugar of fruits, nuts, fruit peals and other part of plants
154	05	15405	Manufacture of semi-processed and ready to eat food items like macaroni, noodles, corn-flakes, and other similar products
154	06	15406	Tea processing and blending(including manufacturing of instant tea) units which do not have their own tea gardens/estates
154	07	15407	Coffee curing, roasting , grinding and blending etc. including manufacture of instant coffee, chicory and other coffee substitutes, essence of concentrates of coffee
154	08	15408	Processing of edible nuts
154	09	15409	Manufacture of all other food products n.e.c. like grinding and processing of spices; papads, appalam and similar products; vitaminised high protein flour, frying of dals & other cereals incl. roasting of nuts; egg powder, sambar powder etc.; malted foods, common salt, table/iodised salt, etc.

Annex 2.4 (Contd.)

Group	Sub-Group	Code No.	Description
Manufacture of Beverages			
155	01	15501	Distilling, rectifying and blending of spirits; ethyl alcohol production from fermented materials; manufacture of country liquor Manufacture of wines including fenny Manufacture of malt liquors (beer etc.); manufacture of malt
155	02	15502	Manufacture of soft drinks (aerated drinks, synthetic flavored concentrates and syrups etc.); mineral water; ice and other beverages n.e.c.
Division 16: Manufacture of Tobacco Products			
160	01	16001	Tobacco processing [includes stemming, redrying etc. of tobacco leaves]
160	02	16002	Manufacturing of tobacco products [includes manufacture of bidi, cigarette and cigarette tobacco, cigars and cheroots, snuff, 'zarda', chewing tobacco, 'gutka' and other tobacco products]
160	03	16003	Manufacture of chewing items like pan masala, scented supari, catechu (kattha), chewing lime and related products (not containing tobacco or tobacco products)
Division 17: Manufacture of Textiles			
171	01	17101	COTTON TEXTILE: Preparation and spinning of cotton fibre including blended cotton; Weaving, manufacture of cotton and cotton mixture fabric [Blended yarn/fabric means, yarn or fabrics containing more than 50% of one fibre]; Finishing of cotton and blended cotton textiles [finishing includes operations such as bleaching, dyeing, calendaring, napping, shrinking, and printing etc.]
171	02	17102	JUTE & OTHER NATURAL FIBRE TEXTILE: Preparation, pressing, bailing, spinning and weaving of jute, mesta, hemp and other natural fibre including blended natural fibres; Finishing of jute, mesta and other vegetable textiles fabrics [bleaching, dyeing and printing of jute, mesta, hemp and other vegetable textile]
171	03	17103	SILK & SYNTHETIC TEXTILE: Preparation and spinning of silk and synthetic (man-made) fibres (rayon, nylon, terene, artsilk etc.) including blended silk or synthetic fibre; Weaving, manufacturing of silk or synthetic fibre and silk or synthetic mixture fabrics; Finishing of silk or synthetic and blended silk or synthetic textiles
171	04	17104	WOOLEN TEXTILE: Preparation (cleaning, bailing, and processing) and spinning of wool, including other animal hair and blended wool including animal hair; Weaving, manufacturing of wool and wool mixture fabrics; Finishing of wool and blended wool textiles
171	05	17105	Handloom textiles and Khadi (spinning weaving dyeing, printing, etc.)

Annex 2.4 (Contd.)

Group	Sub-Group	Code No.	Description
172	01	17201	Manufacture of made-up textile articles, except apparel such as curtains, bed covers, upholstery, bedding, quilts, pillows, cushions and sleeping bags, mosquito nets etc.; Manufacture of tarpaulin
172	02	17202	Manufacture of jute, mesta, hemp and other vegetable fibre products such as ropes, cordage, twine, etc.(excluding coir)
172	03	17203	Coir and coir products including coir fibre and yarn matting etc.
172	04	17204	Manufacture of shawls, blankets, carpets, durries, druggets and rugs
172	05	17205	Manufacture of thread, including thread ball making, manufacture of nets (excluding mosquito nets); Manufacture of tapes, newar and wicks; manufacture of ropes and cordage other than jute/mesta/hemp and coir
172	09	17209	Embroidery work, making of laces and fringes; Zari and zari work; making of ornamental trimmings; manufacture of gas mantles; manufacture of wadding of textile materials and articles of wadding such as sanitary towels and tampons; manufacture of made-up canvas goods such as tents and sails etc.; manufacture of metallised yarn or gimped yarn; manufacture of waterproof textiles excluding tarpaulin; other textile products not elsewhere classified
173	01	17301	Manufacture of knitted and crocheted fabrics and articles – cotton, woolen, synthetic etc. textile products
Division 18:			Manufacture of Wearing apparel; dressing and dyeing of fur
181	01	18101	Manufacture of wearing apparels, ready made garments (except Khadi)
181	02	18102	Manufacture of Khadi Garments
182	01	18201	Dressing (includes scraping, curing, tanning, bleaching) and dyeing of fur; manufacture of articles of fur and pelt products; Embroidering and embossing of leather articles
Division 19:			Tanning and dressing of leather, manufacture of leather & leather products
191	01	19101	Tanning, Curing, finishing, embossing, japanning and dressing of leather: includes flaying and curing of raw hides and skins, tanning and finishing of sole and industrial leather, vegetable / chrome tanning of leather
191	02	19102	Manufacture of leather and leather products (excluding footwear) like suitcases, handbag, saddlery, harness etc.
Manufacture of footwear			
192	01	19201	Manufacture of leather footwear: includes manufacture of leather shoes, leather sandals and chappals, leather-cum-rubber/plastic cloth sandals and chappals made by hand or by any process

Annex 2.4 (Contd.)

Group	Sub-Group	Code No.	Description
192	02	19202	Manufacture of all other types of footwear: includes manufacture of footwear made primarily of vulcanized or moulded rubber and plastic, manufacture of rubber footwear, plastic & PVC, canvas-cum-rubber/plastic footwear etc. including sports footwear.
Division 20:			Manufacture of wood and products of wood and cork except furniture
201	01	20101	Saw milling and planing of wood (other than plywood); Manufacture of unassembled wood flooring, including parquet flooring; Manufacture of railway sleepers
202	01	20201	Manufacture of veneer sheets; manufacture of plywood, laminated board, particle board and other panels and boards
202	02	20202	Manufacture of builders' carpentry and joinery: Manufacture of structural wooden goods (including treated timber) such as beams, posts, doors and windows (excluding hewing and rough shaping of poles, bolts and other wood material which are classified under logging); Manufacture of prefabricated buildings predominantly of wood. Manufacturing of wooden containers- wooden boxes, barrels etc. (except plywood), plywood chests, market basketry, grain storage bins, ration baskets and similar products made from bamboo and reed etc., other wooden containers and products made entirely or mainly of cane, rattan, bamboo, willow, fibres, leaves and grass Manufacture of other products of wood, manufacture of articles of cork, straw and plaiting materials
Division 21:			Manufacture of Paper and Paper products
210	01	21001	Manufacture of pulp, paper and paper boards (includes printing and writing paper, packaging paper, paper board, straw board, hard board, special purpose paper/paper products for computers] except newsprint.
210	02	21002	Manufacture of newsprint
210	03	21003	Manufacture of corrugated paper and paper board and of containers of paper and paper board [includes sacks and paper bags, card board boxes etc.); Manufacture of craft paper
210	04	21004	Manufacture of other articles of paper and paper board like paper hoops and cones, paper cups, saucers, plates and other similar products; manufacture of dolls from pulp, papier mache articles, wall paper, file cover/file board, similar articles; carbon paper & stationery items etc.
Division 22:			Publishing, Printing and reproduction of recorded media
221	01	22101	Publishing of books, brochure, musical books and other publications
221	02	22102	Publishing of newspaper, periodicals and journals

Annex 2.4 (Contd.)

Group	Sub-Group	Code No.	Description
221	03	22103	Publishing of recorded media [includes publishing of records and other recorded audio media]
222	01	22201	Printing of newspapers, magazines, periodicals, journals and other material and allied activities n.e.c. Service activities related to printing like engraving, etching, bookbinding, block making etc.
223	01	22301	Reproduction of recorded media
Division 23: Manufacture of Coal products/coke, refined petroleum products and Nuclear Fuels			
231	01	23101	Manufacture of coke or coke oven products [includes the operation of coke ovens chiefly for the production of coke or semi-coke from hard coal and lignite, retort carbon and residual products such as coal tar or pitch, coal gas, naphthalene etc.), Agglomeration of coke.
232	01	23201	Manufacture of refined petroleum products
233	01	23301	Processing of nuclear fuel
Division 24: Manufacture of Chemicals and Chemical products			
241	01	24101	Manufacture of basic chemicals except fertilizers and nitrogen compounds (Heavy industry organic or inorganic chemicals and gases)
241	02	24102	Manufacture of turpentine and resins of vegetable origin
241	03	24103	Manufacture of fertilizers and nitrogen compounds
241	04	24104	Manufacture of plastic in primary form and of synthetic rubber : includes manufacture of synthetic rubber, amino-resins, phenolic-resins, polyurethane, cellulose and its chemical derivatives, natural polymers and modified natural polymer, other plastics in primary forms (including mixtures of synthetic rubber and natural rubber or rubber like gum e.g. balata) in primary forms
242	01	24201	Manufacture of pesticides and other agro chemical products
242	02	24202	Manufacture of paints, varnishes and similar coatings, printing ink and mastics
242	03	24203	Manufacture of pharmaceuticals, medicinal chemicals and botanical products (including 'Ayurvedic', Homeopathic and 'Unani' pharmaceutical preparations, Veterinary preparations, Surgical dressings)

Annex 2.4 (Contd.)

Group	Sub-Group	Code No.	Description
242	04	24204	Manufacture of soaps of all type, waxes & polishes, organic surface-active agents (surfactants) and preparations based thereon, detergents, auxiliary washing and cleaning preparations, perfumes, cologne, preparations for dental hygiene (toothpastes, toothpowder etc.), cosmetics and toiletries (pre-shave, shaving or after shave preparations, anti-respirants etc.), hair oil, shampoo, hair dye and other toilet preparations; Manufacture of agarbatti and other odoriferous preparations which operate by burning
242	11	24211	Manufacture of Matches & fireworks, explosives, ammunitions
242	12	24212	Non-edible oils: Manufacture of essential oils, modification by chemical processes (e.g. by oxidation, polymerization etc.) of oils and fats
242	13	24213	Manufacture of photochemical, sensitised films and papers
242	14	24214	Manufacture of gelatin and gelatin derivatives, glues of animal origin, prepared glues and other prepared glues and other prepared adhesives including adhesives based on rubber or plastics
242	19	24219	Manufacture of fine chemicals and other chemical products n.e.c. (including anti-knock preparations, anti-freeze preparations, liquids for hydraulic transmission, composite diagnostic or laboratory reagents, writing or drawing ink, processed salt (except table salt) and other chemical products)
243	01	24301	Manufacture of man-made fibres [This class includes manufacture of artificial or synthetic filament and non-filament fibres.]
Division 25: Manufacture of Rubber and Plastic products			
251	01	25101	Manufacture of rubber tyres, tubes; Retarding of tyres; replacing of pneumatic tyres and solid or cushion tyre, tyre parts such interchangeable tyre treads or tyre flaps; 'camel-back' strips for re-tarding tyres and tyres and tubes etc.
251	02	25102	Manufacture of other rubber products like rubber plates, sheets, strips, rods, tubes, pipes, hoses and profile-shapes etc.; Manufacture of rubber conveyor or transmission belts or belting; manufacture of rubber contraceptives, balloons, hot water bags etc.; rubber products and components for industrial use (excluding oil cloth and rubberised cloth)
252	01	25201	Manufacture of plastic products - includes manufacture of semi-finished products, packing products, bathing tubs, wash-basins, lavatory pans and covers, flushing cisterns and similar sanitary-ware, travel goods (suitcases, vanity bags, holdalls and similar articles), spectacle frames, moulded industrial accessories [including electrical insulating fittings of plastics], tableware, kitchenware and other household and toilet articles of plastic; vacuum flasks and other vacuum vessels, plastic headgears etc.
252	02	25202	Manufacture of fibre glass and products

Annex 2.4 (Contd.)

Group	Sub-Group	Code No.	Description
Division 26: Manufacture of Other non-metallic mineral products			
261	01	26101	Manufacture of glass and glass products including glass fibre, float glass and products
269	01	26901	Manufacture of non-structural non-refractory ceramic ware - includes articles of porcelain or china, earthenware, imitation porcelain or common pottery, including earthen statues, statues and ornamental articles of stone and other stoneware, ceramic tableware and other articles used for domestic purposes, including ceramic statuettes and other ornamental articles, ceramic sanitary wares, ceramic insulators and insulating fittings for electrical etc. Manufacture of refractory ceramic products like refractory bricks, block tiles and similar refractory ceramic constructional goods; Manufacture of refractory cements; ceramic products that are used in metallurgical operations; retorts, crucibles, muffles, nozzles, tubes, pipes etc. Manufacture of structural non-refractory clay and ceramic products - includes bricks, non-refractory ceramic pipes, conduits, guttering and pipe fittings, ceramic building material, other than bricks: flooring blocks, roofing tiles, wall tiles , flags and pavings, mosaic cubes etc.
269	02	26902	Manufacture of cement, lime and plaster
269	03	26903	Manufacture of articles of concrete, cement and plaster including asbestos cement and its products, hume pipes etc.
269	04	26904	Cutting, shaping and finishing of stone [includes cutting, shaping and finishing stone for use in construction, in cemeteries, on roads, as roofing and in other applications]
269	05	26905	Manufacture of mica and mica products; gypsum boards; millstones, sharpening or polishing stones and natural or artificial abrasive products; graphite products other than electrical articles; asbestos yarn and fabric; mineral insulating material (slag wool, rock wool, exfoliated vermiculite, expanded clays etc.); products of glass wool for heat—insulating; articles of asphalt
Division 27: Manufacture of Basic Metals			
271	01	27101	Manufacture of Basic Iron & Steel (smelting, rolling, re-rolling, cold rolling, wire drawing etc.)- includes manufacture of ferro alloys, Direct Reduced Iron (DRI)/ Sponge Iron ,Pig Iron (hot metal), non-alloy steel primary/ semi finished/finished long/flat products; Manufacture of alloy steel ; Manufacture of stainless steel (primary, semi-finished, finished stainless steel products).
272	01	27201	Manufacture of basic precious and non-ferrous metals like copper, aluminum, zinc, brass etc.(smelting, rolling, re-rolling, cold rolling, wire drawing etc.)
273	01	27301	Casting of iron and steel
273	02	27302	Casting of non-ferrous metals

Annex 2.4 (Contd.)

Group	Sub-Group	Code No.	Description
Division 28: Manufacture of fabricated Metal products, except machinery and equipments			
281	01	28101	<p>Manufacture of structural metal products</p> <p>Manufacture of tanks, reservoirs and containers of metal [includes manufacture of containers of metal for compressed or liquefied gas. Also includes manufacture of central heating boilers and radiators. Manufacture of reservoirs, tanks and similar containers of types normally installed as fixtures for storage or manufacturing use of metal, closures, or lined with materials other than iron, steel or aluminum</p> <p>Manufacture of steam generators, except central heating hot water boilers</p>
289	01	28901	<p>Forging, pressing, stamping and roll-forming of metal; powder metallurgy</p> <p>Treatment and coating of metals; general mechanical engineering on a fee or contract basis</p> <p>Manufacture of cutlery, hand tools, small tools, general and domestic hardware</p> <p>Manufacture of other fabricated metal products n.e.c. (excluding machinery and transport)</p>
Division 29: Manufacture of Machinery and Equipments N.E.C.			
291	01	29101	<p>Manufacture of engines and turbines (except aircraft, vehicle and cycle engines) its parts and accessories</p> <p>Manufacture of pumps, compressors, Industrial taps and valves</p> <p>Manufacture of bearings, gears, gearing and driving elements;</p> <p>Manufacture of ovens, furnaces and furnace burners, mechanical stokers, mechanical grates, mechanical ash dischargers and similar appliances;</p> <p>Manufacture of lifting and handling equipment, lifts, elevators, liquid elevators, conveyors, teleferics etc.</p>
291	09	29109	<p>Manufacture of refrigerators or freezing equipment & furniture designed to accommodate it; fire extinguishers, equipment for projecting, dispersing or spraying liquids or powders, centrifuges machinery for liquids and gases other than cream separators or clothes dryers, packing and wrapping machinery, weighing machinery, filtering and purifying machinery or apparatus for liquids and gases;</p> <p>Manufacture of distilling and rectifying plants; heat exchangers; machinery for liquefying air or gas; producer gas or water gas and acetylene gas generators; Other general purpose machinery n.e.c. including parts & accessories</p>
292	01	29201	Manufacture of tractors, harvesters and other heavy machinery for use in agricultural and forestry
292	02	29202	Manufacture of machine-tools

Annex 2.4 (Contd.)

Group	Sub-Group	Code No.	Description
292	03	29203	Manufacture of machinery (and parts) for mining, quarrying and construction
292	04	29204	Manufacture of machinery for food (including rice, sugar, flour mill etc.), beverage (tea, coffee machinery etc.) and tobacco processing
292	05	29205	Manufacture of machinery for textile, apparel and leather production
292	06	29206	Manufacture of light agricultural and forestry machinery and equipment including forage press: ploughs, harrows, weeders, hoes, seeders, manure spreaders, thinners etc.; Manufacture of parts and accessories for agricultural and forestry machinery and equipment; Manufacture of other machinery and equipment for use in agriculture, horticulture or forestry, bee-keeping and fodder preparation (manufacture of hand tools used in agriculture, horticulture and forestry is classified in code 28901).
292	07	29207	Manufacture of machinery for metallurgy: converters, ingot moulds, ladles and casting machines; metal rolling mills and rolls for such mills.
292	08	29208	Manufacture of weapons and ammunition
292	09	29209	Manufacture of other special purpose machinery n.e.c. including parts & accessories
293	01	29301	MANUFACTURE OF DOMESTIC APPLIANCES, N.E.C. - includes oil stoves, hurricane lanterns and oil pressure lamps, gas stoves, cooking ranges and other similar appliances, electric fans, vacuum cleaners and other electro-mechanical domestic appliances with self-contained electric motors, such as food processors and juice extractors etc., domestic refrigerators/freezers & air-conditioners,, Manufacturing of items based on solar energy like solar cookers, air/water heating system etc. except cells.; electro-thermic domestic appliances such as immersion water heaters, hot-plates, geysers ; electro-thermic hair dressing appliances; electric irons and electric/electronic cooking appliances (ovens, microwave ovens, cookers, hot plates, toasters, coffee or tea makers etc.); electric dishwashers, household type laundry equipment, electric razors including parts and accessories for electrical domestic appliances; part and accessories for electrical and non-electric domestic appliances
Division 30:			Manufacture of Office, accounting and computing machinery
300	01	30001	Manufacture of computer, printers and other computer peripherals, automatic data processing machines and other computing machinery etc. including parts & accessories
300	02	30002	Manufacture of office, accounting and computing machinery [manual or electric or electronic typewriters, hectograph or stencil duplicating machines, addressing machines, printing machines, calculating machines; other calculators; accounting machines, cash registers, postage franking machines, ticket issuing machines and similar machines incorporating a calculating device; photo-copying apparatus, etc.]

Annex 2.4 (Contd.)

Group	Sub-Group	Code No.	Description
Division 31:			Manufacture of Electrical machinery and apparatus n.e.c
311	01	31101	Manufacture of electric motors, generators and transformers
312	01	31201	Manufacture of electricity distribution and control apparatus [electrical apparatus for switching or protecting electrical circuits (e.g. switches, fuses, etc.); boards, panels, consoles, cabinets and other bases equipped with two or more of the above apparatus for electricity control or distribution of electricity including power capacitors]
313	01	31301	Manufacture of insulated wire and cable [insulated (including enamelled or anodized) wire, cable (including COAXIAL CABLE) and other insulated conductors; insulated strip as is used in large capacity machines or control equipment; and OPTICAL FIBRE CABLES]
314	01	31401	Manufacture of accumulators, primary cells and primary batteries
315	01	31501	Manufacture of electric lamps and lighting equipment
319	01	31901	Manufacture of other electrical equipment n.e.c.
Division 32:			Manufacture of Radio, Television and Communication equipment and apparatus
321	01	32101	Manufacture of electronic valves and tubes and other electronic components; All type of electronic goods and components n.e.c.
322	01	32201	Manufacture of television and radio transmitters and apparatus for line telephony and line telegraphy; Manufacture of related specialised parts and accessories
323	01	32301	Manufacture of television and radio receivers, sound or video recording or reproducing apparatus, and associated goods; Manufacture of related specialised parts and accessories
Division 33:			Manufacture of Medical, precision and optical instruments, watches and clocks
331	01	33101	Manufacture of medical and surgical equipment and orthopedic appliances Manufacture of instruments and appliances for measuring, checking, testing, navigating and other purposes except industrial process control equipment Manufacture of industrial process control equipment [apparatus used for automatic continuous measurement and control of variables such as temperature, pressure, viscosity and the like of materials or products as they are being manufactured or otherwise processed]
332	01	33201	Manufacture of optical instruments and photographic equipment
333	01	33301	Manufacture of watches and clocks

Annex 2.4 (Contd.)

Group	Sub-Group	Code No.	Description
Division 34:			Manufacture of Motor Vehicles, Trailers and Semi-Trailers
341	01	34101	Manufacture of motor vehicles - including passenger and commercial vehicles like motor cars, jeeps, station wagon, ordinary and special purpose lorries, trucks and goods vans; lorries with automatic discharging devices, tankers, drop frame lorries, refuse collectors, etc. ; also included over-the-road tractors for semi-trailers
342	01	34201	Manufacture of bodies (coach work) for motor vehicles; manufacture of trailers and semi-trailers; manufacture of containers for transport of goods by transport
343	01	34301	Manufacture of parts and accessories for motor vehicles and their engines [brakes, gear boxes, axles, road wheels, suspension shock absorbers, radiators, silencers, exhaust pipes, clutches, steering wheels, steering columns and steering boxes and other parts and accessories n.e.c.]
Division 35:			Manufacture of other transport equipment
351	01	35101	Building and repairing of ships and fishing trawlers [This class includes ship building and repairing (includes yachts and other vessels for pleasure or sports) and the construction and repair of floating structures, whether or not used in freight/passenger carriage, and ship breaking]
352	01	35201	Manufacture of railway and tramway locomotives and rolling stock; Manufacture of parts and accessories is also included here
353	01	35301	Manufacture of aircraft and spacecraft - including flying balloons, gliders, hang gliders and other non-powered aircraft; Manufacture of parts and accessories is also included here
359	01	35901	Manufacture of motorcycles, mopeds, scooters, scooterettes, auto-rickshaws, tempos (three-wheelers) and cycles fitted with an auxiliary engine, whether or not with an attached side car; Manufacture of engines, side cars and other specialized parts and accessories for motor cycles, scooters and three-wheelers
359	09	35909	Manufacture of bicycles (including racing bicycles and children's bicycles), cycle rickshaws and invalid carriages whether or not motorized or otherwise mechanically propelled; Manufacture of parts and accessories for bicycles, cycle-rickshaws and invalid carriages Manufacture of bullock-carts, pushcarts, tongas and hand-carts etc. ; Manufacture of other transport equipment n.e.c., including trolleys of various sorts, including those specialized for particular industries
Division 36:			Manufacture of furniture; manufacturing n.e.c.
361	01	36101	Manufacture of furniture & fixtures made of wood, cane, reed metal, plastic, etc.

Annex 2.4 (Contd.)

Group	Sub-Group	Code No.	Description
369	01	36901	Manufacture of jewellery & related articles (of precious metal and gemstones other than diamond) and minting of currency coins
369	02	36902	Diamond cutting and polishing
369	03	36903	Manufacture of musical instruments
369	04	36904	Manufacture of sports and athletic goods
369	05	36905	Manufacture of games and toys
369	06	36906	Manufacture of stationery articles like pens, pencils, pencil leads, pen refills, date sealing or numbering stamps, typewriter ribbons, inked pads etc.
369	07	36907	Manufacture of imitation jewelry, brooms and brushes; floor sweepers, mops; feather dusters; paint pads and rollers etc.; umbrellas, sun umbrellas, walking sticks, seat sticks, whips, riding crops, buttons, press fasteners, snap fasteners, press studs and slide fasteners; articles of personal use: smoking pipes; combs, hair slides and similar articles; cigarette lighters; vacuum flasks and other vacuum vessels for household use; articles of human hair and other articles of personal use n.e.c.;
369	09	36909	Manufacture of linoleum and hard surface floor coverings; Manufacture of miscellaneous decorative articles .n.e.c.: articles made from ivory, bones and horns; artificial flowers; and other novelties and presentation articles n.e.c.; Making of candles, tapers and the similar products of wax; All other products n.e.c.
Division 37: Recycling			
370	01	37001	Recycling of metal waste and scrap Recycling of non-metal waste and scrap
E. ELECTRICITY, GAS AND WATER SUPPLY			
Division 40: Electricity, Gas, Steam and Hot Water Supply			
401	01	40101	Generation of electricity: hydro-electric power plants , coal based thermal power plants, oil-based thermal power plants, atomic reactor power plants and other power plants using conventional fuels (e.g. gas based) Transmission of electricity generated from conventional sources [hydro-electric power plants , coal based thermal power plants, oil-based thermal power plants, atomic reactor power plants and other power plants using conventional fuels (e.g. gas based)]
401	02	40102	Energisation of pumpsets/wells (advances granted to State Electricity Boards for energisation of pumpsets/wells)

Annex 2.4 (Contd.)

Group	Sub-Group	Code No.	Description
401	03	40103	Collection and distribution of electric energy to households, industrial, commercial and other users
401	04	40104	Generation and distribution of bio-gas energy
401	05	40105	Generation and distribution of Solar energy and other non-conventional sources (wind mills etc.)
402	01	40201	Manufacture of gas; distribution of gaseous fuels through mains
403	01	40301	Steam and hot water supply
Division 41:			Collection, purification and distribution of water
410	01	41001	Collection, Purification and distribution of water
F. CONSTRUCTION			
Division 45:			Construction
			[Loans given to borrowers whose main occupation is construction and maintenance of activities listed below]
Construction other than infrastructure			
450	01	45001	GENERAL CONSTRUCTION (including alteration, addition, repair and maintenance) of residential buildings or non-residential buildings carried out on own-account basis (as in the case of construction of buildings by a builder for sale/lease) or on a fee or contract basis;
450	02	45002	SPECIALISED CONSTRUCTION [includes construction and maintenance of sports stadia and OTHER CONSTRUCTION not elsewhere classified and special trade construction such as foundation work, water well drilling scaffolding etc.]; Construction and maintenance of industrial plants other than power plants [Loans given to borrowers for construction of house for own use is to be shown under housing loans. Loans extended to borrowers for construction of shops, factories, staff quarters, office building etc. should be classified as per the borrowers main activity.]
450	03	45003	Loan for Setting up of industrial estates
450	04	45004	Building installation and Building completion (CONSTRUCTION CONTRACTORS) Building installation [These activities are usually performed at the site of construction, although parts of the job may be carried out in a special shop. Repair of installations are also included.] e.g. Plumbing and drainage, Installation of heating and air-conditioning systems, antennas, elevators and escalators; insulation work (water, heat, sound); and sound proofing systems, Electrical installation work for constructions, etc.

Annex 2.4 (Contd.)

Group	Sub-Group	Code No.	Description
			Building completion [Includes activities that contribute to the completion or finishing of a construction. Repairs of the same type are also included]
			Infrastructure Construction
450	11	45011	Power - Construction/erection and maintenance of power and transmission lines; hydro-electric projects, power plants, other than hydro-electric power plants.
450	12	45012	Telecommunications - Construction/erection and maintenance of telecommunication and transmission lines; telecom projects.
450	13	45013	Roads & Ports - includes construction and maintenance of roads, rail-beds, bridges, tunnels, pipelines, rope-ways, ports, harbours and runways etc. ; Construction and maintenance of waterways
450	19	45019	Other Infrastructure Construction n.e.c. like Construction and maintenance water reservoirs, irrigation channels etc.
G. WHOLESALE AND RETAIL TRADE; REPAIR OF MOTOR VEHICLES, MOTORCYCLES AND PERSONAL / HOUSEHOLD GOODS			
Division 50: Sale, Maintenance and Repair of Motor Vehicles and Motorcycles; Retail Sale of Automotive Fuel			
500	01	50001	Sale of all kinds of Motor vehicles [Includes wholesale and retail sale of new and used passenger motor vehicles and lorries, trailers and semi trailers; Two-wheelers (Motorcycles, scooter etc.) and Three-wheelers (auto rickshaws etc.)]
500	02	50002	Sale of all kinds of parts and accessories of motor vehicles, Two- and Three-wheelers. [includes wholesale & retail sale of all kinds of parts, components, and accessories for motor vehicles, two- and three-wheelers, when not combined with sale of such vehicles themselves.];
500	03	50003	Maintenance and repair of motor vehicles, two- and three-wheelers [including washing and polishing etc.]
500	05	50005	Retail sale of automotive fuel [includes the activity of petrol filling stations. This activity is often combined with sales of lubricating products, cleaning and all other kinds of products for motor vehicles. If the main object, however, is the sale of automotive fuel or lubricants, they remain classified here.]
Division 51: Wholesale Trade and Commission trade (Except of Motor Vehicles and Motorcycles)			
511	01	51101	Wholesale on a fee or contract basis. [Includes commission agents, commodity brokers and auctioneers and all other wholesalers who trade on behalf and on the account of others]

Annex 2.4 (Contd.)

Group	Sub-Group	Code No.	Description
512	01	51201	Food Procurement
512	02	51202	Food grains (cereals and pulses)
512	03	51203	Tobacco & Tobacco products.
512	04	51204	Food and beverages [includes wholesale of fruits and vegetables, dairy products, eggs & edible oils & fats, meat, fishery products, sugar, confectionery & bakery products, beverages, coffee, tea, cocoa and spices, etc.]
512	05	51205	Seeds (including cotton and oil seeds), agricultural raw material & live animals
513	01	51301	Diamonds, Gems and Jewelry
513	02	51302	Pharmaceutical and medical goods;
513	03	51303	Textiles, clothing and footwear and other household goods like toiletry, perfumery, cosmetics, metal, porcelain & glass utensils; crockery and chinaware & household products made from rubber & plastic; furniture & fixtures; watches/clocks & optical goods; radio, television & other consumer electronics; paper & other stationery items; books, magazines & newspapers; photographic equipment, games, toys & sports goods; leather goods & travel accessories; cleaning materials etc.
514	01	51401	Cotton
514	02	51402	Jute and Mesta
514	03	51403	Fertilizers (including advances granted to factories for distribution of fertilizers) and pesticides
514	04	51404	Wholesale of solid, liquid and gaseous fuels and related products.
514	05	51405	Wholesale of metals and metal ores
514	06	51406	Wholesale of construction materials, hardware, plumbing and heating equipment and supplies
514	09	51409	Wholesale of other intermediate products, waste and scrap [includes basic industrial chemicals, plastic materials in primary forms, textile fibres, waste and scrap and materials for re-cycling etc.]
515	01	51501	Agricultural machinery and equipment
515	02	51502	Machinery, equipment and supplies (other than agricultural machinery and equipment)
519	01	51901	Handicrafts
519	02	51902	Carpets
519	09	51909	Other wholesale n.e.c.[Includes specialized wholesale not covered in any one of the previous categories and wholesale in a variety of goods without any particular specialization.]

Annex 2.4 (Contd.)

Group	Sub-Group	Code No.	Description
Division 52:			Retail Trade (Except of Motor Vehicles and Motor Cycles); Repair of Personal and Household Goods
521	01	52101	Non-specialized retail trade in stores (General merchandise) including consumer co-operative stores
521	02	52102	Public utility services transacted through consumer co-operative stores & private retail traders (i.e. advances granted for fair price shops/ authorised ration shops dealing in essential commodities i.e. wheat, rice, sugar, controlled cloth, kerosene oil, imported edible oil and soft coke) (These retail outlets of the public distribution system fall under the purview of statutory rationing/modified rationing/informal rationing administered by State Government/Union Territory Administrations and they are required to have separate physical entity (demarcated premises) and maintain separate books of accounts and records covering purchase, store and sale of essential commodities to family/ration card-holders issued by Controller of Rationing/Directorate of Civil Supplies, etc.)
522	01	52201	Retail sale in specialized stores of food, beverages and tobacco
523	01	52301	Retail sale of Fertilizers and pesticides
523	02	52302	Retail sale of seeds
523	03	52303	Retail sale of Agricultural implements and machinery
523	11	52311	Retail sale of diamonds, gems & jewelry
523	12	52312	Retail sale of construction materials, hardware, paints and glass
523	13	52313	Retail sale in specialised stores of pharmaceutical and medical goods, cosmetic and toilet articles; Textiles, clothing, footwear and leather goods [including travel accessories]; Household appliances, articles and equipment; Other retail sale in specialised stores like watches and clocks, computers and non-customized software, photographic, optical and other stores and supplies etc., firewood, coal and kerosene oil and cooking gases, books, magazines and stationery, including distribution of newspapers, sports goods, games and toys, flowers and plants; pet animals; wall paper and floor coverings; and other non-food products not elsewhere classified
523	19	52319	Other Retail trade n.e.c.
524	01	52401	Retail sale of second hand goods in stores(including the pawn shops)
525	01	52501	Retail trade not in stores e.g. via mail order houses [includes the activity of retail selling through tele-shopping]; via stocks and markets; via Internet (network marketing) etc.; by salespersons who go from house to house or by vending machines or on a fee or contract basis etc.

Annex 2.4 (Contd.)

Group	Sub-Group	Code No.	Description
526	01	52601	Repairs of personal and household goods: includes repair of footwear and leather goods, household electrical appliances, TV,VCR, radio, tape recorder, refrigerator and other similar items, watches and clocks, bicycles and cycle rickshaws etc. [Repairs and services carried out by individual or company other than the manufacturer is to be classified here. Repairs of capital goods are classified in the same class as the units that produce the goods]
H. HOTELS AND RESTAURANTS			
Division 55: Hotels and Restaurants			
551	01	55101	Hotels, Motels and Resorts; camping sites and other provision of short-stay accommodation [Restaurant facilities operated in connection with the provision of lodging remain classified in this group. Also included are the operation of sleeping cars when carried on by separate units]
552	01	55201	Restaurants, bars and canteens; Caterers-including door to door services; [Sales through vending machines is classified in 52501]
I. TRANSPORT, STORAGE AND COMMUNICATIONS			
Division 60: Land Transport; Transport via pipelines			
601	01	60101	Transport via railways [Includes passenger and freight transport by inter-urban railways. Also covers related activities such as shunting & switching]
602	01	60201	Scheduled passenger land transport [Includes activities providing regular urban, suburban or inter urban transport of passengers on scheduled routes, other than inter urban railway transport. They may be carried out with motor bus, tramway, trolley bus, underground and elevated railways. Also included are the operation of school buses, town-to-airport/ station lines, sightseeing buses, aerial cableways etc.]
602	02	60202	Non-scheduled passenger land transport by man or animal drawn vehicles like cycle-ricksaws; animals like horses, elephants, mules, camels etc.; Bullock-carts, ekkas, tongas etc. Freight transport by man or animal drawn vehicles like cycle-ricksaws, hand cart, porters, coolies etc.; transport by animals like horses, elephants, mules, camels etc.; Bullock-carts, ekkas, tongas etc.
602	03	60203	Non-scheduled passenger land transport such as taxi operation, auto-rickshaws, scooters, rental of private cars with operator and other occasional coach services

Annex 2.4 (Contd.)

Group	Sub-Group	Code No.	Description
602	04	60204	Freight transport by motor vehicles (trucks, buses, tempos etc.) including refrigerated vans
603	01	60301	Transport via pipelines [Includes transport via pipelines and the incidental activities like operation of pump stations and maintenance of the pipeline.]
Division 61: Water Transport			
611	01	61101	Ocean and coastal water transport
612	02	61202	Inland water transport
Division 62: Air Transport			
620	01	62001	Scheduled air transport
621	01	62101	Non-scheduled air transport
Division 63: Supporting and auxiliary transport activities, activities of travel agencies			
630	01	63001	Warehousing
630	02	63002	Cold storage
630	11	63011	SUPPORTING SERVICES TO LAND TRANSPORT such as operation of railway stations, bus stations, highway bridges, toll roads, vehicular tunnels; parking lots and left-luggage facilities at the railway stations, bus stations; and traffic control activities
630	12	63012	SUPPORTING SERVICES INCIDENTAL TO WATER TRANSPORT such as operation and maintenance of piers, docks, pilotage and loading and unloading of vessels
630	13	63013	SUPPORTING SERVICES TO AIR TRANSPORT such as operation and maintenance of terminals, flying facilities, radio beacons, flying control centres and radar stations etc.
630	14	63014	Activities of travel agencies and tour operators; tourist assistance activities n.e.c.
630	19	63019	Activities of other transport agencies [Includes cargo handling, forwarding of freight, organisation or arrangement of transport on behalf of the shipper or consignee, receiving and acceptance of freight, transportation document preparation, consolidation and break bulk of freight, freight brokerage, custom house brokerage, bill auditing and freight rate information, brokerage for ship and aircraft space, packing and crating and unpacking and de-crating, weighing and sampling of freight etc.]

Annex 2.4 (Contd.)

Group	Sub-Group	Code No.	Description
Division 64: Post and Telecommunications			
641	01	64101	Post and courier activities
642	01	64201	Telecommunication services: includes the activities of STD/ISD booths, provision of value added telecom services like paging, e-mail, video conferencing, Internet etc. (This includes cyber cafes); Activities of the cable operators
642	02	64202	Provision of basic telecom services including cellular phones ; Maintenance of telecom network; (erection/construction of telecommunication lines covered under 45001)
J. FINANCIAL INTERMEDIATION			
Division 65: Financial intermediation except Insurance and Pension Funding Banks			
651	01	65101	Commercial Banks
651	02	65102	Regional Rural Banks
651	03	65103	Co-operative Banks
651	04	65104	Local Area Banks
Co-operative Institutions and Land Development Banks			
659	01	65901	Primary Agricultural Credit Societies (PACS)
659	02	65902	Farmers Service Societies (FSS) and Large sized Adivasi Multi-purpose Societies (LAMPS)
659	03	65903	Apex Co-operative Housing Finance Societies
659	04	65904	Co-operative Marketing Societies (including loans to co-operative banks for re-lending to co-operative marketing societies) and Co-operatives of producers (for example, Aarey Milk Colony Co-operative society consisting of licensee cattle owners)
659	05	65905	Land Development Banks-SLDBs and PLDBs
659	09	65909	Other non-agricultural credit societies
Non-Banking Financial Institutions/companies			
659	11	65911	Developmental Financial Institutions (e.g. IDBI, EXIM Bank, IFCI, ICICI, NHB, DFHI, SFCS, etc.)
659	12	65912	Housing finance companies/corporations, other specialised institutions granting credit for house purchase (including those accepting deposits)
659	21	65921	Factoring/Hire Purchase Finance Companies

Annex 2.4 (Contd.)

Group	Sub-Group	Code No.	Description
659	22	65922	Chit funds/Kuri companies
659	23	65923	Saving & Loan companies
659	24	65924	Nidhis/Mutual benefit financial companies
659	25	65925	Non-operating financial holding companies (Investment companies)
659	26	65926	Financial Leasing companies (Equipment Leasing companies)
659	29	65929	Other NBFCs
Other financial intermediation			
659	31	65931	Agricultural Finance Corporations
659	32	65932	Mutual Funds including Unit Trust of India
659	33	65933	Shroffs and other indigenous bankers (include pawn brokers, private money lenders)
659	39	65939	Other financial intermediation n.e.c.
Division 66: Insurance and Pension Funding, Except compulsory Social Security			
660	01	66001	Life insurance [This class includes life insurance (including reinsurance) and other long-term insurance, with or without a substantial saving element, including the collection and investment of funds]
660	02	66002	Non-life insurance
660	03	66003	Pension funding [This class includes the provision of retirement incomes, including activities involving the collection and investment of funds]
Division 67: Activities auxiliary to Financial Intermediation			
671	01	67101	Agro-industries Corporations
671	02	67102	Securities trading companies/broking firms
671	03	67103	Industrial Development Boards/Corporations/Federations including all State Development Boards and other Developmental Institutions (e.g. Tea Boards, Coffee Boards, Khadi Development Board etc.)
671	04	67104	Merchant banking/Financial services companies
671	05	67105	Loans for activities auxiliary to financial intermediation except insurance and pension funding [like administration of financial markets, Security dealing activities by stock/share brokers; Loans to financial advisers, mortgage advisers and brokers, bureaux de change etc.]
672	01	67201	Loans for activities auxiliary to insurance and pension funding [like insurance agents, average and loss adjusters, actuaries and salvage administrators.]

Annex 2.4 (Contd.)

Group	Sub-Group	Code No.	Description
K. REAL ESTATE, RENTING AND BUSINESS ACTIVITIES			
Division 70: Real Estate Activities			
700	01	70001	Real estate activities including leasing of Real property (construction is classified in division 45).
Division 71: Renting of Machinery and Equipments			
711	01	71101	Renting of land, water and air transport equipment
712	01	71201	Renting of construction and civil engineering machinery and equipment. Renting of office machinery and equipment [including computers]; All other renting and non-financial leasing of machinery and equipment n.e.c.
713	01	71301	Renting of personal and household goods n.e.c. [includes renting of all kinds of personal and household goods, whether the customers are household or industries];
Division 72: Computer and Related Activities			
721	01	72101	Hardware consultancy. [This class includes consultancy on type and configuration of hardware with or without associated software application. (Similar activities carried out by units selling computers are classified in class 30002).
722	01	72201	Software consultancy and supply. [includes activities in connection with analysis, design and programming of systems ready to use. This usually involves the analysis of the users' needs and problems, consultancy on the most economic solution and producing the necessary software to realize this solution. Also included is the simple writing of programmes following directives of the user. Specifically these activities involve development, production, supply and documentation of order-made software]
723	01	72301	Data processing and Database activities Data processing. [This includes the processing or tabulation of all types of data. Provision of such services on (i) an hourly or time-share basis, and (ii) management or operation of data processing facilities of others on a time sharing basis; on a fee or contract basis]. Database activities. [This includes data base development, data storage and data base availability. The provision of data in a certain order/sequence, accessible to everybody or to limited users and can be sorted on demand.].
725	01	72501	Maintenance and repair of office, accounting and computing machinery
729	01	72901	IT placement Services

Annex 2.4 (Contd.)

Group	Sub-Group	Code No.	Description
729	09	72909	Other computer related activities [for example activities of development of multimedia presentation on account of others, maintenance of websites on account of others etc.] (cyber cafe, communication through e-mail, internet & data transmission are to be coded at 64201)
Division 73:			Research and Development
730	01	73001	Research and experimental development on natural sciences and engineering. Research and experimental development on social sciences and humanities. [Market research is classified in class 74101].
Division 74:			Other Business Activities
741	01	74101	Professional services (except Medical) (Medical services to be coded at 85102 and engineering/technical services at 74201) Legal activities.[Legal services such as those rendered by advocates, barristers, solicitors, pleaders, mukhtiaris, etc.] Accounting, book-keeping and auditing activities; tax consultancy. Market research and public opinion polling. Business & management consultancy activities. [Includes the provision of advice, guidance or operational assistance to businesses. These activities involve public relations other than by paid advertisements, welfare and charity affairs, politics, lobbying. Activities in connection with project management, planning, organisation, management information etc. Arbitration and conciliation between management and labour. Also included are the activities of management holding companies.
742	01	74201	Architectural, engineering and other technical activities.
743	01	74301	Advertising and publicity concerns
744	01	74401	Merger, Acquisition & Restructuring of companies
749	01	74901	Labour recruitment and provision Investigation and security activities Services like Building cleaning activities, photographic activities, packaging activities not covered elsewhere Other business activities and services n.e.c like Auctioning activities, Business brokerage activities, Photostat, blue-printing, Xeroxing, copying of documents, ammonia printing and cyclostyling services, Fashion design, Services rendered by liaison offices etc.

Annex 2.4 (Contd.)

Group	Sub-Group	Code No.	Description
L. PUBLIC ADMINISTRATION AND DEFENCE; COMPULSORY SOCIAL SECURITY			
Division 75: Public Administration and Defence; Compulsory Social Security			
750	01	75001	Activities of agencies that provide healthcare, education, cultural services and other social services, excluding social security - this includes Municipal corporations, Municipalities, Water Drainage and sewerage boards and such public utilities
M. EDUCATION			
Division 80: Education			
Educational services rendered by schools/colleges/commercial institutions/universities:			
800	01	80001	General Primary and Secondary education
800	02	80002	Higher education
800	03	80003	Technical and vocational education
N. HEALTH AND SOCIAL WORK			
Division 85: Medical, Health and social Work			
Medical and health services			
851	01	85101	Hospital activities.[Includes the activities of general and specialized hospitals, sanatoria, asylums, rehabilitation centres, dental centres and other health institutions that have accommodation facilities, including military base and prison hospitals].
851	02	85102	Medical and dental practice activities. [Includes consultation and treatment activities of general physicians and medical specialists including dentists] Other human health activities [Includes all activities for human health other than by hospitals and medical doctors and dentists] - Activities of Ayurveda practitioners, Unani practitioners, homeopaths, nurses, physiotherapists or other para-medical practitioners, physical fitness centres, independent diagnostic/pathological laboratories, independent blood banks, independent ambulance activities etc.
852	01	85201	Veterinary activities (clinico-pathological and other diagnostic activities pertaining to animals & birds)
853	01	85301	Social work- community and welfare services organised by individuals or organisations including NGOs and clubs

Annex 2.4 (Contd.)

Group	Sub-Group	Code No.	Description
O. OTHER COMMUNITY, SOCIAL AND PERSONAL SERVICE ACTIVITIES			
Division 90: Sewage and Refuse Disposal, Sanitation and Similar Activities			
900	01	90001	Sewage and refuse disposal, sanitation and similar activities
Division 91: Activities of membership organisation			
911	01	91101	Activities of business, employers and professional organisations [industry associations, chamber of commerce and similar federations, association of writers, painters, lawyers, doctors, journalists and other similar organisations, trade unions etc]
919	01	91901	Services rendered by religious, political and other membership organizations
Division 92: Recreational, Cultural and Sporting Activities			
921	01	92101	Motion picture and video production and distribution
921	09	92109	Other entertainment activities like Radio and television activities, Motion picture projection Dramatic arts, music and other arts and related activities Other entertainment activities n.e.c. [Includes activities of ball rooms, video parlors, discotheques, amusement parks and similar attractions; circus; puppet shows and production of other kinds of entertainment not elsewhere classified.]
922	01	92201	News Agency Activities
923	01	92301	Library, archives, museums and other cultural activities Library and information centres; Archives activities; Audio/video cassette and CD Rom libraries Museum activities and preservation of historical sites and buildings Botanical and zoological gardens and nature reserve activities.
924	01	92401	Sporting and other recreational activities
Division 93: Other Service Activities			
930	01	93001	Artisans and craftsmen (advances availed for pursuing self-employed activities by carpenters, masons, brick-makers, potters, tailors, jewellers, hair-dressers, black-smiths, cobblers, washermen, plumbers, electricians, weavers, etc.)
930	02	93002	Services such as domestic, laundries, saloons, beauty parlours, potrait and commercial photographic studios and other self employed persons

Annex 2.4 (Concl.)

Group	Sub-Group	Code No.	Description
Division 94: Personal Loans			
940	01	94001	Staff housing loans (excluding, loans to staff under NHB Scheme) including the loans to co-operative housing societies of staff
940	02	94002	Housing loans under National Housing Bank Scheme(including, loans to staff under NHB Scheme), Other housing loans (excluding staff) including the loans to co-operative housing societies
940	03	94003	Loans for purchase of Motor Vehicle by individuals for personal use (motor vehicle including two-wheelers) excluding those given to staff members
940	04	94004	Loans for purchase of consumer durable goods excluding those given to staff members (loan availed by a doctor for purchase of refrigerator for his domestic use should be coded as 940.03 whereas a refrigerator to be used in his clinic for professional purposes should be coded as 851.02)
940	05	94005	Education - loans to individuals for pursuit of studies (loans to educational institutions should be included under division 80 and NOT here)
940	06	94006	Loans to staff for purposes other than housing including those against FDRS, shares etc.
940	07	94007	Personal loans other than to staff members - loans against shares, debentures, Government securities, fixed deposit receipts, real estates, etc. (Such loans to other than individuals should be coded as per borrower's activity/occupation).
940	07	94008	Loans advanced through credit cards
940	09	94009	Other personal loans (other than to staff members) include loans for domestic consumption, medical expenses, travel, marriage, death and other social ceremonies, loans for repayment of debt, etc. (Loans against FDRs/Financial securities In the case of individuals should be coded as 940.07)
Division 99: MISCELLANEOUS			
999	99	9999	All other loans not classified elsewhere or activities not adequately described (this code should be used sparingly)

Annex 2.5
ISO CURRENCY CODES

SL	Currency Name	CURCD
1	Afghanistan Afghani	AFA
2	Albanian Lek	ALL
3	Algerian Dinar	DZD
4	Angolan New Kwanza	AOA
5	Argentine Peso	ARS
6	Armenian Dram	AMD
7	Aruban Florin	AWG
8	Australian Dollar	AUD
9	Azerbaijani Manat	AZM
10	Bahamian Dollar	BSD
11	Bahraini Dinar	BHD
12	Bangladeshi Taka	BDT
13	Barbados Dollar	BBD
14	Belarussian Ruble	BYR
15	Belize Dollar	BZD
16	Bermudian Dollar	BMD
17	Bhutan Ngultrum	BTN
18	Bolivian Boliviano	BOB
19	Botswana Pula	BWP
20	Brazilian Real	BRL
21	Brunei Dollar	BND
22	Bulgarian Lev	BGL
23	Burundi Franc	BIF
24	Cambodian Riel	KHR
25	Canadian Dollar	CAD
26	Cape Verde Escudo	CVE
27	Cayman Islands Dollar	KYD

SL	Currency Name	CURCD
28	CFA Franc BCEAO	XOF
29	CFA Franc BEAC	XAF
30	CFP Franc	XPF
31	Chilean Peso	CLP
32	Chinese Yuan Renminbi	CNY
33	Colombian Peso	COP
34	Comoros Franc	KMF
35	Congolese Franc	CDF
36	Costa Rican Colon	CRC
37	Croatian Kuna	HRK
38	Cuban Peso	CUP
39	Cyprus Pound	CYP
40	Czech Koruna	CZK
41	Danish Kroner	DKK
42	Djibouti Franc	DJF
43	Dominican Repub. Peso	DOP
44	East Caribbean Dollar	XCD
45	Egyptian Pound	EGP
46	El Salvador Colon	SVC
47	Eritrea Nakfa	ERN
48	Estonian Kroon	EEK
49	Ethiopian Birr	ETB
50	Euro	EUR
51	Falkland Islands Pound	FKP
52	Fiji Dollar	FJD
53	Gambian Dalasi	GMD
54	Georgian Lari	GEL

Annex 2.5 (Contd.)
ISO CURRENCY CODES

SL	Currency Name	CURCD
55	Ghanaian Cedi	GHC
56	Gibraltar Pound	GIP
57	Guatemalan Quetzal	GTQ
58	Guinea Franc	GNF
59	Guyana Dollar	GYD
60	Haitian Gourde	HTG
61	Honduran Lempira	HNL
62	Hong Kong Dollar	HKD
63	Hungarian Forint	HUF
64	Iceland Krona	ISK
65	Indian Rupee	INR
66	Indonesian Rupiah	IDR
67	Iranian Rial	IRR
68	Iraqi Dinar	IQD
69	Israeli New Shekel	ILS
70	Jamaican Dollar	JMD
71	Japanese Yen	JPY
72	Jordanian Dinar	JOD
73	Kazakhstan Tenge	KZT
74	Kenyan Shilling	KES
75	Kuwaiti Dinar	KWD
76	Kyrgyzstan Som	KGS
77	Lao Kip	LAK
78	Latvian Lats	LVL
79	Lebanese Pound	LBP
80	Lesotho Loti	LSL
81	Liberian Dollar	LRD

SL	Currency Name	CURCD
82	Libyan Dinar	LYD
83	Lithuanian Litas	LTL
84	Macau Pataca	MOP
85	Macedonian Denar	MKD
86	Madagascar D.R. Malagasy Franc	MGF
87	Malawi Kwacha	MWK
88	Malaysian Ringgit	MYR
89	Maldives Rufiyaa	MVR
90	Maltese Lira	MTL
91	Mauritanian Ouguiya	MRO
92	Mauritius Rupee	MUR
93	Mexican Peso	MXN
94	Moldovan Leu	MDL
95	Mongolian Tugrik	MNT
96	Moroccan Dirham	MAD
97	Mozambique Metical	MZM
98	Myanmar Kyat	MMK
99	Namibia Dollar	NAD
100	Nepalese Rupee	NPR
101	Netherlands Antillian Guilder	ANG
102	New Zealand Dollar	NZD
103	Nicaraguan Cordoba Oro	NIO
104	Nigerian Naira	NGN
105	North Korean Won	KPW
106	Norwegian Krone	NOK
107	Omani Rial	OMR
108	Pakistan Rupee	PKR

Annex 2.5 (Concl'd.)
ISO CURRENCY CODES

SL	Currency Name	CURCD
109	Panamanian Balboa	PAB
110	Papua New Guinea Kina	PGK
111	Paraguay Guarani	PYG
112	Peruvian Nuevo Sol	PEN
113	Philippine Peso	PHP
114	Polish Zloty	PLN
115	Portuguese Escudo	PTE
116	Pound Sterling	GBP
117	Qatari Rial	QAR
118	Romanian Leu	ROL
119	Russian Ruble	RUR
120	Rwanda Franc	RWF
121	Saint Helena Pound	SHP
122	Samoan Tala	WST
123	Sao Tome & Principe Dobra	STD
124	Saudi Riyal	SAR
125	Seychelles Rupee	SCR
126	Sierra Leone Leone	SLL
127	Singapore Dollar	SGD
128	Slovak Koruna	SKK
129	Slovenian Tolar	SIT
130	Solomon Islands Dollar	SBD
131	Somali Shilling	SOS
132	South African Rand	ZAR
133	South Korean Won	KRW
134	Sri Lanka Rupee	LKR
135	Sudanese Dinar	SDD

SL	Currency Name	CURCD
136	Suriname Guilder	SRG
137	Swaziland Lilangeni	SZL
138	Swedish Krona	SEK
139	Swiss Franc	CHF
140	Syrian Pound	SYP
141	Taiwan Dollar	TWD
142	Tajikistan Somoni	TJS
143	Tanzanian Shilling	TZS
144	Thai Bhat	THB
145	Tonga Pa'anga	TOP
146	Trinidad and Tobago Dollar	TTD
147	Tunisian Dinar	TND
148	Turkish Lira	TRL
149	Turkmenistan Manat	TMM
150	UAE Dirham	AED
151	Uganda Shilling	UGX
152	Ukraine Hryvnia	UAH
153	Uruguayan Peso	UYU
154	US Dollar	USD
155	Uzbekistan Sum	UZS
156	Vanuatu Vatu	VUV
157	Venezuelan Bolivar	VEB
158	Vietnamese Dong	VND
159	Yemeni Rial	YER
160	Zambian Kwacha	ZMK
161	Zimbabwe Dollar	ZWD
162	Any Other Foreign Currency	OTH

Annex 2.6

METHODOLOGY OF COMPILATION OF LBS AND CBS

The LBS provide for the collection of data on the positions of all banking offices located within the reporting area. Such offices report exclusively on their own (unconsolidated) business, which thus includes international transactions with any of their own affiliates (branches, subsidiaries, joint ventures) located either inside or outside the reporting area. The basic organizing principle underlying the reporting system is the residence of the banking office. This conforms to balance of payments and external debt methodology. In addition, data on ownership or nationality basis are also calculated by regrouping according to country of origin. Thus, the LBS cover both international assets and liabilities of offices of domestic and foreign banks operating within the reporting country. The LBS data are classified by currency (domestic and foreign currencies), sector (banks and non-banks) and country of residence of counter party, and by nationality of reporting banks.

The CBS focus on the assets side of banks' balance sheet. The data mainly cover financial claims reported by domestic banks' offices, including the exposures of their foreign affiliates, and are collected on worldwide basis with inter-office transactions being netted out. Unlike the locational banking statistics, the consolidated banking statistics call for maturity details of assets, and they also entail a somewhat finer sector breakdown (banks, non-bank public sector and non-bank private sector). The additional information can be used to supplement locational banking data while compiling and evaluating external debt statistics from creditor side, although, unlike the locational statistics, the reporting system underlying the consolidated statistics does not conform to balance of payments and external debt methodology. Thus, in the CBS, banks with head office in the reporting country (e.g., India) provide data on total assets for their all offices in the reporting

country and abroad excluding inter-office transactions, i.e., data are reported on consolidated basis. Affiliates/branches of foreign banks operating in the reporting country (e.g., India) also report their claims on countries other than the reporting country (e.g., India) including transactions with their offices outside the reporting country.

In the CBS, the reporting banks are classified under three categories, viz., "Domestic Banks" having head offices in India, "Inside Area Foreign Banks" having head offices in another BIS Reporting country and "Outside Area Foreign Banks" having head offices outside BIS-Reporting countries. The following aspects are taken into consideration for reporting/segregating the international claims for the three categories of banks:

Head offices of banks in the reporting countries (i.e., domestic banks) are required to provide consolidated reports on financial claims of their offices worldwide both on an ultimate risk and an immediate borrower basis; worldwide consolidated reporting entails that, for example, an Indian bank, with a foreign branch in the US, should report – (a) the claims of its domestic branches on all non-residents, (b) the claims of its foreign branch in the US on all non-residents (but other than entities in India), and (c) the claims, of its foreign branch in the US, on residents/entities in the US in currencies other than US dollar. Claims between the Indian head office and its foreign branch in the US should be netted out. Besides, the foreign branches are also required to report their local assets and local liabilities in local currency.

Banking offices in reporting countries whose head office is located in another reporting country (i.e., inside area foreign banks, such as, Mumbai office of a US bank where US is a BIS reporting country) are required to provide non-

consolidated data on claims on entities in their respective home country only (e.g., the branch or subsidiary of a US bank in India should report its claims on the US only to avoid the double counting of its claims on other countries which are reported through its head office to the BIS) and on an immediate borrower basis only. These data should, therefore, include any positions the banks have *vis-à-vis* their own affiliates or head offices in their home country.

Banking offices in reporting countries whose head office is outside the reporting countries (*i.e.*, outside area foreign banks, such as, Mumbai office of a Thai bank where Thailand is not a BIS reporting country) are required to provide non-consolidated data on financial claims on non-residents, including their home country, on an immediate borrower basis only.

The three major sub-components of international assets and liabilities are: (i) loans and deposits,

(ii) holding of debt securities and own issues of debt securities, and (iii) other assets and liabilities. The “other assets and liabilities” mainly comprise, on the asset side, equity shares (including mutual and investment fund units and holdings of shares in a bank’s own name but on behalf of third parties), participations, and working capital supplied by head offices to their branches abroad and, on the liability side, working capital received by local branches from their head offices abroad.

The BIS revised its guidelines for consolidated banking statistics (CBS) by modifying its reporting format and increasing the coverage of products by including financial instruments such as derivatives, guarantees, etc. The revised system has been implemented from the reporting quarter March 2005, which covers, besides existing items, the claims of domestic reporting banks on ultimate risk basis arising from derivatives, guarantees and credit commitments.

TERMS USED IN INTERNATIONAL BANKING STATISTICS

Cross border positions	: It refers to the transactions (assets/liabilities) with non-residents in any currency.
International position	: Banks’ on balance sheet assets and liabilities <i>vis-à-vis</i> non-residents in any currency plus similar assets and liabilities <i>vis-à-vis</i> residents in foreign currencies.
Foreign claims	: It can be disaggregated into cross-border claims and local claims of foreign branches of domestic banks. Alternately, it can also be disaggregated into international claims and local claims denominated in local currencies.
International Claims	: They are defined as cross border claims plus local claims in foreign currencies.
Cross-border Claims	: They are the claims on the borrowers resident outside the country in which the office of bank booking the claim is located.
Local Claims	: It is the claim booked by foreign offices of domestic banks on the resident of the country in which foreign office is located.

**EXPLANATION OF THE METHODOLOGY OF COMPILATION OF LBS/CBS AND DIFFERENT
TERMS USED IN IBS WITH THE HELP OF AN EXAMPLE**

Reporting of IBS Data

Reporting Bank	Assets/Liabilities	Currency+	Assets with/Liabilities towards				
				IN	LK	US	XX
				1	2	3	4
Domestic (Indian) Banks' Branches in India (IN)	Asset	Local	A	—	15	25	10*
		Non-Local	B	15	5	30	10
	Liability	Local	C	—	15	20	10*
		Non-Local	D	12	15	10	5
Domestic (Indian) Banks' Branches in the US	Asset	Local	E	25	10	30	5
		Non-Local	F	20	30	35	10
	Liability	Local	G	—	—	35	—
		Non-Local	H	—	—	—	—
US based Banks' Branches in India (IN) (Inside Area Bank)	Asset	Local	I	—	20	25	15
		Non-Local	J	10	15	30	5
	Liability	Local	K	—	20	35	10
		Non-Local	L	25	20	40	5
Sri Lanka based Banks' Branches in India(IN) (Outside Area Bank)	Asset	Local	M	—	20	15	10
		Non-Local	N	10	30	20	15
	Liability	Local	O	—	12	25	10
		Non-Local	P	20	15	35	10

IN – INDIA, LK – SRI LANKA, US – UNITED STATES, XX – NOT A SPECIFIC COUNTRY

+ Local/non-local currency is according to the country of operation of the reporting branches.

* Asset/Liabilities with/towards own office operating in the country 'XX'

'-' Not required under IBS reporting

COMPILATION OF LBS/CBS

Locational Banking Statistics (LBS)						
Country	International Assets		International Liabilities			
IN	B1+J1+N1	35	D1+L1+P1		57	
LK	A2+B2+I2+J2+M2+N2	105	C2+D2+K2+L2+O2+P2		97	
US	A3+B3+I3+J3+M3+N3	145	C3+D3+K3+L3+O3+P3		165	
XX	A4+B4+I4+J4+M4+N4	65	C4+D4+K4+L4+O4+P4		50	
Consolidated Banking Statistics (CBS)						
Reporting Banks according to Country of Incorporation		Cross Border Claims (in all currencies)	Local Claims in Currency		Interna- tional Claims	Foreign Claims
			Non local	Local		
		1	2	3	4 [= '1'+ '2']	5 [= '3'+ '4']
Domestic (Indian) Banks	X	140	35	30	175	205
Inside Area Banks	Y	55	—	—	55	55
Outside Area Banks	Z	110	—	—	110	110
Note: The claims on home country (i.e., India) is excluded in CBS						
X1= 140 (= A2+A3+A4+B2+B3+E2+E4+F2+F4)			X2= 35 (=F3) X3= 30 (=E3)			
Y1= 55 (=I3+J3)			Z1= 110 (=M2+M3+M4+N2+N3+N4)			

‘-’ Not required under CBS reporting.

Annex 2.7**COUNTRY INFORMATION AS PER ISO COUNTRY CODE**

SL.	COUNTRY NAME	COUNCD
1	Afghanistan	AF
2	Albania	AL
3	Algeria	DZ
4	American Samoa	AS
5	Andorra	AD
6	Angola	AO
7	Anguilla	AI
8	Antarctica (British)	AQ
9	Antigua & Barbuda	AG
10	Argentina	AR
11	Armenia	AM
12	Aruba	AW
13	Australia	AU
14	Austria	AT
15	Azerbaijan	AZ
16	Bahamas	BS
17	Bahrain	BH
18	Bangladesh	BD
19	Barbados	BB
20	Belarus	BY
21	Belgium	BE
22	Belize	BZ
23	Benin	BJ
24	Bermuda	BM
25	Bhutan	BT
26	Bolivia	BO
27	Bosnia & Herzegovina	BA
28	Botswana	BW
29	Bouvet Island	BV
30	Brazil	BR
31	British Indian Ocean Territory	IO
32	British Overseas Territory	1W
33	British Virgin Islands	VG

SL.	COUNTRY NAME	COUNCD
34	Brunei	BN
35	Bulgaria	BG
36	Burkina Faso (Formerly Upper Volta)	BF
37	Burundi	BI
38	Cambodia (Formerly Kampuchea)	KH
39	Cameroon	CM
40	Canada	CA
41	Cape Verde	CV
42	Cayman Islands	KY
43	Central African Republic	CF
44	Chad	TD
45	Chile	CL
46	China	CN
47	Christmas Island	CX
48	Cocos (Keeling) Islands	CC
49	Colombia	CO
50	Comoros Islands	KM
51	Congo	CG
52	Congo Democratic (Former Zaire)	CD
53	Cook Islands	CK
54	Costa Rica	CR
55	Cote D'ivoire	CI
56	Croatia	HR
57	Cuba	CU
58	Cyprus	CY
59	Czech Republic	CZ
60	Denmark	DK
61	Djibouti	DJ
62	Dominica	DM
63	Dominican Republic	DO
64	Ecuador	EC

Annex 2.7 (Contd.)**COUNTRY INFORMATION AS PER ISO COUNTRY CODE**

SL.	COUNTRY NAME	COUNCD
65	Egypt	EG
66	El Salvador	SV
67	Equatorial Guinea	GQ
68	Eritrea	ER
69	Estonia	EE
70	Ethiopia	ET
71	Faeroe Islands	FO
72	Falkland Islands	FK
73	Fiji	FJ
74	Finland (incl. Aland Islands)	FI
75	France	FR
76	French Guiana	GF
77	French Polynesia	PF
78	French Southern Territories	TF
79	Gabon	GA
80	Gambia	GM
81	Georgia	GE
82	Germany (Includes ECB)	DE
83	Ghana	GH
84	Gibraltar	GI
85	Greece	GR
86	Greenland	GL
87	Grenada	GD
88	Guadeloupe	GP
89	Guam	GU
90	Guatemala	GT
91	Guernsey	GG
92	Guinea	GN
93	Guinea-Bissau	GW
94	Guyana	GY
95	Haiti	HT
96	Heard & McDonald Islands	HM
97	Honduras	HN

SL.	COUNTRY NAME	COUNCD
98	Hong Kong	HK
99	Hungary	HU
100	Iceland	IS
101	India	IN
102	Indonesia	ID
103	Iran	IR
104	Iraq	IQ
105	Ireland	IE
106	Isle of Man	IM
107	Israel	IL
108	Italy	IT
109	Jamaica	JM
110	Japan	JP
111	Jersey	JE
112	Jordan	JO
113	Kazakhstan	KZ
114	Kenya	KE
115	Kiribati	KI
116	Kuwait	KW
117	Kyrgyzstan Republic	KG
118	Laos	LA
119	Latvia	LV
120	Lebanon	LB
121	Lesotho	LS
122	Liberia	LR
123	Libya	LY
124	Liechtenstein	LI
125	Lithuania	LT
126	Luxembourg	LU
127	Macao	MO
128	Macedonia (Former Yugoslav)	MK
129	Madagascar	MG
130	Malawi	MW

Annex 2.7 (Contd.)**COUNTRY INFORMATION AS PER ISO COUNTRY CODE**

SL.	COUNTRY NAME	COUNCD
131	Malaysia	MY
132	Maldives	MV
133	Mali	ML
134	Malta	MT
135	Marshall Islands	MH
136	Martinique	MQ
137	Mauritania	MR
138	Mauritius	MU
139	Mayotte	YT
140	Mexico	MX
141	Micronesia	FM
142	Moldova	MD
143	Monaco	MC
144	Mongolia	MN
145	Montserrat	MS
146	Morocco	MA
147	Mozambique	MZ
148	Myanmar (Formerly Burma)	MM
149	Namibia	NA
150	Nauru	NR
151	Nepal	NP
152	Netherlands	NL
153	Netherlands Antilles	AN
154	New Caledonia	NC
155	New Zealand (Minor Is. & Ross Depend.)	NZ
156	Nicaragua	NI
157	Niger	NE
158	Nigeria	NG
159	Niue	NU
160	Norfolk Island	NF
161	North Korea	KP
162	Northern Mariana Islands	MP

SL.	COUNTRY NAME	COUNCD
163	Norway	NO
164	Oman	OM
165	Pakistan	PK
166	Palau	PW
167	Palestinian Territory	PS
168	Panama (incl. Panama Canal Zone)	PA
169	Papua New Guinea	PG
170	Paraguay	PY
171	Peru	PE
172	Philippines	PH
173	Pitcairn Islands	PN
174	Poland	PL
175	Portugal (incl. Azores & Madeira)	PT
176	Puerto Rico	PR
177	Qatar	QA
178	Residual Africa	2W
179	Residual Asia & Pacific	2O
180	Residual Europe	2B
181	Residual former Soviet Union	2T
182	Residual former Yugoslavia	2S
183	Residual Latin America & Caribbean	2H
184	Reunion	RE
185	Romania	RO
186	Russia	RU
187	Rwanda	RW
188	Saint Helena	SH
189	Saint Kitts and Nevis	KN
190	Saint Lucia	LC
191	Saint Pierre and Miquelon	PM
192	Saint Vincent (incl. Grenadines)	VC
193	Samoa	WS

Annex 2.7 (Concl'd.)**COUNTRY INFORMATION AS PER ISO COUNTRY CODE**

SL.	COUNTRY NAME	COUNCD
194	San Marino	SM
195	Sao Tome and Principe	ST
196	Saudi Arabia	SA
197	Senegal	SN
198	Serbia & Montenegro	CS
199	Seychelles	SC
200	Sierra Leone	SL
201	Singapore	SG
202	Slovakia	SK
203	Slovenia	SI
204	Solomon Islands	SB
205	Somalia	SO
206	South Africa	ZA
207	South Georgia & South Sandwich Is.	GS
208	South Korea	KR
209	Spain	ES
210	Sri Lanka	LK
211	Sudan	SD
212	Suriname	SR
213	Svalbard and Jan Mayen	SJ
214	Swaziland	SZ
215	Sweden	SE
216	Switzerland (Includes BIS)	CH
217	Syria	SY
218	Taiwan, China	TW
219	Tajikistan	TJ
220	Tanzania	TZ
221	Thailand	TH
222	Timor-Leste	TL
223	Togo	TG

SL.	COUNTRY NAME	COUNCD
224	Tokelau	TK
225	Tonga	TO
226	Trinidad and Tobago	TT
227	Tunisia	TN
228	Turkey	TR
229	Turkmenistan	TM
230	Turks and Caicos Islands	TC
231	Tuvalu (formerly Ellice Islands)	TV
232	Uganda	UG
233	Ukraine	UA
234	United Arab Emirates	AE
235	United Kingdom	GB
236	United States	US
237	Uruguay	UY
238	US Pacific Islands	PU
239	US Virgin Islands	VI
240	Uzbekistan	UZ
241	Vanuatu	VU
242	Vatican	VA
243	Venezuela	VE
244	Vietnam	VN
245	Wallis and Futuna	WF
246	West Indies UK	1Z
247	Western Sahara	EH
248	Western Samoa	WS
249	Yemen	YE
250	Zambia	ZM
251	Zimbabwe	ZW
252	No Specific Country (Unknown)	XX
253	International Organization @	ZZ
254	Consortium Bank #	VV

@: The list of International Organizations is provided at the end of this ANNEXURE.

#: A joint venture in which no single owner has a controlling interest.

Note: A list of Official Monetary Authorities which includes central banks of various countries, the Bank for International Settlements (BIS), European Central Banks (ECB), etc., is provided in the next pages.

Annex 2.8**INTERNATIONAL ORGANISATIONS along with SECTOR CODES
(COUNCD=ZZ)**

(The List covers the most important organizations, but it is not exhaustive)

NAME OF ORGANISATIONS	HEAD QUARTERS	SECTOR CODE
A. EU ORGANISATIONS		
1. European Atomic Energy Community (EURATOM)	Brussels	30
2. European Coal and Steel Community (ECSC)	Brussels	30
3. European Union (EU)	Brussels	30
4. European Investment Bank (EIB)	Luxembourg	12
B. OTHER EUROPEAN ORGANISATIONS		
1. Council of Europe (CE)	Strasbourg	30
2. European Free Trade Association (EFTA)	Geneva	30
3. European Organization for Nuclear Research (CERN)	Geneva	30
4. European Space Agency (ESA)	Paris	30
5. European Telecommunications Satellite Organization (EUTELSAT)	Paris	30
6. Western European Union (WEU)	Brussels	30
C. INTER GOVERNMENTAL ORGANISATIONS		
1. Association of South East Asian Nations (ASEAN)	Jakarta	30
2. Caribbean Community (CARICOM)	Georgetown(Guyana)	30
3. Central American Common Market (CACM)	Guatemala City	30
4. Colombo Plan	Colombo (Sri Lanka)	30
5. Economic Community of West African States (ECOWAS)	Lagos (Nigeria)	30
6. Latin American Association of Development Financing Institutions (ALIDE)	Lima	30
7. Latin American Economic System (SELA)	Caracas	30
8. Latin American Integration Association (LAIA)	Montevideo	30
9. League of Arab States (LAS)	Cairo	30
10. North Atlantic Treaty Organization (NATO)	Brussels	30
11. Organisation for Economic Co-operation and Development (OECD)	Paris	30
12. Organisation of American States (OAS)	Washington	30
13. Organisation of Central American States (OCAS)	San Salvador	30
14. Organisation of Eastern Caribbean States (OECS)	Castries (St Lucia)	30
15. Organization of African Unity (OAU)	Addis Ababa (Ethiopia)	30
16. South Asian Association for Regional Cooperation (SAARC)	Kathmandu (Nepal)	30
17. West African Economic Community (WAEC)	Ouagadougou (Burkina Faso)	30

Annex 2.8 (Contd.)**INTERNATIONAL ORGANISATIONS along with SECTOR CODES
(COUNCD=ZZ)**

NAME OF ORGANISATIONS	HEAD QUARTERs	SECTOR CODE
D. UNITED NATIONS (UN) and ITs FUNDS/AGENCIES		
1. United Nations (UN)	New York	30
2. United Nations Conference on Trade and Development (UNCTAD)	Geneva	30
3. United Nations Children's Fund (UNICEF)	New York	30
4. Food and Agriculture Organization (FAO)	Rome	30
5. International Atomic Energy Agency (IAEA)	Vienna	30
6. International Bank for Reconstruction and Development (IBRD)	Washington	12
7. International Civil Aviation Organisation (ICAO)	Montreal	30
8. International Development Association (IDA)	Washington	12
9. International Finance Corporation (IFC)	Washington	12
10. International Fund for Agricultural Development (IFAD)	Rome	30
11. International Labour Organization (ILO)	Geneva	30
12. International Maritime Organization (IMO)	London	30
13. International Monetary Fund (IMF)	Washington	12
14. International Telecommunications Union (ITU)	Geneva	30
15. United Nations Educational, Scientific and Cultural Organization (UNESCO)	Paris	30
16. Universal Postal Union (UPU)	Berne	30
17. World Health Organization (WHO)	Geneva	30
18. World Intellectual Property Organization (WIPO)	Geneva	30
19. World Meteorological Organization (WMO)	Geneva	30
20. World Trade Organization (WTO)	Geneva	30
E. REGIONAL AID BANKS AND FUNDS		
1. African Development Bank Group	Abidjan (Cote d'Ivoire)	12
2. Andean Development Corporation (ADC)	Caracas	12
3. Arab Bank for Economic Development in Africa (BADEA)	Khartoum	12
4. Arab Fund for Economic and Social Development in Africa (AFESD)	Manama	12
5. Arab Monetary Fund (AMF)	Abu Dhabi	12
6. Asian Clearing Union (ACU)	Teheran	12
7. Asian Development Bank (ADB)	Manila	12
8. Caribbean Development Bank (CDB)	St Michael (Barbados)	12
9. Central African States' Development Bank (CASDB)	Brazzaville (Congo)	12

Annex 2.8 (Concl.d.)**INTERNATIONAL ORGANISATIONS along with SECTOR CODES
(COUNCD=ZZ)**

NAME OF ORGANISATIONS	HEAD QUARTERs	SECTOR CODE
10. Central American Bank for Economic Integration (CABEI)	Tegucigalpa DC (Honduras)	12
11. East African Development Bank (EADB)	Kampala	12
12. European Bank for Reconstuction and Development (EBRD)	London	12
13. Inter- American Development Bank (IADB)	Washington	12
14. Islamic Development Bank (IsDB)	Jeddah (Saudi Arabia)	12
15. Latin American Reserve Fund (LARF)	Santafe de Bogota	12
16. Nordic Investment Bank (NIB)	Helsinki	12
17. OPEC Fund for International Development (OFID)	Vienna	12
18. West African Clearing House (WACH)	Lagos (Nigeria)	12
19. West African Monetary Union (WAMU)	Senegal	12
F. COMMODITY ORGANISATIONS		
1. Intergovernmental Council of Copper Exporting Countries (CIPEC)	Paris	30
2. International Cocoa Organization (ICCO)	London	30
3. International Coffee Organization (ICO)	London	30
4. International Cotton Advisory Committee (ICAC)	Washington	30
5. International Jute Organization (IJO)	Dhaka (Bangladesh)	30
6. International Lead and Zinc Study Group (ILZSG)	London	30
7. International Natural Rubber Organization (INRO)	Kuala Lumpur	30
8. International Olive Oil Council (IOOC)	Madrid	30
9. International Rubber Study Group (IRSG)	Wembley	30
10. International Sugar Organization (ISO)	London	30
11. International Tin Council (ITC)	London	30
12. International Wheat Council (IWC)	London	30
13. Latin American Energy Organization (OLADE)	Quito (Ecuador)	30
14. Organization of Arab Petroleum Exporting Countries (OAPEC)	Cairo	30
15. Organisation of the Petroleum Exporting Countries (OPEC)	Vienna	30
G. OTHERS		
1. International Red Cross (IRC)	Geneva	30
2. World Council of Churches (WCC)	Geneva	30
3. International Maritime Satellite Organisation (INMARSAT)	London	30

Annex 2.9
OFFICIAL MONITORY AUTHORITIES

Sr. No.	INSTITUTION	CENTER	COUNTRY	COUNTRY CODE
DEVELOPED COUNTRIES				
EUROPE				
1	Austrian National Bank	Vienna	Austria	AT
2	National Bank of Belgium	Brussels	Belgium	BE
3	National Bank of Denmark	Copenhagen	Denmark	DK
4	European Central Bank	Frankfurt	Euro area	DE
5	Bank of Finland	Helsinki	Finland	FI
6	Bank of France	Paris	France	FR
7	Deutsche Bundesbank	Frankfurt	Germany	DE
8	Bank of Greece	Athens	Greece	GR
9	Central Bank of Iceland	Reykjavik	Iceland	IS
10	Central Bank of Ireland	Dublin	Ireland	IE
11	Bank of Italy	Rome	Italy	IT
12	Ufficio Italiano dei Cambi	Rome	Italy	IT
13	Central Bank of Luxembourg	Luxembourg	Luxembourg	LU
14	Netherlands Bank	Amsterdam	Netherlands	NL
15	Central Bank of Norway	Oslo	Norway	NO
16	Bank of Portugal	Lisbon	Portugal	PT
17	San Marinese Institut of Credit	San Marino	San Marino	SM
18	Bank of Spain	Madrid	Spain	ES
19	Sveriges Riksbank	Stockholm	Sweden	SE
20	Swiss National Bank	Zurich	Switzerland/Liechtens	CH
21	Bank for International Settlements	Basel	Switzerland	CH
22	Bank of England	London	United Kingdom	GB
OTHER COUNTRIES				
23	Reserve Bank of Australia	Sydney	Australia	AU
24	Bank of Canada	Ottawa	Canada	CA
25	Bank of Japan	Tokyo	Japan	JP
26	Reserve Bank of New Zealand	Wellington	New Zealand	NZ
27	Federal Reserve System (the Federal Reserve Board, the Federal Reserve Bank, of NY and the 11 other FRB)		United States	US

Annex 2.9 (Contd.)**OFFICIAL MONITORY AUTHORITIES**

Sr. No.	INSTITUTION	CENTER	COUNTRY	COUNTRY CODE
OFFSHORE CENTRES				
28	Central Bank of Aruba	Oranjestad	Aruba	AW
29	Central Bank of the Bahamas	Nassau	Bahamas	BS
30	Bahrain Monetary Agency	Manama	Bahrain	BH
31	Central Bank of Barbados	Bridgetown	Barbados	BB
32	Bermuda Monetary Authority	Hamilton	Bermuda	BM
33	Cayman Islands Monetary Authority	Georgetown	Cayman Islands	KY
34	Hong Kong Monetary Authority	Hong Kong	Hong Kong	HK
35	Central Bank of Lebanon	Beirut	Lebanon	LB
36	Monetary and Foreign Exchange Authority of Macau	Macau	Macau SAR	MO
37	Bank of Mauritius	Port Louis	Mauritius	MU
38	Bank of the Netherlands Antilles	Willemstad, Curacao	Netherlands Antilles	AN
39	National Bank of Panama	Panama	Panama	PA
40	Monetary Authority of Singapore	Singapore	Singapore	SG
41	Reserve Bank of Vanuatu	Port Vila	Vanuatu	VU
DEVELOPING ECONOMIES				
AFRICA AND MIDDLE EAST				
42	Bank of Algeria	Algiers	Algeria	DZ
43	National Bank of Angola	Luanda	Angola (Republic of)	AO
44	The Bank of Botswana	Gaborone	Botswana	BW
45	Bank of the Republic of Burundi	Bujumbura	Burundi	BI
46	Bank of Cape Verde	Praia	Cape Verde Islands	CV
47	Bank of states of Central Africa	Yaounde	Central Africa: Camero, Chad, Central African, Republic, Congo, Gabon,, Equatorial Guinea)	CF
48	Central Bank of Congo	Kinshasa	Congo, Democratic Re	CG
49	Central Bank of The Comoros	Moroni	Comoros	KM
50	National Bank of Djibouti	Djibouti	Djibouti	DJ
51	Central Bank of Egypt	Cairo	Egypt	EG

Annex 2.9 (Contd.)**OFFICIAL MONITORY AUTHORITIES**

Sr. No.	INSTITUTION	CENTER	COUNTRY	COUNTRY CODE
52	National Bank of Eritrea	Asmara	Eritrea	ER
53	National Bank of Ethiopia	Addis Ababa	Ethiopia	ET
54	Central Bank of The Gambia	Banjul	The Gambia	GM
55	Bank of Ghana	Accra	Ghana	GH
56	Central Bank of the Republic of Guinea	Conakry	Guinea	GN
57	The Central Bank of the Islamic Republic of Iran	Tehran	Iran	IR
58	Central Bank of Iraq	Baghdad	Iraq	IQ
59	Bank of Israel	Jerusalem	Israel	IL
60	Central Bank of Jordan	Amman	Jordan	JO
61	Central Bank of Kenya	Nairobi	Kenya	KE
62	Central Bank of Kuwait	Kuwait	Kuwait	KW
63	Central Bank of Lesotho	Maseru	Lesotho	LS
64	National Bank of Liberia	Monrovia	Liberia	LR
65	Central Bank of Libya	Tripoli	Libya	LY
66	Central Bank of Madagascar	Antananarivo	Madagascar	MG
67	Reserve Bank of Malawi	Lilongwe	Malawi	MW
68	Central Bank of Mauritania	Nouakchott	Mauritania	MR
69	Bank of Morocco	Rabat	Morocco	MA
70	Bank of Mozambique	Maputo	Mozambique	MZ
71	Bank of Namibia	Windhoek	Namibia	NA
72	Central Bank of Nigeria	Lagos	Nigeria	NG
73	Central Bank of Oman	Ruwi, Muscat	Oman	OM
74	Qatar Central Bank	Doha	Qatar	QA
75	National Bank of Rwanda	Kigali	Rwanda	RW
76	Central Bank of São Tomé and Príncipe	São Tomé	São Tomé and Príncipe	ST
77	Saudi Arabian Monetary Agency	Riyadh	Saudi Arabia	SA
78	Central Bank of Seychelles	Victoria	Seychelles	SC
79	Bank of Sierra Leone	Freetown	Sierra Leone	SL
80	Central Bank of Somalia	Mogadishu	Somalia	SO
81	South African Reserve Bank	Pretoria	South Africa	ZA

Annex 2.9 (Contd.)

OFFICIAL MONITORY AUTHORITIES

Sr. No.	INSTITUTION	CENTER	COUNTRY	COUNTRY CODE
82	Bank of Sudan	Khartoum	Sudan	SD
83	The Central Bank of Swaziland	Mbabane	Swaziland	SZ
84	Central Bank of Syria	Damascus	Syria	SY
85	Bank of Tanzania	Dar es Salaam	Tanzania	TZ
86	Central Bank of Tunisia	Tunis	Tunisia	TN
87	Bank of Uganda	Kampala	Uganda	UG
88	Abu Dhabi Investment Authority		United Arab Emirates	AE
89	Central Bank of the United Arab Emirates, Government of Dubai	Abu Dhabi	Abu Dhabi, Dubai, Sharjah, Ajman, Umm Al, Quaiwain, Ras al, Khaimah, Fujairah	AE
90	Bank of the States of Western Africa	Dakar	West African Monetary Union: Benin, Burkina, d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal and Togo	ZA
ASIA AND PACIFIC				
91	Central Bank of Yemen	Sana'a	Yemen	YE
92	Bank of Zambia	Lusaka	Zambia	ZM
93	Reserve Bank of Zimbabwe	Harare	Zimbabwe	ZW
94	The Central Bank of Afghanistan	Kabul	Afghanistan	AF
95	Central Bank of Armenia	Yerevan	Armenia	AM
96	National Bank of Azerbaijan	Baku	Azerbaijan	AZ
97	Bangladesh Bank	Dhaka	Bangladesh	BD
98	Royal Monetary Authority of Bhutan	Thimphu	Bhutan	BT
99	Brunei Monetary Board	Darussalam	Brunei Darussalam	BN
100	National Bank of Cambodia	Phnom Penh	Cambodia	KH
101	The People's Bank of China	Beijing	China	CN
102	Reserve Bank of Fiji	Suva	Fiji	FJ
103	Institut d'Emission d'Outre-Mer	Papeete	French Polynesia	PF
104	National Bank of Georgia	Tbilisi	Georgia	GE
105	Reserve Bank of India	Bombay	India	IN
106	Bank Indonesia	Jakarta	Indonesia	ID

Annex 2.9 (Contd.)**OFFICIAL MONITORY AUTHORITIES**

Sr. No.	INSTITUTION	CENTER	COUNTRY	COUNTRY CODE
107	National Bank of the Republic of Kazakhstan	Almaty	Kazakhstan (Republic of)	KZ
108	Bank of Kiribati	Tarawa	Kiribati	KI
109	Central Bank of Korea	Pyongyang	North Korea (People's Democratic Republic)	KP
110	The Bank of Korea	Seoul	Korea South	KR
111	The National Bank of the Kyrgyz Republic	Bishkek	Kyrgyz Republic	KG
112	Bank of the Lao People's Democratic Republic	Vientiane	Laos (Lao People, Democratic Republic)	LA
113	Central Bank of Malaysia Kuala Lumpur	Kuala Lumpur	Malaysia	MY
114	Maldives Monetary Authority	Male	Maldives	MV
115	The Bank of Mongolia	Ulan Bator	Mongolia	MN
116	Central Bank of Myanmar	Rangoon	Myanmar	MM
117	Bank of Nauru	Nauru	Nauru (Republic of)	NR
118	Central Bank of Nepal	Katmandu	Nepal	NP
119	Institut d'Emission d'Outre-Mer	Nouméa	New Caledonia	NC
120	State Bank of Pakistan	Karachi	Pakistan	PK
121	Bank of Papua New Guinea	Port Moresby	Papua New Guinea	PG
122	Central Bank of the Philippines	Manila	Philippines	PH
123	Central Bank of Solomon Islands	Honiara	Solomon Islands	SB
124	Central Bank of Sri Lanka	Colombo	Sri Lanka	LK
125	The Central Bank of China (Taiwan)	Taipei	Taiwan	TW
126	National Bank of the Republic of Tajikistan	Dushanbe	Tajikistan (Republic of)	TJ
127	Bank of Thailand	Bangkok	Thailand	TH
128	National Reserve Bank of Tonga	Nuku'alofa	Tonga	TO
129	Central Bank of Turkmenistan	Ashkhabat	Turkmenistan	TM
130	National Bank of Tuvalu	Funafuti	Tuvalu	TV
131	Central Bank of the Republic of Uzbekistan	Tashkent	Uzbekistan (Republic of)	UZ
132	State Bank of Vietnam	Hanoi	Vietnam	VN
133	Institut d'Emission d'Outre-Mer	Mata-Utu	Wallis and Futuna	WF
134	Central Bank of Samoa	Apia	Western Samoa	WS

Annex 2.9 (Contd.)

OFFICIAL MONITORY AUTHORITIES

Sr. No.	INSTITUTION	CENTER	COUNTRY	COUNTRY CODE
135	Bank of Albania	Tirana	Albania	AL
136	National Bank of the Republic of Belarus	Minsk	Belarus (Republic of)	BY
137	Central Bank of Bosnia and Herzegovina	Sarajevo	Bosnia and Herzegovin	BA
138	Bulgarian National Bank	Sofia	Bulgaria	BG
139	Croatian National Bank	Zagreb	Croatia	HR
140	Central Bank of Cyprus	Nicosia	Cyprus	CY
141	Czech National Bank	Prague	Czech Republic	CZ
142	Bank of Estonia	Tallinn	Estonia	EE
143	National Bank of Hungary	Budapest	Hungary	HU
144	Bank of Latvia	Riga	Latvia	LV
145	The Bank of Lithuania	Vilnius	Lithuania	LT
EUROPE				
146	National Bank of the Republic of Macedonia	Skopje	Macedonia (Republic of)	MK
147	Central Bank of Malta	Valletta	Malta	MT
148	National Bank of Moldova	Chisinau	Moldova	MD
149	National Bank of Poland	Warsaw	Poland	PL
150	National Bank of Romania	Bucharest	Romania	RO
151	Central Bank of the Russian Federation	Moscow	Russia	RU
152	National Bank of Slovakia	Bratislava	Slovak Republic	SK
153	Bank of Slovenia	Ljubljana	Slovenia	SI
154	Central Bank of the Republic of Turkey	Ankara	Turkey	TR
155	National Bank of Ukraine	Kiev	Ukraine	UA
156	National Bank of Yugoslavia	Belgrade	Yugoslavia (Monteneg, Serbia, Kosovo, Vojvodina)	YU
157	Eastern Caribbean Central Bank	Basseterre, St Kitts	Anguilla, Antigua and St Kitts-Nevis, St Lucia	KN
158	Central Bank of the Argentine Republic	Buenos Aires	Argentina	AR
159	Central Bank of Belize	Belize City	Belize	BZ
160	Central Bank of Bolivia	La Paz	Bolivia	BO

Annex 2.9 (Concl'd.)**OFFICIAL MONITORY AUTHORITIES**

Sr. No.	INSTITUTION	CENTER	COUNTRY	COUNTRY CODE
161	Central Bank of Brazil	Brasília	Brazil	BR
162	Central Bank of Chile	Santiago de Chile	Chile	CL
163	Bank of the Republic	Santafé de Bogotá	Colombia	CO
164	Central Bank of Costa Rica San José	San Jose	Costa Rica	CR
165	Central Bank of Cuba	Havana	Cuba	CU
166	Central Bank of the Dominican Republic	Santo Domingo	Dominican Republic	DO
167	Central Bank of Ecuador	Quito	Ecuador	EC
168	Central Reserve Bank of El Salvador	San Salvador	El Salvador	SV
169	Bank of Guatemala	Guatemala City	Guatemala	GT
LATIN AMERICA AND CARIBBEAN AREA				
170	Bank of Guyana	Georgetown	Guyana	GY
171	Bank of the Republic of Haïti	Port-au-Prince	Haiti	HT
172	Central Bank of Honduras	Tegucigalpa	Honduras	HN
173	Bank of Jamaica	Kingston	Jamaica	JM
174	Bank of Mexico	México City	Mexico	MX
175	Central Bank of Nicaragua	Managua	Nicaragua	NI
176	Central Bank of Paraguay	Asunción	Paraguay	PY
177	Central Reserve Bank of Peru	Lima	Peru	PE
178	Central Bank of Surinam	Paramaribo	Surinam	SR
179	Central Bank of Trinidad and Tobago	Port of Spain	Trinidad and Tobago	TT
180	Central Bank of Uruguay	Montevideo	Uruguay	UY
181	Central Bank of Venezuela	Caracas	Venezuela	VE

Annex 2.10

REPORTING OF DERIVATIVES UNDER IBS**REPORTING BY BRANCHES/SUBSIDIARIES:**

Banks branches in India (including foreign banks) and foreign branches/subsidiaries of Indian Banks are required to submit counter party and contract wise marked to market (MTM) values of derivative (viz., forwards, swaps, FRA, futures, options, credit derivatives, etc.,) contracts on gross basis (i.e., positive as well as negative market/fair values) in equivalent US Dollar with details of currency of settlement, country of the counter party, country and sector of ultimate risk, to their respective head/principal offices. It may be mentioned that counter party wise netting (where specific legally enforceable bilateral netting arrangement such as International Swaps and Derivative Association (ISDA) master agreement, etc., exists) would be done at head office level. The information on subsidiaries is not required to be reported unless there is an explicit guarantee provided by the parent.

All derivatives whether held in the banking or trading book (hedge or trading) should be reported on fair value basis.

Credit derivatives, such as, credit default swaps and total return swaps, should be reported, if they belong to the trading book of a protection buying reporting bank. Credit derivatives that belong to the banking book should be reported as "Risk transfers" by the protection buyer.

In case of credit derivatives, on the trading book, there are basically three parties, the protection seller, the protection buyer and the issuer of the underlying. The country of ultimate risk shall be based on the issuer of the underlying. Hence, if a buyer of credit default swaps have underlying bonds/debentures, whose issuer is located in US. The ultimate risk is on the US. The value of the derivatives shall be the amount of the loan/investment less the expected recovery from the underlying.

Currency of Reporting: Counter party and contract wise MTM values of all derivative contracts are to be reported in equivalent US

Dollar based on spot rates as published by FEDAI on the relevant reporting dates. However, the currency of reporting should be the currency of settlement and the same should be reported as ISO currency codes provided in Annexure-III. The detail information on currency of settlement and country of counterparty of derivative contracts are required for the purpose of netting at HO/PO.

Country of the Counter Party: is the country where the counter party is located/operating. If the reporting bank/branch has a derivative contract with a branch/office of a Singapore based bank in India the country of the counter party will be India (IN) and the country of ultimate risk (guarantor) will be Singapore (SG).

Country of Ultimate Risk: is defined as the country in which the guarantor of a financial claim resides and/or the country in which the head office of a legally dependent branch is located e.g., An Indian Bank which has a cross currency swap with a US based bank's branch/office in Thailand, the country of ultimate risk is US and the country of the counter party is Thailand. Collateral that is liquid and available in a country other than that of the borrower may be considered in the same manner as guarantees for this purpose. Claims on legally independent subsidiaries can only be considered as being guaranteed by the head office if the parent has provided an explicit guarantee. In contrast, claims on legally dependent branches are by definition always guaranteed by the respective head office. In the case of a multinational enterprise in India whose head office is outside India, it needs to be determined whether the head office has provided a guarantee to its office in India or not. If it has, the ultimate risk country is that of the head office. If it has not provided a guarantee, the ultimate risk country is India.

Sector of Ultimate Risk: is the sector of the guarantor of a financial claim, e.g., bank, non-bank public sector, non-bank private sector, governments, etc.

Valuation: The valuation of derivatives should be based on marked to market (MTM) and on net present value (NPV) basis. However, counter party wise netting would be done at banks' head/principal office and NOT at branch level. With respect to MTM methodology of valuing FX forward contracts, the current practice may be followed till the NPV method is introduced for forward contracts. The valuation should be performed based on the general guidance provided below.

Guidance for Arriving at Fair/Market Value:

As a general rule, for an instrument that is actively traded on a recognized public exchange, the price quoted by the exchange where the instrument is traded is used as the base valuation price to arrive at the fair value of the instrument.

In case of instruments that are actively traded over the counter, the quoted bid price for long positions and quoted offer price for short positions is used as the base valuation price. These may be obtained through relevant market makers or brokers.

In case of less actively traded instruments/non-traded OTC derivatives, various techniques are used to determine the best estimate of a market price. This synthetic market price may be derived through use of market data (such as interest/exchange rates) in appropriate models/systems designed for this purpose.

In case of the following instruments, fair value can be arrived at using the market data as mentioned there against:

FX spot / forwards	Prices as published by FEDAI
Exchange traded interest rate futures	Prices quoted on the relevant exchange
Commodity futures	Price quoted by relevant exchange
OTC derivatives	
Actively traded OTC instruments:	Rates quoted by market makers
In all other cases	Based on best estimate of market prices as described in (2) above

Some more Concepts: The market value of forward financial derivatives contract is derived from the difference between the agreed-upon contract price of an underlying item and the prevailing market price (or market price expected to prevail) of that item, times the notional amount, approximately discounted. The notional amounts - sometimes described as the nominal amount - is the amount underlying a financial derivatives contract that is necessary for calculating payments or receipts on the contract. This amount may or may not be exchanged. In the specific case of a swap contract, the market value is derived from the difference between the expected gross receipts and gross payments, appropriately discounted; that is, its net present value. The market value for a forward contract can therefore be calculated using available information - market and contract prices for the underlying item, time to maturity of the contract, the notional value, and market interest rates. From the viewpoint of the counter parties, the value of a forward contract may become negative (liability) or positive (asset) and may change both in magnitude and direction over time, depending on the movement in the market price for the underlying item. Forward contract settled on a daily basis, such as those traded on organized exchanges - and known as futures - have a market value, but because of daily settlement it is likely to be zero value at each end-period.

The price of an option depends on the potential price volatility of the price of the underlying item, the time to maturity, interest rates, and the difference between the contract price and the market price of the underlying item. For traded options, whether they are traded on an exchange or not, the valuation should be based on the observable price. At inception the market value of a non-traded option is the amount of the premium paid or received. Subsequently non-traded options can be valued with the use of mathematical models, such as the Black-Scholes formulae, that take account of the factors mentioned above that determine option prices. In the absence of a pricing model, the price reported for accounting or regulatory purposes might be used. Unlike forwards, options cannot switch from negative to positive value, or vice

versa, but they remain an asset for the owner and a liability for the writer of the option.

Some Examples for the Calculation of Market or Fair Values of Derivative Contracts: The following examples indicate how to calculate the market or fair value of various derivative contracts:

For a forward, a contract to purchase USD against EUR at a forward rate of 1.00 when initiated has a positive market value if the EUR/USD forward rate at the time of reporting for the same settlement date is lower than 1.00. It has a negative market value if the forward rate at the time of reporting is higher than 1.00, and it has a zero market value if the forward rate at the time of reporting is equal to 1.00.

For swaps, which involve multiple (and sometimes two-way) payments, the market or fair value is the net present value of the payments to be exchanged between the counter parties between the reporting date and the contracts maturity, where the discount factor to be applied would normally reflect the market interest rate for the period of the contract's remaining maturity. Thus, a fixed/floating swap which at the interest rates prevailing at the reporting date involves net annual receipts by the reporter of e.g. 2% of the notional principal amount for the next three years has a positive marked to market (or replacement) value equal to the sum of three net payments (each 2% of the notional amount), discounted by the market interest rate prevailing at the reporting date. If the contract is not in the reporter's favour (i.e., the reporter would have to make net annual payments), the contract has a negative net present value.

Unlike forwards or swaps, OTC options have a market or fair value at initiation which is equal to the premium paid to the writer of the option. Throughout their life, option contracts can only have a positive market or fair value for the buyer and a negative market or fair value for the seller. If a quoted market price is available for a contract, the market value to be reported for that contract is the product of the number of trading units of the contract multiplied by that market price. If a quoted market price is not available, the market or fair value of an outstanding option contract at the time of reporting can be determined on the basis of secondary market prices for options with

the same strike prices and remaining maturities as the options being valued, or by using option pricing models. In an option pricing model, current quotes of forward prices for the underlying (spot prices for American options) and the implied volatility and market interest rate relevant to the option's maturity would normally be used to calculate the market values. Options sold and purchased with the same counter party should not be netted against each other, nor should offsetting bought and sold options on the same underlying. The format for reporting of derivatives from branch to HO/PO has been discussed in paragraph 3.24.

Ensuring the data quality: Due to unavailability of secondary data on derivatives, it will not be possible to ensure/cross-check the coverage at RBI level. The reporting banks/branches are required to ensure the correctness/coverage/quality of data before submitting the same to the RBI.

REPORTING BY BANK HEAD/PRINCIPAL OFFICES TO RBI:

The head/principal offices of banks are required to submit consolidated amount for each country (ultimate risk country) across all derivatives (forwards, swaps, FRA, futures, options, credit derivatives, etc.). The amount shall be the positive market value representing financial claims and denominated in equivalent USD using closing FEDAI spot rate on relevant reporting dates. The information on subsidiaries is not required to be reported unless there is an explicit guarantee provided by the parent.

The head/principal offices of banks are required to collate counter party and contract wise data on derivatives supplied by the branches along with such data available at head office level and then do netting for a counter party *where specific legally enforceable bilateral netting arrangement such as International Swaps and Derivative Association (ISDA) master agreement, etc., exists.* An illustration to the mechanism of netting has been provided at the end of this Annex. After netting, wherever necessary, only positive market values representing financial claims of the bank are to be reported.

Mechanism of Netting: Derivative contracts entered by SBI branches worldwide

Reporting Branch	Counter-party	Currency of Settlement	Country of Counter Party	Country of Ultimate Risk	Type of derivative	MTM Value (in USD)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
New York	CP1 – Citibank, New York	USD	US	US	FX Forward	+100
New York	CP1 – Citibank, Tokyo	USD	US	US	IRS	-10
Mumbai	CP1 – Citibank, Kolkata	JPY	IN	US	FCY IRS	-75
Mumbai	CP1 – Citibank, Mumbai	JPY	IN	US	FX Forward	+50
Mumbai	CP1 – Citibank, Delhi	USD	IN	US	FCY IRS	-10
Mumbai	CP2 – ICICI Bank, Singapore	GBP	SG	IN	FX Forward	+30
Kolkata	CP2 – ICICI Bank, Singapore	GBP	SG	IN	FX Option	-50
Mumbai	CP2 – ICICI Bank, Mumbai	USD	IN	IN	IRS	+80
Kolkata	CP3 – SBI, New York	USD	US	IN	Currency Swap	-30
Kolkata	CP3 – SBI, London	GBP	GB	IN	FX Option	+60

Note: It has been assumed that there exist *specific legally enforceable bilateral netting arrangement between SBI and each of the counter-parties mentioned at column no. (2).* However, if there exist no such agreement with a particular counter-party then amounts for all contracts with that counter party with positive market values should be added and reported without netting with negative values.

Counter Party-wise Netting and Reporting by SBI

Counter party	Currency of Settlement	Country of Counter Party	Country of Ultimate Risk	Netting of values	Remark
(1)	(2)	(3)	(4)	(5)	(6)
CP1	USD	US	US	+100-10=+90	Should be Reported
CP1	JPY	IN	US	-75+50=-25	Should NOT be Reported
CP1	USD	IN	US	-10	Should NOT be Reported
CP2	GBP	SG	IN	+30-50=-20	Should NOT be Reported
CP2	USD	IN	IN	+80	Should be Reported
CP3	USD	US	IN	-30	Should NOT be Reported
CP3	GBP	GB	IN	+60	Should be Reported

Annex 2.11**PROFORMA – I****Statement of New Branch/office/NAIO as and when opened:****Items**

1. (a) Name of the Commercial Bank/Other Financial Institution/ Co-operative institution:

(b) Proforma for:

Branch/Office of a Bank ()

Not Administratively Independent Office (NAIO) ()

Branch/Office of Other Financial Institution ()

(Put tick mark (✓) in appropriate box)

(c) Uniform Codes: Part-I (7/9 digits) :

Part-II (7 digits) :

(To be allotted by RBI)

2. (a) Name of the new Branch/Office/NAIO: _____

(b) RBI Reference No. _____

and Reference Date:

/ /
Day Month Year

(c) Licence Number: _____

(as obtained from RBI)

(d) Date of Licence:

/ /
Day Month Year

(e) Whether it is a case of Re-Validation of licence:

Yes () No ()

If yes, give the date of re-validation:

/ /
Day Month Year

3. Date of opening of the

New Branch/office/NAIO:

/ /
Day Month Year

4. Postal address:

4.1 Name/Municipal Number of

the building (if any): _____

4.2 Name of the Road (if any): _____

4.3 (a) Name of the Post Office: _____

(b) Pin Code:

4.4 Name of the locality within a Centre (Revenue unit): _____
(See explanation)

4.5 Name of Tehsil/Taluka/Sub-Division: _____

- 4.6 Tel.No. /Telex No. (Including STD code): _____
- 4.7 Fax No.: _____
- 4.8 E-mail Address: _____
- 5 (a) Name of the centre(revenue village/town/city/Municipality/Municipal Corporation) within the limits of which branch/office is located: _____
- (b) Name of Community Development Block/Development Block/Tehsil/Taluka/Sub-Division/Mandal/Police Station: _____
- (c) Name of the District: _____
- (d) Name of the State: _____
- (e) Population of the Centre (revenue unit) as per latest Census report: _____
6. Is/are there any other administratively independent bank branch(es)/office(s) other than your branch/office/NAIO in your center: Yes: () No: ()
(✓) in appropriate box)
7. (a) Business Status of the new branch/office/NAIO :
Code: ☐ ☐ Status Name:- _____
- (b) In case of NAIO, supply the following details:
- (i) Name of the base branch/office: _____
- (ii) Uniform code numbers of the base branch/office
- Part-I (7 digits) : ☐ ☐ ☐ ☐ ☐ ☐ ☐
- Part-II (7 digits): ☐ ☐ ☐ ☐ ☐ ☐ ☐
8. (i) (a) Status of Central Government Business: (Put tick mark (✓) in appropriate box)
- Type of Central Government Business*
- (1) () No Govt. Business
- (2) () Direct Taxes
- (3) () Departmentalised Ministries Account (DMA)
- (4) () Pension
- (5) () Bond Issue
- (6) () Others (Specify, if any): _____
- (b) Status of State Government Business (i.e. Treasury/Sub-treasury business): (Put tick mark (✓) in appropriate box)
- Type of Treasury/Sub-Treasury Business (State Govt.)*
- (1) () No Govt. Business
- (2) () Treasury Business
- (3) () Sub-Treasury Business
- (4) () Pension
- (5) () Bond Issue
- (6) () Others (Specify, if any): _____

(ii) Whether a currency chest is attached to this branch/office: Yes () No ()

(A) If "Yes" then state:

(a) The type of currency chest: A () B () C ()

(put a tick mark (✓) in appropriate box)

(b) Date of establishment / /
of currency chest: Day Month Year

(c) Currency chest code Number:

(8- digit Code allotted by Department of Currency Management (DCM) is to be written)

(d) Mention type of area in which currency chest is located: (State "type of area" code: See the explanation) Code: Type of Area: _____

(B) If "NO" then, supply particulars of the nearest branch/office having currency chest facility:

(a) Bank Name: _____

(b) Branch Name: _____

(c) Part-I of Uniform code:

(d) Distance (in Km.): _____

(e) Centre Name: _____

(iii) Whether there is a repository attached to this branch/office? Yes () No ()
(put a tick mark (✓) in appropriate box)

(iv) Whether a small coin-depot is attached to this branch/office? Yes () No ()
(Put a tick mark (✓) in appropriate box)

(v) Whether any NAO is attached to the branch having Currency Chest/Repository/Small Coin-depot facility? (Put a tick mark (✓) in appropriate box) Yes () No ()

9. Nature of Business conducted by the branch/office/NAIO:

(Put tick mark (✓) in appropriate box/boxes)

Name

(1) () *Banking Business*

(2) () *Merchant Banking Business*

(3) () *Foreign Exchange*

(4) () *Gold deposit*

(5) () *Insurance*

(6) () *Administrative/Controlling Office*

(7) () *Training Centre*

(8) () *Others (Please specify, if any) _____*

10. (a) Authorised Dealer Category of the branch/office: A () B () C ()

(Put a tick mark (✓) in appropriate box)

(b) Date of Authorisation: / /
Day Month Year

(c) In the case of 'C' Category office, write name and uniform code numbers of 'A' or 'B' Category branch/office through which its foreign exchange transactions are settled:

(i) Name of the branch/office: _____

(ii) Uniform code Numbers of the branch/office:

Part-I : Part-II:
(7 digits) (7 digits)

11. Technological facility of Branch/Office:

(Put tick mark (✓) in appropriate box)

Technological Facility

(1) () Not yet Computerised

(2) () Partially Computerised

(3) () Fully Computerised

12. Communication Facility available in the Branch/Office/NAIO:

(Put tick mark (✓) in appropriate box)

Communication Facility

(1) () NO NETWORK

(2) () INFINET

(3) () INTERNET

(4) () INTRANET

(5) () CORE BANKING SOLUTION

(6) () Others (Please specify, if any) _____

13. Magnetic Ink Character Recognition

(MICR Code) of the branch/office: _____

14. Any other particulars (please specify): _____

15. For RBI use only:

(a) AD Region Office Code:

(b) Census Classification Code:

(c) Full Postal Address:

PROFORMA – II

Statement of change in Status/Merger/*Conversion*/Closure etc. of Existing Branch/office/NAIO as and when effected.

Name of the Bank/Other Financial Institution/Co-operative institution:-

A. Change in Status/ A.D.Category/Nature of Business/Postal address_of Branch/office/NAIO:

1. Name of the branch/office/NAIO (See explanation in item no.2(a)):

(a) Old Name: _____

(b) Current Name: _____

(c) Date of Change in Name: / /
Day Month Year

2. Uniform Code (Existing):

(a) Part-I (7/9 digits) :

(b) Part-II (7 digits) :

3. Change in Business status of the Branch/office/NAIO (See explanation in item no.7(a)):

(a) Old Status Name: _____ Code :

(b) Current Status Name: _____ Code :

(c) Date of Change in status (if any): / /
Day Month Year

4. Change in Nature of Business:

(Put tick mark (✓) in appropriate box)

(a)	Old	Name	Current
(1)	()	Banking Business	()
(2)	()	Merchant Banking Business	()
(3)	()	Foreign Exchange	()
(4)	()	Gold deposit	()
(5)	()	Insurance	()
(6)	()	Administrative/Controlling Office	()
(7)	()	Training Centre	()
(8)	()	Others (Please specify, if any) _____	()

(b) Date of Change in nature of business (if any): / /
Day Month Year

5. (a) Change in Technological Facility of the Branch/office/NAIO:

(Put tick mark (✓) in appropriate box)

Old	Technological Facility	Current
(1) ()	Not yet Computerised	()
(2) ()	Partially Computerised	()
(3) ()	Fully Computerised	()

(b) Date of Change in technological Facility: / /
Day Month Year

6. (a) Communication Facility of Branch/Office/NAIO:

(Put tick mark (✓) in appropriate box)

Old	Communication Facility	Current
(1) ()	NO NETWORK	()
(2) ()	INFINET	()
(3) ()	INTERNET	()
(4) ()	INTRANET	()
(5) ()	CORE BANKING SOLUTION	()
(6) ()	Others	()

(Please specify, if any) _____

Date of Change in Communication Facility: / /
Day Month Year

7. State Authorised Dealer Category of the Branch/office:

(a) Old Category : _____

(b) New/Changed Category : _____

Further, put tick mark (✓) in appropriate box :

Upgraded () Degraded () Newly Authorised ()

(c) Date of Upgradation/Degradation/Authorisation:

/ /
Day Month Year

(d) If a branch doing general banking business is assigned additional responsibility of handling foreign exchange business and belongs to AD Category "C", then give uniform code number of the Link Branch/office through which its transactions are reported:

Part-I (7 digits) :

Part-II (7 digits) :

(e) If a link office of an existing "C" category branch is changed, then provide Part-I & II codes of the new link office:

Part-I (7 digits) :

Part-II (7 digits) :

- (f) If "A"/"B" category AD branch is downgraded to "C" category, then give uniform code number of the Link Branch/office through which the transactions of the downgraded "C" category AD branch is reported:

Part-I (7 digits) :

Part-II (7 digits) :

- (g) If 'A'/'B' category AD branch, which has been working as a link office to one or more 'C' category AD branch(es), is downgraded to "C" category AD branch, then provide Part - I code(s) of the AD branch(es) which has/have been assigned the link office role to the said 'C' category branch(es):

UCN of 'C' category branch

UCN of Link office

Part - I :

Part - I :

Part - I :

Part - I :

Part - I :

Part - I :

(If the list of "C" category branches is large, then enclose the list)

- (h) If a branch doing general banking business alone/"C" category AD branch is assigned or upgraded to "A"/"B" category AD branch, then part-I code of all "C" category branches, which will be linked to the newly upgraded AD branch should be listed:

Part-I (7 digits) :

Part-I (7 digits) :

Part-I (7 digits) :

(If the list of "C" category branches is large, then enclose the list)

8. Details in respect of change, if any, in the status of currency chest/ repository/ coin-depot/ Govt. Business, etc. (including opening/ shifting/ conversion/ closure). In all these cases of shifting/conversion/ closure please mention the date also:

- (a) (i) Central Government Business:

(Put tick mark (✓) in appropriate box)

	Old	Type of Govt. Business	New
(1)	()	No Govt. Business	()
(2)	()	Direct Taxes	()
(3)	()	Departmentalised Ministries Account (DMA)	()
(4)	()	Pension	()
(5)	()	Bond Issue	()
(6)	()	Others (specify, if any): _____	()

(ii) Date of Change: / /
Day Month Year

(b) (i) Treasury/ Sub-Treasury Business (State Govt. Business):

(Put tick mark (✓) in appropriate box)

	Old	Type of Treasury/Sub-Treasury Business	New
(1)	()	No Govt. Business	()
(2)	()	Treasury Business	()
(3)	()	Sub-Treasury Business	()
(4)	()	Pension	()
(5)	()	Bond Issue	()
(6)	()	Others (Specify, if any): _____	()

(ii) Date of Change: / /
Day Month Year

(c) State Currency Chest Type: Old: () Current: ()

Date of Change: / /
Day Month Year

(d) If authorised newly for currency chest, then indicate

(i) type of currency chest (put tick (3) mark in appropriate box):

A () B () C ()

(ii) Date of authorisation: / /
Day Month Year

(iii) Currency chest code Number:

(8- digit Code allotted by Department of Currency Management (DCM) is to be written)

(iv) Mention type of area in which currency chest is located: (State "type of area" code: See the explanation)

Code: Type of Area: _____

(e) Repository: _____

(f) Coin-Depot: _____

9. Full postal address: (See explanations in item nos. 4.1 to 4.8)

(i) Old

(a) Name/Municipal Number of the building (if any): _____

(b) Name of the Road (if any): _____

(c) (i) Name of the Post Office: _____

(ii) Pin Code:

(d) Name of the locality within the Centre (Revenue unit): _____

(e) Name of the Centre (Revenue unit): _____

(f) Name of Community Development Block/Development Block/Tehsil/ Taluka/Sub-Division/ Mandal/Police Station: _____

(g) Tel.No./Telex No. (Including STD code): _____

(h) Fax No.: _____

(i) E-mail Address: _____

(ii) Current

(a) Name/Municipal Number of the building (if any): _____

(b) Name of the Road (if any): _____

(c) (i) Name of the Post Office: _____

(ii) Pin Code:

(d) Name of the locality within the Centre (Revenue unit): _____

(e) Name of the Centre (Revenue unit): _____

(f) Name of Community Development Block/Development Block/Tehsil/ Taluka/Sub-Division/Mandal/Police Station: _____

(g) Tel. No. /Telex No. (Including STD code): _____

(h) Fax No.: _____

(i) E-mail Address: _____

(iii) Date of change of address: / /
Day Month Year

10. (i) If the branch/office/NAIO is relocated to a different centre (revenue unit) furnish details of the current centre: (See explanations in item nos. 2(a), 5(a), 5(b) and 5(e) for (a), (b), (c) and (f) respectively.)

(a) Branch/Office/NAIO Name: _____

(b) Revenue Unit (Centre Name): _____

(c) Name of Community Development Block/Development Block/Tehsil/ Taluka/Sub-Division/Mandal/Police Station: _____

(d) District Name: _____

(e) State Name: _____

(f) Population (as per latest Census) of the Centre: _____

(ii) Date of change of centre: / /
Day Month Year11. If the branch/office/NAIO is relocated to a different centre, give the *reasons for relocation*: _____

(a) Licence No.: _____

(b) Licence suitably amended on / /
Day Month Year

by RBI Regional Offices at _____

(c) Ref. No. & Date of RBI Central Office's approval:

Ref. No.: _____ Date: / /
Day Month Year

12. In case of change/closure of base branch/office of an NAIO provide:

(a) Part - I code of old base branch/office: (b) Part - I code of new base branch/office:

13. Any other particulars: _____

B. Closure/Merger/Conversion of the Branch/Office/NAIO:

1. Advice for Closure () Merger () Conversion ()

(Put tick mark (✓) against appropriate box)

2. Branch/Office/NAIO Name (See explanation in item no.2 (a)): _____

3. Uniform Codes (See explanation in item no.1(b)):

Part - I :

Part - II :

4. (a) Postal address of branch/office/NAIO:

(See explanation in item nos. 4.1 to 4.8)

(i) Name/Municipal Number of the building (if any): _____

(ii) Name of the Road (if any): _____

(iii) (A) Name of the Post Office: _____

(B) Pin Code:

(iv) Name of the locality within the Centre(Revenue unit): ____

(v) Name of Community Development Block/Development Block/Tehsil/Taluka/Sub-Division/Mandal/Police Station: _____

(vi) Tel.No. /Telex No. (Including STD code): _____

(vii) Fax No.: _____

(viii) E-mail Address: _____

(b) Centre Name: _____ (See explanation in item no.5(a))

(c) District Name: _____

(d) State Name: _____

(e) Population of the centre (revenue unit) as per latest Census Report: _____ (See explanation in item no.5(e))

5. Date of Closure/Merger/Conversion: / /
Day Month Year

6. RBI reference No. & date of approval:

Reference No.: _____ Date: / /
Day Month Year

7. Reason for Closure/Merger/Conversion: _____

8. Licence surrendered for _____ on / /
(Name of branch/office/NAIO) Day Month Year

to RBI Regional Office at _____

9. In case of closure/merger of 'A'/'B' category AD branch, which has been working as a link office to one or more 'C' category AD branch(es), provide Part - I code of the AD branch(es) which has/have been assigned the link office role to the said 'C' category branch(es):

UCN of 'C' category branch

UCN of Link office

Part - I :

Part - I :

Part - I :

Part - I :

Part - I :

Part - I :

(If the list of "C" category branches is large, then enclose the list)

10. If the branch/office is converted into NAIIO then type of the NAIIO: (See explanation in item no.7(a)(IV)) Status Name: _____ Code:

11. Particulars of the Base/Absorbing Branch/office:

(a) In case of Conversion into NAIIO:

i) Base Branch/Office Name: _____

ii) Uniform Codes: Part – I (7 digits) :

Part – II (7 digits) :

iii) Full postal address: _____

(b) In case of Merger/Absorption of branches/offices/NAIIOs:

i) Absorbing Branch/Office Name: _____

ii) Uniform Codes: Part – I (7 digits) :

Part – II (7 digits) :

iii) Full postal address: _____

(c) If a branch, which is working as a base branch for some NAIIOs, is closed/converted into NAIIO/merged with another branch, then the base branch details of the NAIIOs, which were earlier linked to the closed/converted/merged branch, should be provided:

i) Base Branch/Office Name: _____

ii) Uniform Codes: Part – I (7 digits) :

Part – II (7 digits) :

iii) Full postal address: _____

DETAILS OF PROFORMAE – I & II FOR BANKS' USE

- I. Proforma-I is submitted either on the day of opening of branch/office/NAIO or afterwards but not before opening of branch/office/NAIO.
- II. Proforma-I is meant for all types of newly opened bank branches/offices/NAIOs and proforma-II is meant for reporting change in status/postal address, closure/ merger/ conversion/ relocation /*upgradation*, etc. of existing bank branches/offices /NAIOs.
- III. Uniform code numbers had been so long assigned to administratively independent offices/branches, submitting separate returns to Reserve Bank of India (See explanation at 7(b)). Recently, it has been decided to allot 9-digit uniform codes to Not Administratively Independent Offices (NAIOs - temporary offices), such as stand-alone ATMs/extension counter /satellite office/ representative office/cash counter/ inspectorate/ collection counter/mobile office/Airport counter/ Hotel counter / Exchange Bureau. However, Proformae for Temporary Office opened at the site of a fair/exhibition, etc. should not be sent to DESACS.
- IV. Public Sector Banks, which have been allowed to assign Part I code to their new branches/offices/NAIOs should strictly follow the instruction mentioned at III above, at the time of forwarding Proforma-I to RBI.
- V. Upgradation of an NAIO into a full-fledged branch/office should be treated as closure of NAIO and opening of a branch/office. Accordingly, both Proforma – II for NAIO closure and Proforma – I for upgradation into a branch/office should be submitted.
- VI. Alternatively, if a branch/office is converted into NAIO, then Proforma – II for closure of

the branch/office and Proforma – I for conversion/opening of the NAIO are submitted.

- VII. Proforma- I & II are not accepted for allotment of Part-I & Part-II/revision of Part-II code unless all items in the Proformae are filled up properly.

EXPLANATIONS OF ITEMS IN PROFORMA-I

Item No.1(c):

Public sector banks (SBI and its 7 Associates, 19 Nationalised Banks & IDBI Ltd.) are allowed to assign 7/9-digit Part-I Code Numbers only to their branches/offices/NAIOs and for other banks RBI (DESACS) allots both Part-I & Part-II codes. Each NAIO is linked to some independent branch. Last two digits (8th & 9th digits from the left) of Part – I code for NAIOs follow the 7-digit Part – I code of the base branch.

UCN of branches/offices of banks comprises two parts as Part-I code and Part-II code of 7 digits each; two additional digits are assigned to Part – I code of NAIOs.

Part-I code is defined as follows:

- *for branches/offices/NAIOs of commercial banks and other financial institutions:*
first three digits *from the left* stand for bank code
next four digits stand for branch code
last two digits stand for NAIO code.
- *for branches/offices/NAIOs of state/district central co-op. banks, state/central land development banks:*
first four digits *from the left* stand for bank code
next three digits stand for branch code
last two digits stand for NAIO code.

- *for branches/offices/NAIOs of other co-op. banks, salary earners' societies, state financial corporations and tours, travels, finance & leasing companies:*

first five digits *from the left* stand for bank code

next two digits stand for branch code

last two digits stand for NAIO code.

Part-II code, irrespective of different categories of banks, is defined as follows:

first three digits *from the left* stand for district code

next three digits stand for centre code within the district

last single digit stands for population range code.

Relationship between population range code and population group code is shown below:

Relationship between population range code and population group code is shown below:

Last digit of Part II of the Uniform Code Number (Population Range code)	Population Range	Population Group	Population Group Code
1	Up to 4999	Rural	1
2	5000 to 9999		
3	10,000 to 19,999	Semi-Urban	2
4	20,000 to 49,999		
5	50,000 to 99,999		
6	1,00,000 to 1,99,999	Urban	3
7	2,00,000 to 4,99,999		
8	5,00,000 to 9,99,999		
9	10 lakhs and above	Metropolitan	4

Item No.2(a):

The name of the Branch/Office/NAIO is written.

Item No.2(b):

Reference letter number and date of authorization/approval issued by RBI is mentioned.

Item No.2(c):

The Licence No., if already available (as obtained from concerned Regional Offices of RBI) is to be written; otherwise the same should be communicated later on along with Uniform Codes.

Item No.2 (d):

The exact date (including month & year) of licence is indicated.

Item No.2 (e):

In case the branch/office/NAIO is opened after expiry of one year from the date of issuing of licence, please indicate whether licence was re-validated or not and if revalidated please mention the date of re-validation.

Item No. 3:

The exact date of opening including month & year is mentioned.

Item No. 4.1 to 4.3 and 4.6 to 4.8:

The names/numbers/codes are written against the appropriate item number. PIN code against item No. 4.3(b) should be indicated. In respect of mobile office and mobile ATM detailed address of the base branch/ office should be reported.

Item No. 4.4:

The name of the locality i.e. the exact place, where the branch/office /NAIO is located, is mentioned. The name of the locality may be the name of village in case the branch/office/NAIO is opened in a village. In case of mobile office or mobile ATM, respective details of the base branch/office are reported.

Item 4.5 & 5(b):

The names of the Tehsil/Taluka/Sub-division and the Community Development Block with reference to centre name stated at item 5(a)

are indicated at item Nos. 4.5 and 5(b) respectively.

This may not be applicable in the cases of metropolitan centres.

In case of mobile office or mobile ATM, respective details of the base branch/office should be reported.

Item No.5 (a):

The name of the Village/Town/City/Municipality/Municipal Corporation under the jurisdiction of which the locality mentioned at item No.4.4 is included, is written. The name of the village is to be written if the branch/office/NAIO is opened in a village, which is a revenue unit/centre. In case of mobile office or mobile ATM, respective details of the base branch/office are reported.

Caution:

If the name of the centre in item no. 5(a) is not written correctly, then the branch/office/NAIO may get wrongly classified with incorrect Part-II code. The name of Panchayat/Block/Tehsil/District, etc. should not appear against item Nos. 4.4 & 5(a) unless the branch/office/NAIO is located in the head quarter of the Panchayat/Block/Tehsil/District.

Item No. 5(e): (refer Item No. 5(a) also)

Latest Census population figure of the Centre (revenue unit) where the branch/office/NAIO is located should be stated. Population of whole of Panchayat/Block/tehsil/district, etc., are not be considered. Population of a revenue centre can be obtained from Census Handbook/Local Census Authority or from local administration such as District Collector/ Tehsildar/Block Development Officer, etc., and a certificate (in original) to this effect, covering following two aspects, should be collected from the concerned local administration and forwarded:

- (i) Name of the revenue centre, where the branch/office/NAIO under reference is located.
- (ii) Population of the said revenue centre as per the latest census report.

Item No. 6:

An office is administratively independent, if it maintains separate books of accounts and is required to submit one or more BSR returns to RBI.

If there is no administratively independent branch/office of a regional rural bank or of any other commercial/co-operative bank in the centre (revenue unit), as referred to at item 5(a) above, within the limits of which the new branch/office is located, then put tick mark (Ö) against "No", otherwise put tick mark (Ö) against "Yes".

Item No.7 (a):

The names & respective codes of different types (business status) of branches/ offices/NAIOs are listed in categories I to IV below. The appropriate status name & corresponding code is written.

As the list is not exhaustive, please state exact status of the office/ branch/NAIO under "Any other branch/office/NAIO " category:

I. IN CASE OF ADMINISTRATIVE OFFICE

CODE STATUS NAME

- (01) Registered Office
- (02) Central/Head Office/Principal Office
- (03) Local Head Office
- (04) Regional Office/Area Office/Zonal Office/ Divisional Office/ Circle Office
- (05) Funds Management Office
- (06) Lead Bank Office
- (07) Training Centre
- (09) Any other administrative office (not included above, pl. specify)

II. IN CASE OF GENERAL BANKING BRANCH

CODE STATUS NAME

- (10) General Banking Branch

III.	IN CASE OF SPECIALISED BRANCH	(38)	Mercantile Banking Branch
(A)	<i>Agricultural Development/Finance Branches</i>	(F)	<i>Overseas/International Banking Offices/Branches</i>
(11)	Agricultural Development Branch (ADB)	(41)	International Banking Branch/office
(12)	Specialised Agricultural Finance Branch Hi-Tech.(SAFB Hi-tech)	(42)	Overseas Branch
(13)	Agricultural Finance Branch (AFB)	(43)	International Business Branch/Office/Centre
(B)	<i>S.S.I./Small Industries and Small Business Branches</i>	(44)	International Exchange Branch
(16)	Small Business Development Branch/office	(G)	<i>Commercial/Personal Banking Branches</i>
(17)	Small Scale Industries Branch (SSI)	(47)	Non-Resident Indian (NRI) Branch
(18)	Small Industries & Small Business Branch (SIB)	(48)	Housing Finance Branch
(C)	<i>Industrial/Corporate Finance/Large Advances Branches</i>	(49)	Personal Banking Services Branch
(21)	Industrial Finance Branch (IFB)	(50)	Consumer Finance Branch
(22)	Corporate Finance Branch (CFB)	(51)	Specialised Savings Branch
(23)	Hire-Purchase and Leasing Finance Branch	(52)	Commercial and Personal Banking Branch
(24)	Industrial Accounts Branch	(53)	Specialised Commercial Branch
(25)	Large Advances Branch	(54)	Draft Paying Branch
(26)	Business Finance Branch	(55)	Professionals Branch
(27)	Mid Corporate Branch	(56)	Locker Branch
(D)	<i>Asset Recovery Management/Industrial Rehabilitation Branches</i>	(57)	Specialised Trading Branch
(30)	Asset Recovery Management Services Branch (ARMS)	(58)	Diamond Branch
(31)	Industrial Rehabilitation Branch	(59)	Housing Finance Personal Banking Branch
(E)	<i>Capital Market/Custodial Services/Merchant/Mercantile Banking Branches</i>	(H)	<i>Collection & Payment/Quick(Fast) Service/STARS Branches</i>
(35)	Capital Market Services Branch (CMS)	(63)	Service Branch/Clearing Branch/Cell
(36)	Custodial Services Branch	(64)	Collection and Payment Services Branch
(37)	Merchant Banking Branch	(65)	Quick Collection Branch
		(66)	Fast Service Branch
		(67)	Speedy Transfer and Realisation Services (STARS) Branch

(I) *Other type of Specialised Branches*

- (71) Treasury Branch (Government Business)
- (72) Stock Exchange Branch
- (73) Auto-Tech Branch
- (74) Fund Transfer Services (FTS) Branch
- (75) Weaker Sections Branch
- (76) Security Services Branch
- (77) Specialised Woman Entrepreneurs Branch
- (78) Specialised Cash Management Services Branch
- (79) Microsafe Branch for Self Help Groups
- (80) Any other category of specialised branch/office (not included above).

IV. IN CASE OF NON-ADMINISTRATIVELY INDEPENDENT OFFICE(NAIO)

- (85) Extension Counter
- (86) Satellite Office
- (87) Mobile Office
- (88) Service Branch**
- (89) Mobile ATM
- (90) On-site ATM

- (91) Off-site ATM

- (92) Representative Office

- (93) Exchange Bureau

- (99) Any Other NAIOS (not included above, pl. specify)

** Temporary Office not maintaining separate books of accounts.

Item No. 7(b):

NAIO are Offices for which separate books of accounts are not maintained and not required to submit BSR returns to RBI. Name of the base branch/office and its Uniform Code Numbers are to be provided with which the accounts of NAIO (s) will be maintained.

Item No. 8(ii)(A)(d):

The appropriate Code among the options listed below is indicated:

Code: Type of Area

- (0) Normal area
- (1) Border area
- (2) Disturbed area (High Risk)
- (3) Area affected by natural calamities (flood/earth-quake prone area, etc.)
- (4) Area not having adequate transport facility due to snowfall, etc.

Annex 2.12**SUPERVISORY DATA PUBLISHED IN RBI PUBLICATIONS**

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Annex 2.13**A: PART I - CO-OPERATIVE CREDIT SOCIETIES**

TABLE No.	TABLE NAME	CONTENTS
1, 5, 9,10	State Co-operative Banks/ Central Co-operative Banks/ Industrial Co-operative Banks – Number of Branches, Membership, Liabilities, Assets and Operations	No. of Offices, Capital, Reserves, Deposits, Working Capital, Investments, Loans and advances issued, outstanding and overdue, Profit/Loss, Cost of Management, etc.
2, 6, 11	State Co-operative Banks/ Central Co-operative Banks/ Industrial Co-operative Banks – Purpose-wise classification of Loans and Advances Issued (including cash credit and overdrafts)	The loans actually disbursed by the SCBs to DCCBs/Societies taking into account the purposes of the limits under which drawals.
3, 7, 12	State Co-operative Banks/ Central Co-operative Banks/ Industrial Co-operative Banks – Purpose-wise classification of Loans and Advances Outstanding (including cash credit and overdrafts)	The purpose-wise classification of loans outstanding has been given as per the books of the banks.
4, 8, 13	State Co-operative Banks/ Central Co-operative Banks/ Industrial Co-operative Banks – Classification of Overdues – By Period,	Classification of loans and advances overdue together with the number of defaulters by period. The figure includes the amounts involved in unrenewed cash credits, overdrafts, bills purchased and discounted but returned unpaid and pending as on 31 March. The due from societies under liquidation have not been treated as overdue.
14	Primary Agricultural Credit Societies – Number, Membership and Coverage	No. of Societies – active, dormant etc., no. of villages, membership with break-up of members according to size of ownership holdings.
15	Primary Agricultural Credit Societies – Liabilities, Assets and Operations	In addition to the main items of the balance sheets of the societies at the end of the year, the operations and other activities undertaken by the societies, viz., Distribution of agricultural inputs, consumer goods, etc., were also given.
16	Primary Agricultural Credit Societies – Purpose-wise classification of Loans and Advances Issued	The purpose-wise details of loans advanced have been furnished against each type of societies separately i.e., PACS (other than FSS and Lamps), FSS and LAMPS.

Annex 2.13 (Contd.)

TABLE No.	TABLE NAME	CONTENTS
17	Primary Agricultural Credit Societies – Purpose-wise classification of Loans and Advances	The classification of loans outstanding as at the end of the year according to their purposes have been furnished against each type of societies.
18	Primary Agricultural Credit Societies – Classification of Overdues – By Period,	Classification of loans and advances overdue together with the number of defaulters according to the period of default. The figure of total overdues (which will not include the extended dues) will be inclusive of the outstandings under unrenewed cash credits and overdrafts.
19	Primary Agricultural Credit Societies – Crop-wise Classification of S.T. Advances made for SAO	Details of short-term loans advanced by the primary agricultural credit societies for foodgrains and non-foodgrains crops such as wheat, paddy, millets, pulses and others under foodgrains and cotton, oilseeds, sugarcane, jute etc., under non-foodgrains.
20	Primary Agricultural Credit Societies – Classification of Loans Issued, Recovered, Outstanding and Overdues – According to size of ownership holding	The extent of finance provided by the primary agricultural credit societies to members belonging to different categories, such as land-owning cultivators, landless cultivators (tenant cultivators and agricultural labourers) and others (artisans, petty traders, etc
21	Primary Agricultural Credit Societies – Classification of Loans and Advances issued to members of SC/ST – By purpose,	Classification of loans and advances issued by the PACS to the members of SC/ST under short-term, medium-term and long-term loans according to the purpose
22	Primary Agricultural Credit Societies – Financed by Commercial Banks including RRBs	The data relate to all those-primary agricultural credit societies which have been adopted by the commercial bank/s, regional rural banks irrespective of whether they (i.e. ceded societies) were financed during the year or not.
23	Grain Banks – Number, Membership, Liabilities, Assets and Operations	‘Grain Banks’ popularly known as ‘grain golas’ in certain States such as Orissa, are primary agricultural credit societies dealing in grain, or partly in grain and partly in cash. The data is given separately for active and dormant grain banks.
24	Primary Co-operative Banks – Number of Branches, Membership, Liabilities, Assets and Operations	Details relating to number, membership, liabilities and assets in respect of each of the categories of primary co-operative banks viz. (a) Urban banks, (b) Employees’ Credit Societies and (c) Others.

Annex 2.13 (Contd.)

TABLE No.	TABLE NAME	CONTENTS
25	Primary Co-operative Banks – Purpose-wise classification of Loans and Advances Issued – By Purpose	Classification of loans advanced by the primary co-operative banks during the year according to their purposes.
26	Primary Co-operative Banks – Purpose-wise classification of Loans and Advances Outstanding – By Purpose	The classification of loans outstanding as at the end of the year according to their purposes.
27	Primary Co-operative Banks – Classification of Overdues – By Period	Classification of loans and advances overdue together with the number of defaulters according to the period of default.
28	Primary Non-Agricultural Credit Societies - Number, Membership, Liabilities and Assets	Details relating to number, membership, liabilities and assets in respect of each of the categories of Non-agricultural credit societies (not coming under the purview of the B.R. Act, 1949), viz., (a) Urban banks, (b) Employees' Credit Societies and (c) Others.
29	Primary Non-Agricultural Credit Societies - Operations	Details of loans and advances issued, Distribution activities, viz., distribution of consumer goods, Cost of management, Profit/Loss, etc.
30	Primary Non-Agricultural Credit Societies – Purpose-wise classification of Loans and Advances Issued – By Purpose	Classification of loans advanced by the primary non-agricultural credit societies during the year according to their purpose separately for each type of societies, i.e., PACS (other than FSS and Lamps), FSS and LAMPS.
31	Primary Non-Agricultural Credit Societies – Purpose-wise classification of Loans and Advances Outstanding – By Purpose	The classification of loans outstanding as at the end of the year according to their purpose for each type of societies.
32	Primary Non-Agricultural Credit Societies – Classification of Overdues – By Period	Classification of loans and advances overdue together with the number of defaulters according to the period of default
33	State Co-operative Agriculture and Rural Development Banks - Number, Membership, Liabilities and Assets	No. of Branches, Membership, Capital, Reserves, Deposits, Borrowings, Working Capital, Investments, Loans and advances issued, outstanding and overdue, etc.
34	State Co-operative Agriculture and Rural Development Banks - Operations	Loans advanced, recovered, outstanding, overdue, Debentures issued, redeemed, Demand, Collection, Balance, Cost of Management, Profit/Loss, Cost of Management, Dividend declared etc.

Annex 2.13 (Contd.)

TABLE No.	TABLE NAME	CONTENTS
35	State Co-operative Agriculture and Rural Development Banks – Purpose-wise classification of Loans and Advances Issued – By Purpose	The loans actually disbursed by the SCARDBs to the primary societies taking into account purpose-wise number of units financed have been furnished. Wherever the loans have been directly issued to individuals, the purpose-wise details of loans outstanding against individuals have been furnished. Wherever the amount of loans outstanding at PCARDB Societies and SCARDB in the federal structure are not similar and the purpose-wise details of loans outstanding at primary level do not agree with the loans outstanding at SCARDB level, the purpose-wise details of the loans outstanding as available in the books of SCARDB and its branches have been furnished.
36	State Co-operative Agriculture and Rural Development Banks - Classification of Loans and Advances Outstanding - By Purpose	
37 & 41	SCARDBs & PCARDBs– Classification of Loans Issued, Recovered, Outstanding and Overdues – According to size of ownership holding	The data pertaining to classification of loans issued to individual members according to the size of ownership (operational holdings) is furnished in respect of the branches of SCARDBs and/or PCARDBs. The total holdings of the concerned cultivator, and not the part of holdings which is actually mortgaged or charged to the primary/state land development bank, are accounted for the purpose of this classification. Further, if a loan has been partly disbursed, the amount actually disbursed is counted for the purpose of this table.
38	Agriculture and Rural Development Banks (SCARDBs & PCARDBs) – Details of Membership and Loans Advanced to Members of SC and ST	The loans advanced to the weaker sections of the community, i.e., scheduled castes and scheduled tribes and also the purpose-wise details of the loans issued are furnished.
39	Agriculture and Rural Development Banks (SCARDBs & PCARDBs) – Details of Membership and Loans Issued to Members of SC and ST – By Purpose,	
40	Primary Co-operative Agriculture and Rural Development Banks – Number, Membership, Liabilities, Assets and Operations	No. of Banks, Branches, Membership, Capital, Reserves, Deposits, Borrowings, Working Capital, Investments, Loans and advances issued, outstanding and overdue, etc., Loans advanced, recovered, outstanding, overdue, Demand,

Annex 2.13 (Contd.)

TABLE No.	TABLE NAME	CONTENTS
		Collection, Balance, Cost of Management, Profit/Loss, Cost of Management, etc.
42 & 43	Employment in Co-operative Credit Societies – State-wise & Type-wise	The data in these tables include the number of persons employed by credit societies. The data are furnished by types of societies in respect of various categories of staff.
44	Audit and Audit Classification of Credit Societies for the year	Details regarding central and the primary societies audited during the year, irrespective of the period covered by the audit. The number reported relates to the societies and not to the years in respect of which audit was completed during the year.

B: PART II – CO-OPERATIVE NON-CREDIT SOCIETIES

TABLE No.	TABLE NAME	CONTENTS
	Marketing Societies - Number, Membership, Coverage, Liabilities & Assets	No. of Societies, Coverage, Membership, Paid-up Capital, Reserves, Borrowings, Working Capital, Assets, Godowns owned by the Societies, Capacity, Storage, Cold Storages installed by the marketing societies, Business activities, Value of Purchases, Value of Sales effected as owners, Distribution activities, Processing activities, Manufacturing and Production activities, viz., Fertilizer Mixture, Pesticides, insecticides, Agri implements, Seeds, Loans advanced by marketing Societies, Loans of Credit Societies recovered by Marketing of produce, Cost of management, Profit/Loss, Govt. Aid received.
1	National & State	
2	Central	
3	Primary – Total	
4	General Purpose Marketing Societies	
5	Fruits & Vegetables Marketing Societies	
6	Arecanut Marketing Societies	
7	Coconut Marketing Societies	
8	Sugarcane Marketing Societies	
9	Tobacco Marketing Societies	
10	Cotton Marketing Societies	
11	Other Specialised Commodities Marketing Societies	

Annex 2.13 (Contd.)

TABLE No.	TABLE NAME	CONTENTS
	All Processing Societies - Number, Membership, Liabilities & Assets	Number of units, Working Capital, Paid-up capital, Reserves, Deposits, Borrowings, Closing Stock, Loans advanced, Processing activities, viz., installed capacity, quantity processed, capacity utilization, etc., supply of agricultural requisites, Loans of credit societies recovered, Profit and Loss, Cost of management, Government Aid received, Godowns owned, capacity etc.
12	National & State	
13	Central	
14	Primary	
15	Processing Societies - Sugar Factories	
16	Processing Societies - Cotton Ginning and Pressing	
17	Processing Societies - Oil Crushing	
18	Processing Societies - Paddy Processing	
19	Processing Societies - Rice Mills	
20	Processing Societies - Fruits and Vegetables	
21	Processing Societies - Other Commodities	
22	All Milk Supply/Other Livestock/ Livestock Product Unions & Societies - Number, Membership, Liabilities & Assets	Details of Number of Societies, Membership, Working Capital, Paid-up capital, Reserves, Borrowings, Fixed Assets, Loans advanced, outstanding and Overdue, Purchases, Sales Accumulated Profit/Loss, Government subsidies, etc. (Other livestock product societies include piggery societies, kennels, mutton farms, etc. Sheep-breeding societies, which rear sheep for the purpose of wool and incidentally mutton, are also included. Cattle-breeding societies which rear cattle - both milch and draught animals — for the purpose of improving the breed and draught animals for agricultural operations such as ploughing, interculture and transport or for the purpose of meat or beef are reported under other livestock.)
23	Milk Supply Unions & Societies - Number, Membership, Liabilities & Assets	
24	Ghee Unions & Societies - Number, Membership, Liabilities & Assets	
25	Other Livestock Product Unions & Societies - Number, Membership, Liabilities & Assets	
26 & 27	Poultry Unions & Societies - Number, Membership, Liabilities & Assets	

Annex 2.13 (Contd.)

TABLE No.	TABLE NAME	CONTENTS
28 & 29	Farming Societies - Joint Farming & Collective Farming - Others - Number, Membership, Coverage, Liabilities & Assets	Number of Societies, Coverage in Hectares, i.e. the area owned or acquired by the society from its members, including the leasehold lands, if any, Financial Details and Fixed Assets (including the value of all the constructions on land, such as buildings, godowns, pump-houses, cattle-sheds, machine-sheds, etc. The expenditure incurred on reclamation of land for cultivation purposes and the expenditure on land development, the value of machinery, like tractors, bull-dozer, pump-sets and other agricultural implements as well as vehicles owned by the society are also indicated), Loans & Advances, Outstanding & Overdue, Estimated Bad and Doubtful Debts and Assets, Value of Sales of commodities produced and processed, if any, Cost of Management, Profit and Loss
30	Fisheries Societies - Number, Membership, Coverage, Liabilities & Assets	Machinery (i.e., the book value of mechanical boats and other machinery including cold storage plant, mechanised fishing boats, machine spare parts, and transport vehicles owned by the society), Stocks, Payments for Acquiring Fishing Rights, Catch, Sales, Cost of Management and Government Aid.
	Weavers Societies — Number, Membership, Coverage, Liabilities & Assets	
31	National & State	Weavers' Societies are subdivided into three groups, viz. handloom, powerloom and khadi societies. Under each sub-group, separate data are furnished in regard to societies that specialize in producing cotton, woollen, and silk goods. Some of the societies are of mixed type, e.g., handloom and khadi, handloom and powerloom, etc. In such cases, the society is classified according to the value of the main item/s of production. If, for example, the value of the major portion of production of a society (51 per cent or more) is by powerlooms, it is classified under 'powerlooms' although it may undertake production of handloom cloth also.
32	Central	
33	Primary	
34	Primary - Handloom	
35	Primary - Khadi	
36	Primary - Powerloom	
	Other Industrial Societies - Number, Membership, Liabilities & Assets	
37	National & State	'Other industrial societies' have been classified into 16 broad groups for the purpose of statistical

Annex 2.13 (Contd.)

TABLE No.	TABLE NAME	CONTENTS
38	Central	data and the data are furnished separately in respect of various types of Societies at different levels. Details regarding the number of Societies Stocks, Fixed Assets, Loans, etc., Societies undertaking Production and Sale, Societies providing Supply, Sale and Other Services, Societies undertaking both Production and Sale and Provision of Supply, Sale and Other Services, Working Capital, Reserves, Other Funds and Deposits, Accumulated Loss/Profit, Government Aid, Cost of Management, Profit and Loss are furnished.
39	Primary	
40	Spinning Mills - Number, Membership, Liabilities & Assets	<p>Most of the Spinning Mills are of mixed type, i.e., admit both the growers of cotton and consumers of yarn as members. Data are furnished separately for the three types of societies, viz.</p> <p>(a) growers of cotton, (b) consumers of yarn, and (c) mixed type</p> <p>Data regarding Numbers of Mills, Number of Spindles (licensed and working), Value of Goods Produced, Value of Finished Goods Sold, Wages Paid and Other Manufacturing Expenses, Cost of Management, Profit and Loss etc., are furnished.</p>
	Consumers' Co-operative Societies - Number, Membership, Liabilities & Assets	
41	National & State Level Federations	Number of Consumers' Societies (including the number of consumer stores and departmental store run as independent society), Number of Branches, Closing Stock, Outstandings under Credit Sales, Purchases, Sales, Membership, Paid-up Capital, Borrowings, Other Assets, Fixed Assets and Accumulated Loss and Profit, Cost of Management, Profit and Loss, Number of Godowns.
42	Wholesale/Central Stores	
43	Primary Stores	
44	Pure Primary Stores	

Annex 2.13 (Contd.)

TABLE No.	TABLE NAME	CONTENTS
	Distribution of Consumers goods by Co-operative Societies in Rural Areas	
45	Total	The number of Societies undertaking distribution of Consumer Goods, number of retail branches/shops, etc., are furnished.
46	By PACS, LAMPS, FSS	
47	By Marketing Societies	
48	By Processing Societies	
49	By Consumer Societies	
50	By Other Societies	
51	Housing Societies - (State) - Number, Membership, Liabilities & Assets	Number of Societies, Membership, Paid up Capital, Borrowings, Fixed Assets, Loans, Working Capital, Reserves, Accumulated Loss/Profit, Independent Houses and Tenements Constructed during the year (only in respect of such houses or tenements where the construction work has been completed), Profit and Loss, etc., are furnished.
52	Housing Societies - (Primary) - Number, Membership, Liabilities & Assets	
	Co-operative Industrial Estate - Number, Membership, Liabilities & Assets	
53	Total	No. of Industrial estates, membership, Working Capital, Paid-up capital, Deposits, Borrowings, Investments, Fixed Assets, Loans advanced, No. of worksheds completed, occupied, Income earned, Govt. subsidies received, Cost of Management, Cost of Construction Profit and Loss, etc.
54	National & State	
55	Central	
56	Primary	
57	Labour Contract & Construction Societies - State & District (Unions) - Number, Membership, Liabilities & Assets	Number of Societies, Societies Operating in Urban and Rural Areas, Membership, Paid-up Capital, Reserves, Borrowings, Loans, Assets, Accumulated profit/loss, Work Executed (i.e the value of contracts actually executed during the year), Income Earned, Cost of Management, Profit and Loss, Value of consumer goods distributed, Govt. subsidies received etc.
58	Labour Contract & Construction Societies - (Primary) - Number, Membership, Liabilities & Assets	
59	Forest Labourers' Societies - (State) - Number, Membership, Liabilities & Assets	Number of Societies, Area of Operation of Active Societies, Membership, Working Capital, Paid-up Capital, Deposits, Borrowings, Loans, Value of

Annex 2.13 (Contd.)

TABLE No.	TABLE NAME	CONTENTS
60	Forest Labourers' Societies - (Primary) - Number, Membership, Liabilities & Assets	forest contracts allotted to the societies during the year by different authorities, viz., Government, local bodies and others, Value of forest produce collected, Value of Sales, Wages paid, Cost of Management, Govt. subsidies, Profit/Loss, Value of Consumer Goods distributed.
61	Non-Credit Societies - Others - Agricultural and Non-Agricultural - Number, Membership, Liabilities & Assets	<p>These tables relate to all the non-credit societies - agricultural and non-agricultural - covering activities that are not reported in any, of the earlier tables. 'Other Societies' include, among others, the following:</p> <ol style="list-style-type: none"> 1. Agricultural Societies - <ol style="list-style-type: none"> a) Tenant farming b) Better farming c) Crop protection d) Land revenue redemption e) Rural reconstruction f) Veterinary and first aid, etc. g) Irrigation societies h) Cooperative Cold Storage Societies 2. Non-Agricultural Societies - <ol style="list-style-type: none"> a) Cinema b) Traders c) Medical and Public Health d) Education e) Social service, etc. f) Transport societies <p>Number of Societies, Membership, Working Capital, Paid-up Capital, Deposits, Borrowings, Loans, Business Activities, Cost of Management, Govt. subsidies, Profit/Loss, and Other Financial Details in respect of state level non-credit societies if any, not included in any of the other tables, are separately reported in this table.</p> <p>Co-operative societies with objects not confined to one state and to which the provisions of the Multi-Unit Co-operative Societies Act, 1942, are applicable are reported in this table. Number of Societies, Membership, Working Capital, Paid-up Capital, Deposits, Borrowings, Loans, Details of Principal Business Undertaken, Distribution of consumer goods, Cost of Management, Govt. subsidies, Profit/Loss etc. are indicated.</p>
62	Non-Credit Societies - Others - Agricultural - Number, Membership, Liabilities & Assets	
63	Non-Credit Societies - Others - Non-Agricultural - Number, Membership, Liabilities & Assets	
64	Multi-Unit Co-operative Societies - Number, Membership, Liabilities & Assets	

Annex 2.13 (Contd.)

TABLE No.	TABLE NAME	CONTENTS
65	Co-operative Agro Service Centres - Position	Details of number of centers, no.of tractors owned, no.of farmers benefited, Income from hiring servicing, distribution of agri inputs, supply of agri machinery, profit/Loss have been given.
66	Audit & Audit Classification of Non-Credit Co-operative Societies	This table relates to the central and the primary societies audited during the year, irrespective of the period covered by the audit. The no. of societies due for audit and no. of societies audited, audit classification, etc., have been indicated.
67	Societies Under Liquidation	This table relates to societies under liquidation since the previous year/s as also those newly taken into liquidation during the year under report. The no. of societies under liquidation, societies wound up, Total assets and liabilities of the societies under liquidation, etc., are reported.
68	Co-operative Unions & Supervisory Institutions	Data on No. of Unions/Institutions, Membership, No. of Staff engaged in educational Activities, Programmes conducted, No. of beneficiaries, Training of officials/employees, Income & Expenditure, are presented.
69	Administrative Staff - Co-operative Department	This table gives particulars relating to the departmental staff, both at the headquarters and in the field. As there are different categories of headquarters and field staff in different states, only certain broad categories have been provided for. In the case of head-quarters' staff, they are (i) gazetted officers, (ii) other supervisory staff including non-gazetted officers, (iii) ministerial staff, e.g., clerks, typists, etc., and (iv) others such as peons, attendants, etc. In regard to the field staff, the columns provided for relate to senior inspectors, junior inspectors, senior auditors, junior auditors and others.
70	Employment in Non-Credit Co-operative Societies - Total	The data in this table include the number of persons employed both by credit and non-credit societies. The data are furnished by types of societies in respect of various categories of staff, viz., Managerial Staff, Other administrative Staff, Technical staff and menial staff employed.
71	Employment in Non-Credit Co-operative Societies	

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TABLE No.	TABLE NAME	CONTENTS
72	Arbitration and Execution Cases for Recovery of Loans and Advances	Information relating to arbitration cases pending, filed during the year, settled, etc., for both arbitration cases and execution cases are furnished separately.
73	Embezzlement Cases	The agency wise details of number and amount of embezzlement cases are furnished.
74	Suspension of Committees of Management	Details regarding number of Committees of Management Societies at all levels suspended and restored during the year are furnished.
75	Supersession of Committees of Management of Societies - Number -	Details regarding number of Committees of Management Societies at all levels supersede and restored during the year are furnished.
76	Data Relating to Income & Expenditure of Non-Credit Co-op. Societies - Income	The details of the income earned, viz., Interest on loans and advances, investments, commission and brokerage, subsidies & donations, etc., and expenditure incurred, viz., Interest on deposits, salaries, rent, taxes, insurance, law charges, administrative expenses, provisions, etc., during the year by the societies are furnished here.
77	Data Relating to Income & Expenditure of Non-Credit Co-op. Societies - Expenditure	

Annex 2.14**CONTENTS OF THE PUBLICATION OF STATISTICS ON RRBs**

Sr. No.	Statement Name	Content
1	Progress of RRBs	No. of RRBs/Dists/Branches, Deposits, Outstanding Advances, CD Ratio, Aver Per RRB [Deposit, O/s Advances], Aver per Branch [Deposit, O/s Advances]
2	State-wise No. of RRBs, Branches, Deposits, Outstanding Advances, Borrowings, etc.	No. of RRBs/Dists/Branches, Deposits, Loans & Advances (Outstanding) [Agri. Advances, Non-Agri. Advances, Total Advances] CD Ratio, Borrowings [NABARD, Sponsor Bank & Others]
3	Sponsor Bank-wise distribution of Deposits, Advances, Borrowings, Staff deputed, etc.	No. of RRBs/Dists/Branches, Deposits, Advances O/s in Sponsored RRBs, Total Borrowings, Borrowings from Sponsor Bank, Sponsor Banks Refinance to O/s Adv. of its Sponsor RRBs, Officers deputed by Sp.Bank
4	Region/State/Bank-wise distribution of Offices, Deposits, Outstanding Advances and Loans issued	No. Dist./Branches, Deposits/Outstanding Credit/ Loans Issued [No. of A/cs, Amount], CD Ratio
5	Sponsor Bank-wise distribution of Deposits, Outstanding Advances, Loans issued, Borrowings, etc.	CD Ratio, Loans Issued [A/cs, Amount], Borrowings [Total Sp. Bank], Investments, Staff Position [Own/ Sp. Bank]
6	Region/State/District-wise Branches, Deposits, Outstanding Advances and Loans issued	No. of Branches, Deposits/ O/S Advances/ Loans Issued [No. of A/cs, Amount], O/S Advances/Loans Issued [to SC/ST – to Minorities] [No. of A/cs, Amount]
7	Region/State/Bank-wise Classification of Deposits	Current/Savings/Term/Total [No. of A/cs, Amount]
8	Region/State/Bank-wise Borrowings from Sponsor Banks, NABARD, SIDBI & Others	Sponsor Bank, NABARD [ST/MT/LT – Total], SIDBI, Others, Total
9	Region/State/Bank-wise classification of Outstanding Advances	Sponsor Bank, Priority Sector Advances [ST(Crop Loans)] [Term Loans(Agri. & All.)] [Rural Artisans] [Small Scale Inds], [Retail Trade, etc.] [SHGs][others], Non-Priority Sector Adv., total Advances [No. of A/cs, Amount]
10	Region/State/Bank-wise classification of Loans Issued	Sponsor Bank, Priority Sector Advances [ST(Crop Loans)] [Term Loans(Agri. & All.)] [Rural Artisans] [Small Scale Inds], [Retail Trade, etc.] [SHGs][others], Non-Priority Sector Adv., total Advances [No. of A/cs, Amount]

Annex 2.14 (Concl.d.)

Sr. No.	Statement Name	Content
11	Region/State/Bank-wise Asset Classification NPA Position	Standard Assets, Sub Standard Assets, Doubtful Assets [Unsecured] [Secured] [Upto 1 year, 1 – 3 year, Above 3 years], Loss Assets, total NPA
12	Region/State/Bank-wise Asset Classification and NPA Position	Standard Assets, Sub Standard Assets, Doubtful Assets [Unsecured] [Secured] [Upto 1 year, 1 – 3 year, Above 3 years], Loss Assets, total NPA
13	Region/State/Bank-wise Balances with Banks	Cash, Balances with RBI, Current Account Balance, with Sp.Bank, Investments [Term Deposits with Banks, Money at Call, Other Investments, Total]
14	Region/State/Bank-wise Staff Position	Regional Rural Bank Staff [Officers, Clerks, Others, Total of which Belonging to SC/ST, Total Trained Staff, Staff Trained during the year], Sponsor Bank Staff
15	Region/State/Bank-wise Demand, Collection & Balance (DCB) Position as on 30 June 2002	Demand, Collection, Balance, % of Recovery [No. of A/cs, Amount]

Annex 2.15**URBAN COOPERATIVE BANKS: DESCRIPTION OF RETURNS, PERIODICITY AND DUE DATE OF SUBMISSION**

Sr. No.	Return Name	Description	Periodicity	Submitted by	Due Date
1.	Average Daily Balance	Section 42(1) of RBI Act 1934-maintenance of Cash Reserve Ratio (CRR) by Scheduled Primary (Urban) Cooperative Banks	Fortnightly	RBI-DAD	Usually DAD forwards to ROs the next fortnight
2.	Balance Sheet	BR Act (AACS) Sec.29 & 31	Yearly as on 31 March	All UCBs	On or before 30 September
3.	Form B	RBI Act Sec 42	Fortnightly	Scheduled banks	Within 7 days from the reporting Friday/ last Friday of the month
4.	Form IX	BR Act (AACS) Sec.27	Monthly	All UCBs	Last day of the subsequent month
5.	Form IX (special)	BR Act (AACS) Sec.27	Yearly as on 31 March	All UCBs	15th May
6.	Form VIII	BR Act (AACS) Sec 18 & 24	Yearly as on 31 December	All UCBs	Within 30 days from the close of the calendar year
7.	Form I with appendices I & II	BR Act (AACS) Sec 18 & 24	Monthly	All UCBs	20th of the subsequent month
8.	Form II	BR Act (AACS) Sec 20 (2)	Monthly	All UCBs	Last day of next month
9.	Monetary Aggregated	Non Statutory	Monthly	Deposits Rs.10 crore and above	10th of next month
10.	Penal interest	**BR Act (AACS) Sec 18 & 24	Whenever there is default in maintenance of CRR & SLR	All UCBs - defaulting	As soon as the Form I is received
11.	Penalty register	**BR Act (AACS) Sec 46(A) 47A	Whenever there is default in submission of the returns	All UCBs - defaulting	Show cause is issued after due date of that particular return
	Licensing				
1.	Allotment Register			RBI	Whenever required
2.	Bank licensing register	**BR Act (AACS) Sec 22		RBI	Whenever required

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Sr. No.	Return Name	Description	Periodicity	Submitted by	Due Date
3.	Branch Licensing Register	**BR Act (AACS) Sec 23		RBI	Whenever required
4.	Form VI Statement of Offices in India	BR Act (AACS) Sec 23	Quarterly	All UCBs	Within one month from the close of the quarter
	Planning				
1.	Loans and Advances to Priority Sector/ weaker Section	Non -Statutory	Yearly	All UCBs	Within one month from the end of period to which it relates
2.	Priority Sector Advances Credit Flow to Minority	Non -Statutory	March & September	All UCBs	Within one month from the end of period to which it relates
3.	UCB's Investment in other UCBs/ Institutions	BR Act (AACS) Sec 19	Quarterly	All UCBs	within one month from the end of period to which it relates
	ALM (Asset Liability Management)				
1.	Interest Rate Sensitivity	Non-Statutory	Last reporting Friday of the month	Scheduled banks	
2.	Short term Dynamic Liquidity	Non-Statutory	Monthly	Scheduled banks	
3.	Statement of Structural Liquidity	Non-Statutory	Monthly	Scheduled banks	
	MIS (Management Information System)				
1.	Statement of suit filed account of Rs.1 crore & above	Non-Statutory	Quarterly	Scheduled banks	Within one month from the close of the quarter
2.	Statement for willful defaults of Rs. 25 lakhs & above	Non-Statutory	Quarterly	Scheduled banks	Within one month from the close of the quarter
	Rehabilitation				
1.	Annual financial Review		Annually	All UCBs	
2.	Banks under Direction	Non-Statutory		RBI	
3.	Banks under Liquidation	Non-Statutory		RBI	

Annex 2.15 (Contd.)

Sr. No.	Return Name	Description	Periodicity	Submitted by	Due Date
4.	Banks under Supersession	Non-Statutory		RBI	
5.	Quarterly Progress Report		Quarterly	All UCBs	
	Directive				
1.	Advances against security of Shares/ Debentures	Non-Statutory	Quarterly	All UCBs	Within 15 days from the close of the quarter
2.	Annual NPA	Non-Statutory	Yearly	All UCBs	Within 2 months from the end of the financial year
3.	Daily Call & Notice Money	Non-Statutory	Fortnightly	All UCBs	Within 10 days from the close of the fortnight
4.	Loans & Advances to the Bank's Directors	Non-Statutory	Quarterly	All UCBs	Within 15 days from the close of the quarter
	Fraud				
1.	Actual reports	Non-Statutory	No fixed periodicity	ALL UCBs	As soon as cases come to the notice of a bank
2.	Category Classification	Non-Statutory	Quarterly		
3.	Complaint Register	Non-Statutory		RBI	No fixed periodicity but as soon as the bank reports
4.	Frauds Outstanding	Non-Statutory	Quarterly	All UCBs	15 days from the close of the quarter
5.	Report on dacoities/ Robberies/Theft/ Burglaries	Non-Statutory	Quarterly*	All UCBs	Within one week of occurrence
	Off-site Surveillance(OSS)				
1.	I-Statement on Assets & Liabilities	Non-Statutory	Quarterly	Scheduled banks - Deposits more than Rs.100 crore	6 weeks from the close of the Quarter
2.	II-Statement of Earnings	Non-Statutory	Quarterly	Scheduled banks - Deposits more than Rs.100 crore	6 weeks from the close of the Quarter

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Sr. No.	Return Name	Description	Periodicity	Submitted by	Due Date
3.	III-Statement on Asset Quality	Non-Statutory	Quarterly	Scheduled banks - Deposits more than Rs.100 crore	6 weeks from the close of the Quarter
4.	IV- Statement on Non Performing Assets	Non-Statutory	Quarterly	Scheduled banks - Deposits more than Rs.100 crore	6 weeks from the close of the Quarter
5.	V – Statement on Segment/Sector	Non-Statutory	Quarterly	Scheduled banks - Deposits more than Rs.100 crore	6 weeks from the close of the Quarter
6.	VI-Statement on Connected Lending	Non-Statutory	Quarterly	Scheduled banks - Deposits more than Rs.100 crore	6 weeks from the close of the Quarter
7.	VII-Statement on CRAR	Non-Statutory	Quarterly	Scheduled banks - Deposits more than Rs.100 crore	6 weeks from the close of the Quarter
8.	VIII-Statement on Bank Profile	Non-Statutory	Yearly, as on 31 March	Scheduled banks - Deposits more than Rs.100 crore	6 weeks from the close of the Quarter

* difference in Manual & Application.

** RBI executes under the given provision.

3. FLOW OF FUNDS ACCOUNTS COMPILATION

3.1. Introduction

In the system of national accounts, flow of funds accounts is one of the four complementary systems of national economic accounting; the other three being: national income accounts, national balance sheet and input – output analysis. The compilation of flow of funds accounts for the Indian economy was initiated in 1959 under the joint auspices of Central Statistical Organisation (CSO) and the Reserve Bank of India. Later in 1959, a model set of accounts, which could be followed was suggested by Working Group constituted for the purpose. This Group took note of statistics then available and the important work done by Prof. H.W. Arndt of the National University of Australia in 1959. Subsequently, the work was developed by RBI and published the financial flow accounts regularly. The flow of funds accounts explains the routes of financing the investment and also the interaction between economic activity and financial activity, portraying simultaneously the funds transacted between different economic units. The flow of funds accounts thus represent a set of accounts designed to show transactions between different economic units effected through medium of money and credit. These transactions exclude barter, book-keeping transfers of internal nature pertaining to a particular unit, intra-unit transactions and inputted transactions.

The flow of funds accounts can be divided into financial flows and non-financial flows. The later category covers the transactions relating to current receipts, current payments, which involve the exchange of goods and services for money or near money holdings or unilateral transfers, and the real assets formation, viz., fixed assets formation and increase in inventories. The current receipts and current payments appear in the current account whereas the real assets formation and its financing appear under capital account. The transactions relating to borrowing and lending operations resulting in borrowing or repayment of debt and increase/decrease in financial assets are termed as financial flows.

By the very nature, the term 'flow of funds' indicates transactions of any economic unit during a period of time. The sources of funds constitute the increase in liabilities (borrowing) and decrease in assets (reduction of money balances and assets). The uses of funds comprise decrease in liabilities (repayment of debt) and increase in assets (acquisition of assets). When the accounts are presented on these lines, they are said to be on 'gross basis'. But in practice, however, such data are not available for all sectors to present the accounts on gross basis and, therefore, they are presented on net basis. In other words, net increase in liabilities and net increase in assets are only presented.

The next few sections present various sources of data and to a large extent, the compilation procedure of the financial flow of funds accounts (also referred as financial flows accounts). Thus, the term 'flow of funds' referred to in the section henceforth, would generally relate to financial flows accounts.

3.2. Sectoral Classification of Indian Economy

For the purpose of Flow of Funds (FOF) accounts, the Indian economy is divided into six sectors, the criteria for the classification being the institutional structure and activity status.

The six sectors are (i) Banking, (ii) Other Financial Institutions, (iii) Private Corporate Business, (iv) Government, (v) Rest of the World and (vi) Households. This is in line with the recommendations of the Working Group on Flow of Funds, 1963. Broad coverage of each sector is set out below:

- (i) **Banking Sector:** It covers institutions whose liability consists of currency and deposits. Specifically, the Reserve Bank of India, which is the currency issuing authority, and deposit taking banks comprising commercial banks, co-operative banks and credit societies are included. The commercial banks comprise the State Bank of India and its subsidiaries, other

nationalised banks, Regional Rural Banks (RRBs), other Indian scheduled and non-scheduled commercial banks, and foreign banks operating in India. 'The co-operative banks and credit societies' cover State Co-operative Banks, Central Co-operative Banks, Primary Cooperative Banks, Agricultural and Non-agricultural Credit Societies, Central and Primary Land Development Banks, and Industrial (State and Central) Cooperative Banks.

- (ii) **Other Financial Institutions:** Institutions covered under this sector are listed in Annex 3.1. The sector covers i) financial corporations and companies ii) insurance and iii) provident and pension funds. Financial corporations, covering development financial institutions at all India and state levels, Unit Trust of India (UTI), mutual funds and non-banking financial and investment companies. The insurance sub-sector comprises life and general insurance corporations and companies. The non-government provident fund includes the Employees Provident fund Scheme, Seamen's P.F. Scheme, Employees P.F. of RBI, Commercial banks, etc. (See Annex 3.1 for details).
- (iii) **Private Corporate Business Sector:** The cooperative non-credit societies and the non-government non-financial companies are the two sub-sectors in this sector. The co-operative non-credit societies comprise marketing societies, co-operative sugar factories, cotton ginning and pressing societies, milk supply unions and societies, fisheries societies, farming societies, irrigation societies, consumers' co-operative stores, housing societies, weavers' societies, spinning mills, etc. as detailed out in Annex 3.1. Non-government non-financial companies comprise public and private limited companies (including foreign controlled rupee companies), which are registered in India under the Indian Joint Stock Companies Act, 1956, and branches of foreign companies operating in India. Operating companies are defined as companies, which have commenced regular

commercial production and started earning income from their main activity. However, the following companies are excluded: (i) companies under construction, (ii) promotional and developmental organisations/associations not functioning for profit, (iii) companies which do not report any business/activity, (iv) companies which are on the verge of liquidation, (v) companies which have sold out their assets, (vi) companies which are under the process of winding up and (vii) companies which have already applied for voluntary liquidation, as on a particular date.

- (iv) **Government:** The constituents of this sector are: (a) central government and its departmental commercial undertakings, (b) state governments and union territories including their departmental commercial undertakings, (c) local authorities (covering city corporations, municipalities, panchayats and port trusts) and (d) government non-departmental non-financial commercial undertakings including state electricity boards. The post office savings banks are also included.
- (v) **Rest of the World:** The sector covers transactions of resident units with all non-resident units covering Indian nationals abroad, foreign nationals and international institutions. A list of international institutions covered in the sector is furnished in Annex 3.3.
- (vi) **Households:** This is the residual sector comprising the individuals, households, non-government non-corporate enterprises of farm/firm business and non-farm/firm business, (like sole proprietorships and partnerships), trusts and non-profit institutions.

3.3 Instruments

The available financial instruments are grouped into the following eleven categories in FOF accounts:

- (i) **Currency:** It includes notes in circulation issued by the Reserve Bank and one-rupee

notes and coins issued by the Government of India.

- (ii) **Deposits:** Under this head, deposits held with RBI, commercial banks, co-operative banks, cooperative credit and non-credit societies as also deposits received by financial corporations, government and Rest of the World are included. Deposits with non-banking companies are also included here. Compulsory deposits with RBI, which are shown separately, are excluded.
- (iii) **Investments:** This category covers the following instruments:

Government Securities: This includes market loans, treasury bills, special bonds (including bearer bonds) and compensation bonds issued by the central and state governments and central government's borrowing from RBI against compulsory deposits.

Other Securities of Government (other than small savings): This includes bonds, shares and debentures issued by the port trusts, municipal corporations, housing boards, state electricity boards and non-departmental non-financial undertakings.

Securities of Banks: This refers to the paid-up capital of RBI and commercial banks; shares and debentures issued by co-operative banks and credit societies.

Securities of Other Financial Institutions: Shares, units, bonds and debentures issued by financial corporations, non-banking financial companies and insurance companies are covered here.

Private Corporate Securities: Shares and debentures issued by non-government non-financial companies and co-operative non-credit societies are included under this head.

Foreign Securities: Securities issued by foreign institutions, foreign exchange assets appearing against investments under sources of funds of the Rest of the World sector are covered here.

Other Securities: When the details of securities are not identified against any sector, they are shown under this category.

- (iv) **Loans and Advances:** Items included under this head are borrowings of all sectors.
- (v) **Small Savings:** National Savings Certificates, Post Office Deposits, etc., issued by Central Government are included under this instrument.
- (vi) **Provident Fund:** Non-government provident funds and government provident funds are covered here. Pension funds are also included here.
- (vii) **Life Fund:** Items covered under this head are life insurance fund of Life Insurance Corporation of India (LIC), postal insurance fund of central government and state governments' insurance fund.
- (viii) **Compulsory Deposits:** This refers to deposits held with RBI in pursuance of the legislative requirement, viz., *Compulsory Deposits Scheme, 1974*. The Scheme has since been withdrawn.
- (ix) **Trade Credit/Debt:** Under this head, trade credit/debt by non-government non-financial companies, government non-departmental undertakings and port trusts is reported.
- (x) **Foreign Claims Not Elsewhere Classified:** Certain foreign claims, which could not be classified under any of the instruments listed above are shown here. Such items are (i) commercial banks' branch adjustments - outside India, (ii) excess of assets over liabilities as per Form X ' ' and (iii) such other items which may appear under sources/uses of funds.
- (xi) **Other Items Not Elsewhere Classified:** The items, which could not be classified under any of the above listed instruments, are shown here. The items may be different for sources and uses of funds. Generally, bills payable/receivable, branch adjustments in India, other financial

liabilities, other financial assets are reported here. For the central government, net purchase of domestic gold and silver (uses of funds) is also shown against this category.

3.4. Sources of Data

In view of the comprehensive coverage and disaggregated presentation, voluminous data are required from different sources to prepare FOF accounts. In India, the required data are culled

out from published balance sheets, statements on sources and uses of funds of the concerned institutions, data available in surveys and from special returns designed exclusively for constructing FOF accounts. However, no independent accounts for the household sector are available. Accounts for the household sector are prepared as residual based on the accounts of the other five organized sectors described earlier. Table 3.1 presents the sector-wise details of sources of data.

Table 3.1 : Sources of Data for Compilation of FOF Accounts

Sector	Sources
1. Banking	
1.1 Reserve Bank of India	<ol style="list-style-type: none"> 1. Statement of affairs of the Reserve Bank of India as on March 31 (<i>RBI Bulletin</i>). 2. Data on 'notes in circulation' and 'circulation of rupee coin and small coin', as on March 31 (<i>RBI Bulletin</i>). 3. Special returns from regional offices of the RBI and Department of Government and Bank Accounts, RBI, relating to: <ol style="list-style-type: none"> (i) Bills payable; (ii) Other deposits; (iii) Other assets; (iv) Other liabilities; and (v) Break-up of investments by the Banking Department of the RBI.
1.2 Commercial Banks	<ol style="list-style-type: none"> 1. Data on certain items of assets and liabilities of scheduled commercial banks as on last reporting Friday (<i>RBI Bulletin</i>). 2. Survey of ownership of deposits with scheduled commercial banks in India as on the last Friday of March (<i>RBI Bulletin</i>). 3. Survey of investments of scheduled commercial banks as at the end of March (<i>RBI Bulletin</i>). 4. Survey on outstanding credit of scheduled commercial banks (according to organisation and occupation) (<i>Basic Statistical Returns</i>, RBI). 5. Deployment of gross bank credit by major sectors as on the last reporting Friday (<i>RBI Annual Report</i>).

Sector	Sources
<p>1.3 Co-operative Banks and Credit Societies</p>	<p>6. Form X on various items of assets and liabilities of scheduled and non-scheduled commercial banks, as on March 31.</p> <p>1. Assets and liabilities of the co-operative banks and credit societies, published in <i>Statistical Statements relating to Co- operative Movement in India Part I - Credit Societies</i>, NABARD.</p> <p>2. Special information on assets and liabilities of state and district central co-operative banks.</p>
<p>2. Other Financial Institutions</p> <p>2.1 Development Financial Institutions</p> <p>2.2 Unit Trust of India</p> <p>2.3 Insurance</p> <p>2.4 Mutual Funds</p> <p>2.5 Non-Government Provident Fund</p> <p>2.6 Financial and Investment Companies</p>	<p>1. Balance sheets of the development financial institutions (as given in their respective <i>Annual Reports</i>).</p> <p>2. Special information relating to assets and liabilities of State Industrial Development Corporations.</p> <p>1. Balance sheet of Unit Trust of India (<i>Annual Report</i>, UTI).</p> <p>2. Special information giving scheme-wise details of UTI's balance sheet.</p> <p>Balance sheets of LIC, GIC, DICGC, ECGC and four subsidiaries of GIC and annual reports of private insurance companies from 1990's onwards. Indian Insurance Year Book for years prior to nationalization of Insurance companies.</p> <p>1. Balance sheets of various Mutual Funds.</p> <p>2. Special information on various items of assets and liabilities from mutual funds.</p> <p>Balance sheets of employees' provident fund (EPF) organization, coal mines provident fund organization, seamen's provident fund organization, and Assam tea plantations provident fund organization, provident funds of RBI, commercial banks, LIC, dock labour boards, all port trusts, state financial corporations, Industrial Finance Corporation of India and Air India/Indian Airlines, etc.</p> <p>1. Studies on finances of financial and investment companies (<i>RBI Bulletin</i>).</p> <p>2. Articles on growth of deposits with non-banking companies (<i>RBI Bulletin</i>).</p>

Sector	Sources
<p>3. Private Corporate Business</p> <p>3.1 Non-Government Non-Financial Companies</p> <p>3.2 Co-operative Non-Credit Societies</p>	<p>1. Published articles relating to assets and liabilities of medium and large public limited companies, medium and large private limited companies (<i>RBI Bulletin</i>).</p> <p>2. Data on global paid-up capital from Department of Company Affairs, Government of India.</p> <p>Assets and liabilities of co-operative non-credit societies; published in <i>Statistical Statements relating to Co-operative Movement in India, Part II - Non-credit Societies</i>, NABARD.</p>
<p>4. Government</p> <p>4.1 Central Government</p> <p>4.2 State Governments and Union Territories</p> <p>4.3 Local Authorities</p> <p>4.4 Government Non-Departmental Non-Financial Enterprises</p>	<p>1. <i>Economic and Functional Classification</i> of central government budget.</p> <p>2. <i>Finance Accounts</i> of the union government.</p> <p>3. <i>Budget documents</i> of the central government.</p> <p>4. Ownership pattern of central government securities (<i>Report on Currency and Finance</i>, RBI).</p> <p>5. Special information on ownership of Government of India Treasury Bills as on March 31.</p> <p>1. Consolidated finances of state governments and union territories (<i>RBI Bulletin</i>).</p> <p>2. Finance accounts of each state government/combined finance and revenue account of the union and state governments in India.</p> <p>3. Ownership pattern of state governments securities (<i>Report on Currency and Finance</i>, RBI).</p> <p>Assets and liabilities of port trusts (<i>Annual Reports</i> of various port trusts).</p> <p>1. Assets and liabilities of public sector enterprises (<i>Public Enterprises Survey</i>, Bureau of Public Enterprises, Government of India).</p> <p>2. Assets and liabilities of state electricity boards and Damodar Valley Corporation (as published in respective <i>Annual Reports</i>).</p> <p>3. Articles on growth of deposits with non-banking companies (<i>RBI Bulletin</i>).</p>

Sector	Sources
5. Rest of the World	Special information on payments and receipts under (i) Private capital, (ii) Official miscellaneous capital, and (iii) Banking capital, from balance of payments accounts published by RBI.
6. Household	The accounts of this sector have been basically drawn from the accounts of all five sectors described above. Assets or uses of funds reflected in these sectors against household sector represent liabilities or sources of funds of household sector. Similarly liabilities or sources of funds from household represent assets or uses of funds of household sector. Thus there is no separate published source giving data on household sector.

3.5 Methodology of Compilation

The FOF Accounts are compiled based on a systematic procedure following several steps. At the outset, transactions of financial nature should be segregated from transactions in non-financial nature. However, transactions of non-financial nature have been broadly described in Section 4.1 'Introduction'. Based on these, transactions of financial and non-financial nature have been segregated. For example, change in fixed assets of an institution is reflected in its non-financial flows while cash holdings under the system are grouped under financial flows. All transactions of financial nature should, therefore, be identified and included in financial flow funds. In the second stage, the transaction of financial nature are assigned to different sectors depending upon the sector from whom or to whom the funds to be borrowed or lent. Further, intra-sectoral transactions are netted out, while inter-sectoral transactions will be entered in two places - the sector from which the funds have come and the recipient sector. In the third stage, the transaction of financial nature are categorised as either sources or uses depending upon the receipt and payment criteria described earlier. The following section describes the procedure of compiling sources/uses of funds according to instrument-wise and sector-wise classification.

3.5.1 Banking Sector

The accounts of the three sub-sectors under this sector are prepared independently on the basis of

their balance sheets. The balance sheet data pertain to March 31 for RBI, June 30 for co-operative banks and credit societies, and last reporting Friday of March for commercial banks. The choice of last reporting Friday as against March 31 for commercial banks is preferred to avoid the year-end bulge in a number of items of assets and liabilities. The procedure of the compilation of the accounts as well as estimation of sectoral particulars in respect of different instruments is presented below for each sub-sector.

a) Reserve Bank of India

Notes in Circulation

'Notes in circulation' comprise bank notes (i) held in Banking Department of RBI, and (ii) in circulation (i.e., outside the RBI). Bank notes and rupee coins in circulation are held by different institutions/sub-sectors as part of their saving and also for day to day transactions. As the cash held by different institutions/sub-sectors includes both the bank notes and the government notes, break-up for each sub-sector is made by assuming that their ratio to one another is the same as indicated in the data on total 'notes in circulation' and total 'circulation of rupee coins and small coins' as on March 31 of the respective year. The sectoral distribution of bank notes has been worked out based on the cash held by different organized sectors reported in their accounts and households part is obtained as residual.

Paid-up Capital

The paid-up capital of RBI has remained constant at Rs.5 crore since 1948. As there is no change in the amount so far, the flow on this account is nil.

Deposits

The deposits with RBI are classified as deposits of commercial banks, co-operative banks, insurance companies/corporations, financial corporations, and provident funds, government, Rest of the World, Compulsory Deposits, and others (items like cheques for collection account, uncleared items of the credit account, sundry deposits, etc., which could not be allocated to any sector). In order to segregate 'other' deposits into these institutional/sub-sectoral details, special information as on March 31 is called for from the regional offices of the RBI. 'Other deposits' of the RBI, after excluding the Compulsory Deposits, are proportionately allocated to different sectors based on the sectoral pattern of 'other deposits' indicated in the special information. After estimating the sectoral figures, the deposits held under Account No.1 of the International Monetary Fund (IMF) with the RBI are deducted from the deposits estimated against the Rest of the World sector and shown separately as loans from IMF. This modification is made in the accounts of RBI sub-sector because the above transactions in the Rest of the World sector's accounts are shown as loans to the official sector (RBI).

Bills Payable

'Bills payable' include (a) outstanding drafts issued among the offices of RBI (b) outstanding payment orders issued by RBI for local payments and (c) outstanding balance in the remittance clearance account. Since 1975-76, a special return as on March 31, is being received from the regional offices of RBI. The amount of bills payable, as given in the Statement of Affairs, is allocated to different sectors on the basis of the sectoral pattern derived from this special return.

Other Liabilities

The extent of transactions in non-financial instruments is excluded from 'other liabilities'

by identifying such items. For this purpose, a special return is used.

Rupee and Small Coins

This item comprises the holdings of the Issue and the Banking Departments of the RBI in the form of rupee notes/coins of all denominations of the Central Government and also any other commemorative coins (even if they are of higher denomination) issued by the Government of India. Rupee notes/coins are shown as the RBI's claim on the Government Sector, because rupee notes/coins are shown as the currency liability of the Government.

Gold Coin and Bullion

Stock of gold held by RBI in its vaults is shown against this head. The gold purchased by RBI, as part of its transactions, from the International Monetary Fund (IMF) is also included here. The increase in the value of gold holdings due to revaluation is not shown under the financial flows accounts. This particular amount due to revaluation is shown against revaluation account and, therefore, only the increase in the value of gold due to rise in physical stock of gold is shown under the financial flows. It is considered as a foreign asset and shown against the 'Rest of the World' sector for the sectoral classification.

Foreign Assets

Foreign assets of RBI comprise 'foreign securities' held in the Issue Department and 'balances held abroad' in the Banking Department. These include short-term securities, cash balances and fixed deposits with foreign central banks and other major international commercial banks. As these relate to transactions of RBI with foreign governments/central banks and international institutions, these are classified against the 'Rest of the World' sector under sectoral presentation and as 'investments - foreign securities' in the instrument-wise classification.

Investments

The Statement of Affairs of RBI presents data only on aggregate investments. Hence, we take recourse to a special return for details of composition of such investments.

Loans and Advances

Data on loans and advances out of the National Agricultural Credit (Long Term Operations) Fund, the National Agricultural Credit (Stabilisation) Fund, the National Industrial Credit (Long Term Operations) Fund and loans from other funds are separately available.⁵ Recipients of loans are classified in the Statement of Affairs, as (a) Central Government, (b) State Governments and union territories, (c) commercial banks, (d) co-operative banks and (e) financial corporations. 'Internal bills purchased and discounted' are also included under loans and advances, as these are the bills of commercial banks that are discounted by RBI. Loans to employees for purchase of cars, etc., are shown as loans to the Household sector, whereas housing loans are classified as loans to co-operative non-credit societies as a large part of such loans is given to the co-operative housing societies.

Other Assets

Since the details of 'other assets' are not reported in the Statement of Affairs, a special return from the regional offices of RBI is utilised for this purpose. The items of non-financial nature such as dead stock account are excluded from other' assets.

b) Commercial Banks

The data on assets and liabilities of all scheduled commercial banks (including RRBs) as on the last reporting Friday of March are drawn from the return obtained under Section 42(2) of the Reserve Bank of India Act, 1934 (hereafter referred to as Section 42 return). Form X, a monthly return received in RBI under Section 27 of the Banking Regulation Act, 1949, presents data on all items of assets and liabilities including those available in Section 42 return for all commercial banks and the data on March 31 is considered to compile the accounts of this sub-sector. The details which are not available from the Section 42 return are supplemented with data available from the Form X return. Different survey results on bank credit, deposits and investments [viz., Basic Statistical Returns (BSR) 1, 4 and 5] are used for estimating sectoral details under these instruments. A brief account

of the instrument-wise compilation is presented below:

Paid-up Capital

The data on paid-up capital are obtained from the Form X return which is available for five groups of banks, viz., (a) State Bank of India and its subsidiaries, (b) nationalised banks, (c) other Indian scheduled banks (including RRBs), (d) scheduled foreign banks and (e) functioning non-scheduled banks. These banks are regrouped to work out the ownership details of their paid-up capital into: (i) public sector banks, (ii) RRBs and (iii) other Indian scheduled and (iv) non-scheduled banks (residual).

The RBI and Central Government hold the paid-up capital of public sector banks. However, it is observed that the accounts of the Life Insurance Corporation of India (LIC), still show investment in shares of certain nationalised banks, perhaps, due to non-receipt of compensation. Therefore, to derive the figure for the Central Government's share, the LIC's contribution is subtracted along with that of the RBI's, from the total paid-up capital of the public sector banks. In recent years, public sector banks have been accessing the primary market with public offer of their equity shares. The ownership of paid-up capital of RRBs is divided among the Central Government, State Governments and commercial banks in the ratio 50:15:35. Thus, the paid-up capital of all the commercial banks is allocated among (a) RBI, (b) commercial banks, (c) LIC, (d) Central Government, (e) State Governments and (f) households.

Deposits

The data on deposits are obtained from the Section 42 return, which gives aggregate demand and time deposits. The particulars of ownership of these deposits are estimated on the basis of the survey on 'ownership of deposits with scheduled commercial banks' as on the last Friday of March, available through the Basic Statistical Return - 4. The ownership details are available by type of deposits, viz., current, saving, fixed and other deposits. The relationship of

current, savings and fixed deposits available in Form X is applied separately to the aggregate deposits 'from others' from the Section 42 return, to split-up the aggregate deposits into current, saving and fixed (including cash certificates) deposits. The deposits thus estimated are allocated among the various sectors on the basis of the ownership survey, separately for current, savings and fixed deposits. The ownership details of the deposits from banks are shown against commercial banks, which include Indian commercial banks (both public and private sector banks), foreign resident banks (offices of foreign banks operating in India) and co-operative banks. The deposits from others are classified into financial corporations, insurance companies/corporations, non-government provident funds, co-operative non-credit societies, non-government non-financial companies, government (including government non-departmental undertakings), rest of the world and household sector.

Bills Payable

Details of this item are given under bills payable in India and bills payable outside India. The latter part is shown against the Rest of World sector. In the absence of more details on the former category, the total amount is shown as 'sector not elsewhere classified'. In the instrument-wise classification, this is shown as 'item not elsewhere classified'.

Branch Adjustments

The data under this head are available for branch adjustments (a) with offices in India and (b) with offices outside India. While the second category represents transactions with the Rest of the World sector, the first category represents intra-commercial bank transactions. An item 'branch adjustments among offices in India' also appears under the asset side.

Miscellaneous Liabilities

The data on this item are obtained from Form X return. It comprises various items of financial and non-financial nature, such as, unclaimed dividends, staff gratuity account, investment fluctuation reserves, provision for tax liability,

reserve for bad and doubtful debts, special reserves, secret reserves, and interest accrued on deposits outstanding. A similar item, viz., 'other intangible assets' appears on the assets side. It includes interest accrued on investments; advance tax paid less provision and tax deducted at source, sundries like suspense, temporary advance, security deposits, clearing and other adjusting accounts. Miscellaneous liabilities net of 'other intangible assets (excluding inter-commercial bank transactions)' are assumed to represent the financial part for FOF accounts.

Cash in Hand

Cash in hand is taken from the Section 42 return. This item is split into bank notes and government notes, as described in the accounts of RBI. Bank notes are classified against the banking sector (RBI) while the government notes are shown under the government sector.

Balances with RBI and Banks, Money at Call and Short Notice

The data on these items are obtained from the Section 42 return under the sub-heads (a) balances with RBI, (b) balances with other banks - (i) in current account and (ii) other accounts and (c) money at call and short notice. The item, 'balances with other banks in current account' covers balances with commercial banks and co-operative banks. Its allocation into these two categories of banks is made on the basis of the Form X return. Balances with commercial banks in other accounts are considered as fixed deposits with commercial banks.

Investments

The Section 42 return in the case of scheduled banks and Form X return in the case of non-scheduled banks are the main sources of information on investments. The Section 42 return furnishes data on (a) government securities, and (b) other approved securities separately. The break-up of government securities into (i) central government securities, (ii) government treasury bills and (iii) state government securities, is obtained on the basis of the details given in the Form X return. Other

approved securities comprise securities approved under Section 5(a) of the Banking Regulation Act, 1949. Their sectoral allocation is worked out for both the scheduled and the non-scheduled banks on the basis of 'survey of investments of scheduled commercial banks as on March 31' (Basic Statistical Return - 5) conducted by RBI.

Bank Credit

Total bank credit consists of 'loans, cash-credits and overdrafts', 'inland bills-purchased and discounted' and 'foreign bills-purchased and discounted'. The first category represents all types of credit facilities (other than bills) such as demand loans, term loans, cash-credits, overdrafts, packing credits. Inland bills represent bills drawn and payable in India including demand drafts and cheques purchased and discounted (excluding bills rediscounted with RBI and other financial institutions). Foreign bills include all import and export bills including demand drafts drawn in foreign currencies and payable in India. The data on total bank credit collected from the Section 42 return, are available separately in respect of advances to banks and others. Since 'advances to banks' include advances to co-operative banks, commercial banks in India and banks outside India, these details are worked out on the basis of the Form X return. Advances to 'others' relate to the credit extended to other co-operative societies, other financial institutions, non-government non-financial companies, government (including government companies) and households. The detailed information on bank credit according to organisation and occupation (industrial activity) is available in the survey on outstanding credit of scheduled commercial banks (Basic Statistical Return-1). The occupational groups classified for the purpose are: (i) agriculture, (ii) medium & large industry, (iii) small-scale industry, (iv) wholesale trade-food procurement purpose and others, (v) other priority sectors, namely, retail trade, personal and professional services and transport operators, and (vi) all others (including personal loans). Under these occupational groups, the Household sector covers institutions like partnerships, proprietary concerns, joint families and individuals. Besides, the amount shown

under credit limits of Rs.25,000 and less is also shown as loan to the Household sector. The details of credit for food procurement operations to Central and State Government agencies are as per the sectoral deployment of gross bank credit, as reported in the RBI's *Annual Report*. The occupational group, 'others' includes loans to commercial banks, co-operative banks, other financial institutions and others. Since bank credit given in Section 42 return excludes inter-bank credit, such credit under 'others' is not considered while working out the sectoral classification of bank credit.

c) Co-operative Banks and Credit Societies

As already mentioned, the primary data on assets and liabilities of all these co-operatives are obtained from *Statistical Statements Relating to Co-operative Movement in India - Part - I - Credit Societies*, published by National Bank for Agriculture and Rural Development (hereafter referred to as *Statistical Statements*). Since *Statistical Statements* do not furnish the sectoral details of many items in the assets and liabilities of co-operative banks, a special return is obtained from different state and district central co-operatives. The sectoral proportions, thus obtained, are applied on the different balance sheet items of co-operative banks and societies at the aggregate level.

3.5.2. Other Financial Institutions (OFI)

The detailed coverage of the OFI sector is presented in Annex 3.2. However, in this section, for the convenience of exposition and because of similarities in balance sheets, the development financial institutions, Unit Trust of India and financial and investment companies are clubbed together under financial corporations and companies. Hence, we shall discuss the compilation for the OFI sector under the heads: (a) financial corporations and companies, (b) insurance companies/corporations, (c) mutual funds (other than UTI), and (d) non-government provident funds.

a) Financial Corporations and Companies

The *Annual Report* and accounts of the corporations form the basic source in respect of

most of the financial corporations. However, for the 26 State Industrial Development Corporations (SIDCs), a special return is received from IDBI. On the other hand, RBI study on 'finances of financial and investment companies' forms the basic source for the financial companies. Since the study presents data only for a sample of non-government financial companies, the global figures are estimated on the basis of the share of the paid-up capital covered in these studies.

Paid-up Capital

The paid-up capital of financial institutions is subscribed by different categories of economic units. Broadly, the categories are classified into (i) RBI, (ii) commercial banks, (iii) co-operative banks, (iv) financial corporations, (v) insurance companies/corporations, (vi) Central Government, (vii) State Governments, (viii) Rest of the World and (ix) Households. These details are culled out either from the *Annual Reports* or obtained through special return from the institutions concerned. In the case of financial and investment companies, the total paid-up capital is available. Its ownership break-up is worked out by subtracting the intra-sectoral investment by financial and investment companies and attributing the residual to households.

Bonds/Debentures

Most of the financial institutions covered in this sub-sector issue bonds and debentures. In respect of IDBI, IFCI, ICICI, IIBI (the erstwhile IRBI), HUDCO, and NABARD, the details of the subscribers to the bonds are obtained from individual institutions. The particulars of SFCs are received from the IDBI. The sectoral breakup for each of the institutions is worked out on the assumption that the sectoral pattern of redeemed securities is the same as that of the securities issued during the year.

Initial Capital & Unit Capital

The initial capital and unit capital are issued only by the Unit Trust of India (UTI). The investor details of initial capital are received from the UTI through a special return.

Borrowings

Each financial corporation reports its sources of borrowing which are classified into (a) RBI, (b) commercial banks, (c) financial corporations, (d) insurance, (e) Central Government, (f) State Governments, (g) Rest of the World, and (h) others.

Deposits

Another source of funds for institutions like, SFCs, ICICI, SIDCs and IDBI is acceptance of deposits. The deposits with IDBI are those received under the Companies Deposit (surcharge on income tax) Scheme, 1976. The data on households' deposits with non-banking financial (government and non-government) companies are drawn from the RBI survey on 'growth of deposits with non-banking companies'.

Other Liabilities

Items of miscellaneous transactions, which are included under this head differ from one institution to another. For example, they cover application money for shares/bonds/debentures, sundry creditors, interest accrued and due, interest accrued but not due, unclaimed dividends, miscellaneous liabilities and such other items which are claims of other economic units. The IFCI and SFCs show their employees' provident fund under other liabilities. This item is shown as a claim of the non-government provident fund sub-sector in the form of deposits because all the non-government provident funds are shown under one sub-sector wherein the household sector is the claimant of the fund.

Cash and Bank Balances

All the corporations present the data separately on cash in hand and bank balances under current and fixed deposits with commercial banks. Balances with banks outside India are shown as deposits with the Rest of the World.

Loans and Advances

Loans and advances, bills of exchange purchased and discounted, and participation certificates are included under this head. The sectoral

particulars of loans are obtained from either the *Annual Reports*/special returns, or estimated on the basis of both the sources. Survey on financial and investment companies provides the details of loans against (i) subsidiary companies, (ii) holding companies and companies in the same group, (iii) hire purchase and (iv) others.

Investments

The particulars of investments differ from one institution to another. Financial corporations invest in debentures of co-operative banks, central and state government securities, shares/debentures of public and private sector companies, financial corporations (*intra* sub-sector), bonds of state electricity boards, and others (unclassified).

Other Assets

This item covers miscellaneous assets, such as cash in transit, application money on investments, cheques sent for collection and on hand, sundry debtors, deposit money towards purchase of shares, sundry advances, book debts, and interest accrued on investments. Sectoral particulars under these categories are not available except for a few items. These items are shown as 'other items not elsewhere classified' in the instrument-wise classification and 'sector not elsewhere classified' for sectoral presentation.

b) Insurance

Paid-up Capital

The paid-up capital of the LIC and GIC is held by the Central Government while that of the subsidiaries of GIC is held by the GIC. The capital of DICGC is held by the RBI whereas the Central Government owns the paid-up capital of ECGC.

Life Insurance Fund

The LIC receives life insurance premiums (shown as life fund) from individuals (Household sector), and non-residents (Rest of the World Sector), the details of which are published in the *Annual Report* of the LIC.

Borrowings

General insurance companies, besides their insurance fund under different schemes, obtain funds from commercial banks in the form of loans and overdrafts.

Other Liabilities

Items such as sundry creditors, amount payable to former shareholders, net liability in respect of closed branches abroad, unclaimed dividends, and a few other items classified under 'other liabilities' are treated as other financial instruments and included in the items 'not elsewhere classified'

Cash and Bank Balances

Bifurcation of the item into 'cash in hand' and 'current account balances' is obtained from the insurance companies with a break-up of the cash balances in India and held outside India. 'Cash held outside India' is shown as deposits with the Rest of the World sector. Cash in hand is further split into 'RBI notes' and 'one rupee notes and coins'.

Loans and Advances

The sectoral particulars of loans and advances are culled out from their *Annual Reports*. The assets item 'outstanding premium considered good and doubtful' in the case of life insurance business is divided into two components, viz., relating to business in India and outside India. The component 'in India' of this item is shown under the Household sector whereas the other component, 'outside India', is included under the Rest of the World sector.

c) Mutual Funds

With the setting up of mutual funds (other than UTI) initially by the public sector banks and financial institutions and later by the private sector, the coverage of the Other Financial Institution sector has increased. Accordingly, the FOF accounts have started presenting the mutual funds separately from 1987-88 onwards. In the earlier articles, due to non-availability of sectoral details, the subscriptions for mutual

funds were assumed to be coming entirely from the Household sector. Subsequently, the sector-wise allocation of mutual funds was made on the basis of proportions worked out from the data obtained from the records of RBI, and Securities and Exchange Board of India (SEBI). Presently, the receipt of information from the mutual funds has been regularised by obtaining the data on their sources and uses of funds as per the specially designed format.

d) Non-Government Provident Funds

Provident fund contribution of employees as also of employers, contributory pension fund and deposit-linked insurance fund are the sources of funds for this sub-sector. The Household sector is not only the claimant for the first two categories of funds but also for the deposit linked insurance fund, which is paid on the death of the employee insured.

Provident Fund

The *Annual Reports* of EPF, and provident funds covering employees of coal mines, Assam tea plantations, and seamen provide data on investments, made out of (i) contributions received, (ii) interest credited, (iii) interest income received on previous investment and (iv) reinvestments from redeemed securities. However, the investment details against these categories are not available except the amount of redeemed securities. The investments out of the redeemed securities are netted from the gross investments to arrive at the total net provident fund contributions. The contributions, thus derived, are invested as per the guidelines issued by the Central Government from time to time. In the case of RBI, the employees' provident fund is maintained as deposits with RBI.

Family Pension Fund

Employees' Family Pension Scheme came into force in 1971 and it was adopted by organisations of EPF Scheme, coal mines and Assam tea plantations. The fund is contributed equally by the employees, the employers and the Central Government and is treated as the claim of the Household sector. The total amount of

this fund is deposited with the Central Government.

Deposit Linked Insurance Fund

The Employees' Deposit Linked Insurance Scheme came into force with effect from August 1, 1976. Under this Scheme, contributions are made by the employers and the Central Government. Employees are not required to contribute to the insurance fund. The benefit of the Scheme is given to an employee, who is a member of the Scheme, only on his death during his membership and hence contributions to this fund are not treated as direct claim of the Household sector. The contributions received towards the fund are to be invested generally in (a) central government securities, (b) small savings and (c) special deposits with Central Government.

3.5.3. Private Corporate Business Sector

a) Co-operative Non-Credit Societies

The details about these societies pertaining to June 30, are published annually in *Statistical Statements relating to Co-operative Movement in India - Part II: Co-operative Non-Credit Societies*, by NABARD. As the details given in the *Statistical Statements* do not meet all the requirements for FOF accounts, sectoral classification of certain instruments is worked out on some assumptions. Most of the societies function at national, state, central and primary levels. The first three levels of societies are assumed to represent apex societies and will have transactions among themselves to a large extent. The primary societies have their business directly with the households besides their transactions with the apex societies.

b) Non-Government Non-Financial Companies

The RBI studies on finances of public and private limited companies form the basic source for the compilation of FOF accounts of this sub-sector. As the studies include only limited number of companies, the data presented therein are adjusted on the basis of the global paid-up capital of the public and the private limited companies, as released by DCA.

Paid-up Capital

The studies on company finances present total share capital with its breakup into paid-up capital and forfeited capital. As forfeited shares do not create any liability to the company, they are not included under financial FOF accounts but are shown along with reserves and surplus. Details of paid-up capital into ordinary, preference and bonus shares are also available. Bonus shares are shares issued by capitalization of reserves of the company whereas ordinary and preference shares are subscribed by various sectors. However, in FOF accounts, ordinary shares and preference shares are shown together. The amounts shown against ordinary and preference shares are exclusive of share application money and allotment money in respect of new shares that are included under current liabilities. The total paid-up capital including bonus shares is further segregated according to its ownership on the basis of the sectoral accounts, which report their investments in the shares of non-government non-financial companies.

Borrowings

The RBI studies on company finances provide details of borrowings, into: (i) banks, (ii) IFCI and SFCs, (iii) other institutional agencies (*i.e.*, Indian financial institutions like IDBI, ICICI, SIDCs, LIC and UTI and international institutions), (iv) government and semi-government agencies and (v) others. The last item 'others' includes the deposits accepted by the companies from the public. All deposits shown by the companies in their accounts under secured/unsecured loans only are covered under the head 'deposits', which exclude the deposits appearing under current liabilities of the companies.

Trade Dues and Other Current Liabilities

Under this head, the RBI studies on company finances publish the details on (i) sundry creditors, (ii) liabilities to subsidiary and holding companies, (iii) interest on loans and unclaimed dividends, (iv) deposits from customers, agents, etc. and (v) others. The first category includes liabilities for goods supplied, liabilities for

expenses and other finance. A similar item, 'sundry debtors' appears under assets.

It includes sale of goods on a deferred payments basis to various parties, such as, other non-government companies, government undertakings, partnership and proprietary concerns, the details of which are however not available. In the absence of any ownership particulars, it is assumed that the intra-corporate transactions are excluded by obtaining sundry creditors net of sundry debtors and the difference is taken as the amount received from/paid to the Household sector. The remaining components of this sub-head are shown as 'other current liabilities' and classified as items' not elsewhere classified ' under the instruments and 'sector not elsewhere classified' for the sectoral allocation.

Cash and Bank Balances

Cash in hand, deposits with commercial banks and deposits with post office savings banks are shown against this sub-head. As mentioned earlier for other sectors, cash in hand is split into bank notes and government notes. Deposits with commercial banks cover the fixed, current and other deposit accounts. Deposits with post office saving banks are shown under 'small savings'.

Investments

Investments by the companies in the RBI studies are classified into investment in foreign securities and in Indian securities. The former includes foreign government securities and other foreign securities inclusive of investments in foreign subsidiaries of Indian companies. Indian securities relate to all quoted securities, such as, government and semi-government securities, industrial securities, shares and debentures of subsidiary companies or companies in the same group or holding companies, and other investments. Industrial securities which include shares and debentures of joint stock companies and subsidiary/holding/same group companies are taken as intra-corporate investments.

Loans and Advances and Other Debit Balances

Loans and advances covered under this head include loans to subsidiary companies,

companies under the same group and holding companies, and others. All loans, other than to 'others', are intra-corporate loans and advances whereas loans to others are shown as 'sector not elsewhere classified' as no details are available.

3.5.4. Government Sector

The procedure adopted for the compilation of the accounts of each of the sub-sectors is described below:

a) Central Government

The document, *Economic and Functional Classification of the Central Government Budget* (hereafter referred to as the *Economic Classification*) published by the Department of Economic Affairs, Ministry of Finance, Government of India, forms the basic source of data to compile the accounts of this sub-sector. Unlike the case of financial institutions and corporate sector, for which the balance sheet data are available, the *Economic Classification* presents a set of six accounts reclassifying data given in the budget of the Central Government. Accounts 4 and 5 provide data on changes in financial liabilities and assets of the Central Government administration and its departmental commercial undertakings, such as, railways, posts and telegraphs, and defence. The *Economic Classification*, however, does not present the sectoral break-up of market loans, treasury bills, small savings, other types of borrowings, disbursement of funds through investments, and loans and advances. For arriving at the sectoral break-up of some of the government's sources and uses of funds, the information from various other sources is used. The sectoral particulars of these various items are given below:

Market Loans

Market loans consist of interest bearing loans, non-interest bearing loans, compensation bonds, other bonds and other loans. The amount of market loans published in the *Economic Classification* is exclusive of treasury bills that are funded into long-term securities. As such the amount of net market loans (gross receipts

minus repayments) is adjusted to include the funded treasury bills, the data on which are available in the *Explanatory Memorandum to the Central Government Budget*. On the basis of RBI survey on ownership of government debt, categories of ownership of market loans are worked out as follows: (i) RBI (own account), (ii) commercial banks, (iii) co-operative banks, (iv) financial corporations, (v) insurance, (vi) provident funds, (vii) joint stock companies, (viii) Central and State Governments, (ix) local authorities including port trusts, (x) state electricity boards and state road transport corporations, (xi) non-residents, (xii) households comprising individuals, trusts and RBI (on account of others), and (xiii) others.

Treasury Bills

The data on treasury bills (net) available in the *Economic Classification* include the amount of Treasury bills funded into long term securities. As explained under market loans, data on funded bills taken from the *Explanatory Memorandum to Central Government Budget*, are deducted from total treasury bills (net) to show the treasury bills excluding the amount of funded bills. Ownership particulars of these bills are available in the return received from the Department of Government and Bank Accounts (DGBA) of RBI.

External Debt

The *Economic Classification* presents gross borrowings of the Central Government from the Rest of the World and their repayments. It includes data on government's borrowings from various international financial organisations/agencies, foreign governments as also the special credits from oil exporting countries, and IMF trust fund loans. Gross borrowings *minus* repayments are shown as the net borrowings of the Central Government from the Rest of the World sector.

Small Savings

Small savings comprise savings deposits with post offices and savings certificates. These include post office savings bank deposits, cumulative time deposits, time deposits, national

saving certificates, national savings annuity certificates, national development bonds, etc. Their ownership details are derived on the basis of investing sectors' accounts. It is observed from the accounts that non-government provident funds, local authorities, and non-government non-financial companies invest in small savings. The residual, after deducting the investment of the above sectors in small savings, is assumed to have been invested by the Household sector.

Provident Fund

The provident fund of the employees of the Central Government and the amounts collected by the government from the public under the Public Provident Fund Scheme, 1968, are covered under this head. This is treated as a claim of the Household sector.

Deposits of Non-Government Provident Funds

The Central Government introduced the special deposit scheme in July 1975 to provide a better return to the non-government provident, superannuation and gratuity funds. These details are given in the *Economic Classification* and are treated as claims of the non-government provident fund sub-sector under the instrument, 'deposits - other deposits'.

Special Bearer Bonds

The *Economic Classification* also gives details of bonds issued under the voluntary disclosure scheme and special bearer bonds that are issued by the Central Government to mobilise additional resources. These are treated as claims of the Household sector on the government.

Other Debt

Miscellaneous capital receipts presented in the *Economic Classification* include various items, which are shown separately in FOF accounts. For example, 'postal insurance and life annuity fund' is classified as life insurance fund held by the Household sector. One rupee notes and coins represent the liability of the Central Government in the form of currency. The data on one rupee notes and coins are collected from the tables

relating to 'Money Stock Measures' published in the RBI Bulletin. The holding of one rupee notes and coins by RBI has been added to this amount for deriving the total liability of the Central Government under this head. The one rupee notes and coins are split-up into claims of various sectors using the estimated holdings of rupee coin and small coins as presented in each sector account. The detailed procedure of estimation is described in RBI sub-sector account. The residual of miscellaneous capital receipts after deducting the items separately shown in FOF accounts, is treated as part of other debt.

Investments

Account No. 4 of the *Economic Classification* presents data on changes in financial assets of the Central Government. This account provides details of investments into shares of government companies - financial and others - and other companies. Financial companies consist of banking institutions, financial corporations and insurance corporations in the public sector. Other companies of government relate to the non-financial non-departmental undertakings. Particulars of financial companies into the above three categories are obtained from their annual accounts and the publication *Public Enterprises Survey of the Bureau of Public Enterprises*, Ministry of Industry, Government of India. Other companies refer to non-government non-financial companies, which may belong to private and co-operative sectors, and also joint sector in which the Central Government's holding in the capital is less than 50 per cent. In the absence of details of other companies, these are shown against 'sector not elsewhere classified'.

Loans and Advances

Particulars of disbursement of loans and advances are given against (i) loans for capital formation and (ii) other loans. The repayments of loans to the Central Government are, however, shown only against States and union territories, and others. Institutional details of disbursement of loans for capital formation and other loans are available against (I) States and union territories, (ii) local authorities, (iii) non-

departmental commercial undertakings - financial and others, (iv) foreign governments and (v) others.

Cash Balances

The *Economic Classification* presents the total cash balances of the Central Government in its Account No. 6 as increase/decrease in cash balances. This head includes the cash in treasuries and deposits with RBI. However, cash with departmental offices (including Posts, Telecommunication, Defence and Railways) is not covered under this head. These details are obtained from the *Finance Accounts* of the Central Government. Further, total cash in treasuries and with departmental offices is split-up to show bank notes and government notes and coins.

Other Items

The data on subscriptions to international financial organisations and net purchase of domestic gold and silver are given in the *Economic Classification*. The former is shown as a claim on the 'Rest of the World' sector whereas the latter is shown as 'sector/item not elsewhere classified'. Cash with the India Supply Mission, SDRs at the IMF, and suspense account and remittance with the RBI are classified as deposits with the Rest of the World, investment in foreign securities (foreign exchange assets), and deposits with the RBI, respectively.

b) State Governments and Union Territories

The Combined Finance and Revenue Accounts (CFRA) of Union and State Governments in India published by the Comptroller and Auditor General of India, Government of India, provide data in respect of all State Governments. However, this publication is available with a considerable time lag. The primary data source for the CFRA is Finance Accounts of State Governments published by the Auditor General of each State. This publication is also available with a lag. Hence the basic source for this sub-sector's FOF accounts is the RBI study on finances of State Governments, prepared on the basis of State Government budgets. The

instrument-wise discussion of this sub-sector is presented below:

Market Loans

Market loans and bonds (covering current and expired loans) floated in the market by the State Governments, the various compensation bonds, housing bonds, etc. are covered under this head. The budget documents or the 'Finance Accounts' of the State Governments present only gross receipts and repayments of the market loans and bonds. The particulars of ownership are derived from the Statement on "Ownership of Central and State Government Securities", published in the *Report on Currency and Finance*, RBI for the period of this study.⁶ Investments in State Governments' securities from (i) cash balance investment account, (ii) sinking fund investment account, (iii) zamindari abolition fund account, and (iv) other accounts of the State Governments, are treated as intra-government investments.

Borrowings

Borrowings by way of (i) ways and means advances from RBI, (ii) overdrafts from RBI and (iii) loans and advances from banks, other institutions and Central Government are covered under this head.

Provident Funds and Others

This instrument known as unfunded debt, includes provident funds of State Government employees (titled as state provident funds), State insurance fund and others. State provident funds and insurance fund are treated as claims of the Household sector and shown separately. Receipts not of payments are reported here. The residual amount of unfunded debt is shown under 'sector/items not elsewhere classified' under sectoral/instrument-wise classification.

Cash Balances

The data on cash at treasuries, balances at RBI and other commercial banks are obtained from either CFRA or the Finance Accounts of each State Government. Amounts shown against (i) cash with departmental offices and (ii) permanent cash imprest are also included under cash

balances held by the State Governments' administration.

Loans & Advances

The RBI studies on 'Finances of State Governments' provide details on total loans and advances of all State Governments; but these are not sufficient for the purpose of FOF accounts. Therefore, details of disbursements and receipts of loans are culled out from the State budget documents for the following sub-sectors: (i) cooperative banks and credit societies, (ii) financial corporations, (iii) co-operative non-credit societies, (iv) non-governments, (v) housing boards, (vi) local authorities, (vii) state electricity boards, (viii) other non-departmental commercial undertakings of government, (ix) households and (x) others (unclassified).

c) Local Authorities

This sub-sector in principle should cover port trusts, municipal corporations, municipalities and panchayats. In the absence of data on local self-governments, the accounts of this sub-sector are prepared covering only the major port trusts (11 in number) on the basis of their *Annual Reports*.⁷

d) Non-Departmental Non-Financial Undertakings

This sub-sector covers all government non-financial companies owned either singly or jointly by Central, State or local governments, and State electricity boards. In the case of the companies owned by the Central Government, the data on their assets and liabilities are available in the *Public Enterprises Survey*. This publication covers companies under construction and running enterprises, which are promotional, financial and non-financial by their activity. However, the financial companies are not included in this sub-sector as they are covered in another sector viz., 'Other Financial Institutions'. In the case of State electricity boards (including Damodar Valley Corporation), the necessary data are obtained from their *Annual Reports*. The methodology for Central and State Government companies is presented below:

Paid-up Capital

The *Public Enterprises Survey* (PES) provides the balance sheet data for Central Government running enterprises and companies under construction. The ownership details of the paid-up capital are available against the following heads: (i) Central Government, (ii) State Governments, (iii) holding companies, (iv) financial institutions (Indian), (v) foreign parties and (vi) others. Similar break-ups for State Government companies are estimated on the basis of past data.

Borrowings

As in the case of paid-up capital, sectoral borrowings in respect of Central Government companies, are drawn from a subsidiary statement on 'details of loans', which gives: (i) working capital loan from the Central Government and (ii) other borrowings from (a) Central Government, (b) State Governments, (c) holding companies, (d) foreign parties including deferred credit, (e) financial institutions and (f) others.

Current Liabilities and Provisions

Current liabilities are divided into (i) sundry creditors, (ii) liability to subsidiary and holding companies, (iii) deposits from customers, agents, etc. and (iv) other current liabilities. Sundry creditors are treated as trade credit, whereas the second item is an intra-government companies' transaction. Deposits from customers and other current liabilities are shown as other liabilities without allocating them to any specified sector. Miscellaneous non-current liabilities are also shown under 'unclassified sector' along with other liabilities.

Investments

The *Public Enterprises Survey* provides data on total investments excluding investment in subsidiary companies in the case of Central Government companies. The break-up of investments is worked out on the basis of RBI Study, into (i) government securities, (ii) semi-government securities, (iii) industrial securities, (iv) foreign securities, and (v) others.

Loans & Advances and Sundry Debtors

Details of loans and advances extended by Central and State Government companies, except those to their subsidiary and holding companies, are not available. Accordingly, the total amount under this head, other than loans to subsidiary and holding companies, is shown under 'unclassified sector'. The amount under sundry debtors is shown as trade debt and could not be allocated to any identifiable sector for want of details.

3.5.5. Rest of the World

Transactions of domestic sectors with foreign units that are effected through the medium of money and credit are recorded in the accounts of the Rest of the World. The RBI publishes statistics on India's overall balance of payments (BOP) classified into current and capital accounts. The BOP account records transactions in the form of credits or debits. While the former covers increase in liabilities and decrease in assets, the latter covers decrease in liabilities and increase in assets. Secondly, data are recorded on 'cash basis', as distinguished from 'accrual basis', that is, when inflow or outflow of money actually takes place across the boundary. Hence, the accounts do not show the entries on payable or receivables. In contrast to the BOP account, FOF accounts are constructed from the stand-point of the Rest of the World. As such, the credits and debits recorded in the BOP statistics will become debits and credits, respectively, for the Rest of the World. The capital account transactions are divided into three sectors, viz., (i) private, (ii) banking and (iii) official. The details of capital account transactions as obtained from the records of RBI are discussed below:

Private Capital

Transactions recorded under this category are presented under 'long-term' and 'short-term' capital. Flows relating to loans, investment in shares, and other assets are categorised as long term whereas the short-term capital covers mainly short-term borrowings and their repatriation. In FOF accounts, these flows are classified into deposits, loans, investments and

other miscellaneous transactions. In the BOP statistics, private capital also includes the transactions of ICICI and insurance companies, which, for the purpose of FOF accounts, are classified under 'Other Financial Institutions' sector. Besides, transactions in non-resident external rupee account and in various foreign currency non-resident accounts are recorded under miscellaneous receipts and payments of private capital. These are classified as deposits with commercial banks. Further, the private capital account includes investments by oil companies directly or through import of capital equipment in India without payment in cash. Since nationalisation of oil companies, transactions of these companies are included in the official sector. Thus, for the purpose of FOF accounts, private capital is classified into (a) banking sector, (b) private corporate sector, (c) other financial institutions, and (d) unidentified, against each type of instruments, viz., deposits, loans, investments, and others.

Banking Capital

'Banking capital' in the BOP accounts excludes RBI's transactions and corresponds to changes in the foreign assets and liabilities of banks/financial institutions, which are authorised to deal in foreign exchange [known as Authorised Dealers (ADs)]. ADs' foreign exchange assets consist of (a) foreign currency holdings, and (b) rupee overdrafts to non-resident banks. Their foreign liabilities comprise (a) foreign currency liabilities, and (b) rupee liabilities to non-resident banks as well as official and semi-official institutions. From the Rest of the World's view point, ADs' foreign assets constitute its liabilities and ADs' foreign liabilities constitute its assets. 'Banking capital' is classified as deposits of the commercial banks in FOF accounts.

Official Capital

Capital account transactions of RBI, and Central and State Governments are covered here. These data are available under (i) loans, (ii) amortization, (iii) reserves, and (iv) miscellaneous. The coverage and classification of these items are explained below:

Loans

In the BOP statistics, credits reported against 'loans' comprise loans received by the Central and State Governments from foreign governments/international financial institutions, Trust Fund loans from IMF and other purchase (drawings) from IMF. Disbursement of official loans and credits extended to foreign governments and repurchases from the IMF are shown under 'debits'. Thus, the receipt of loans by India appears as an increase in assets for the Rest of the World, and India's disbursement of loans to foreign governments as a rise in liabilities for it. The transactions with IMF, namely, drawings and repurchases, which are shown as official loan receipts and repayments, are maintained under IMF Account No. 1 with RBI indicating liability of RBI. But Fund Account No. 1 is treated as liability of the government and is shown as loan to government in the FOF accounts. Such a problem is not faced with the Trust Fund loan from the IMF availed of in the 1970s, since it is not a purchase and is, therefore, shown as a loan to the government.

Amortization

The repayment of loans by the government is recorded as debits, and recovery of loans from foreign governments as credits under the head 'amortization'. From the Rest of the World sector's viewpoint, credits are shown as decrease in liabilities (loans) and debits as decrease in assets (loans). These transactions are shown against the Central Government for sectoral classification.

Reserves

Movements in reserves comprise change in official reserve holdings in foreign currencies, gold and Special Drawing Rights (SDRs). The data on foreign exchange assets held by RBI are recorded in the accounts of RBI; SDRs are held by the government.

Miscellaneous

This item covers all other capital transactions on government account whether long or short-term including the movements in rupee balances

held with RBI by non-resident governments, semi-government and international institutions.

3.5.6. Household Sector

As already mentioned earlier, all entities which could not be classified in the other five sectors described above, are placed under this sector. There is no independent balance sheet or asset and liability accounts for the household sector. However, the sources and uses of funds accounts for this sector are prepared indirectly by transferring the transactions identified in other 5 sectors against households to this sector accounts. In the process sources/uses of funds reported in other sectors become uses/sources of households. As described earlier, household holdings in different instruments or their liabilities are estimated either through surveys or as residual by netting the accounts of other organized sectors. The net uses of funds of the household sector, in effect, constitute the financial savings of the household sector. A brief description of the instrument-wise methodology for the household sector is presented below.

a. Uses of Funds Accounts

i) Currency

Drawn from sources of RBI and Government sectors. On the basis of past trends of currency holding of the household and non-household sectors, 93 per cent of 'currency with public' issued in a financial year is treated as household contribution.

ii) Commercial Bank Deposits

Sources of funds of commercial banks report Deposits and those estimated against households are shown under this item. Estimation procedure is described under 'commercial banks' accounts.

iii) Deposits with Co-operative Credit & Non-Credit Societies

i) Data are drawn from the accounts of these cooperatives described earlier. Deposits with primary societies are treated as household deposits.

ii) For other credit societies and co-operative banks, household deposits are estimated based on the ownership

- pattern of deposits, as obtained in additional returns by RBI.
- iii) Pending the availability of NABARD publication, deposits with co-operative banks and credit societies are estimated based on co-operative bank deposits, as available in RBI Section 42 return.
 - iv) Household deposits with non-credit societies are estimated similarly.
 - iv) *Deposits with Non-Banking Companies (NBCs)*
 - 1) Household deposits with the NBCs excepting the electricity boards are directly obtained from the articles published in RBI Bulletin.
 - 2) Household share in security deposits with state electricity boards is worked out on the basis of household share in electricity consumption.
 - v) *Trade Debt (Net)*
This item is drawn from sources of private corporate sector. It is estimated as change of trade dues in respect of sundry creditors minus change to sundry debtors.
 - vi) *Shares & Debentures of Non-Government Companies*
 - 1) Household investment in this instrument is drawn from sources of non-government private non-financial companies. Estimation procedure has been described there under Para 4.4.3.
 - 2) The household sector investment in shares and debentures of financial companies/co-operatives is also arrived at in a similar manner from accounts of other financial institutions sub-sector.
 - vii) *Shares & Debentures of Co-operative banks and societies*
Share capital of co-operative banks, credit and non-credit societies contributed by individuals and others as obtained in NABARD publication is treated as household investment.
 - viii) *Units of UTI & Other Mutual Funds*
This item appears under sources of financial corporations and companies. Figures reported against households are shown here. i) Household investment in units of Unit Trust of India (UTI) is obtained by applying the proportion of household sector (i.e. adults/individuals, minors, Hindu-Undivided Family and trust/society) in total sales, net of repurchases, to the increase in unit capital during the year.
 - ii) Household investment in other mutual funds is obtained directly by RBI through a special return. In case required, household proportions worked out for the public sector mutual funds and UTI are made use of to arrive at the household investment in private mutual funds.
 - ix) *Claims on Government*
Households claim on Government includes their investment in small savings and Government securities. Estimation of household investments is described in the central government sub-sector.
 - x) *Life Insurance Funds*
This component cover life insurance fund reported under insurance sub-sector and postal/state insurance fund reported in government sector.
 - xi) *Provident and Pension Funds*
Household savings in provident fund (PF) are drawn from the accounts (sources) of provident fund sub-sector and government sector. The coverage and procedure of estimation has been detailed in that section.
- b. *Sources of Funds Accounts*
Sources of funds mainly comprise households' borrowing from commercial banks, RBI, cooperative banks and credit societies, cooperative non-credit societies, other financial corporation and companies, government. These data are reported under 'loans and advances' under their uses of funds are transferred as 'sources' of funds for household sector. The procedure to estimate household borrowing from these has been described in the sub-sections.

Annex 3.1: List of Cooperative Non-Credit Societies

1. Marketing Societies:
 - 1.1 National
 - 1.2 State
 - 1.3 Central
 - 1.4 Primary
2. Cotton Marketing Societies:
 - 2.1 State
 - 2.2 Central
 - 2.3 Primary
3. Fruits and Vegetables Marketing Societies:
 - 3.1 State
 - 3.2 Central
 - 3.3 Primary
4. Arecanut Marketing Societies
5. Tobacco Marketing Societies:
 - 5.1 State
 - 5.2 Central
 - 5.3 Primary
6. Coconut Marketing Societies
7. Sugarcane Supply Marketing Societies:
 - 7.1 State
 - 7.2 Central
 - 7.3 Primary
8. Other Specialised Agricultural Commodities Marketing Societies:
 - 8.1 State
 - 8.2 Central
 - 8.3 Primary
9. General Purpose Marketing Societies:
 - 9.1 National
 - 9.2 State
 - 9.3 Central
10. Marketing Societies:
 - 10.1 State
 - 10.2 Central
 - 10.3 Primary
11. Sugar Factory Societies
12. Cotton Ginning and Pressing Societies (P)
13. Other Agricultural Processing Societies:
 - 13.1 State
 - 13.2 Central
 - 13.3 Primary
14. Co-operative Cold Storage (P)
15. Milk Supply Unions and Societies:
 - 15.1 State
 - 15.2 Unions
 - 15.3 Societies
16. Ghee Unions and Societies (P).
 - 16.1 Unions
 - 16.2 Societies
17. Poultry Unions and Societies (P):
 - 17.1 Unions
 - 17.2 Societies.
18. Other Livestock Unions and Societies (P):
 - 18.1 Unions
 - 18.2 Societies
19. Other Livestock Societies (P)
20. Fisheries Societies:
 - 20.1 State
 - 20.2 Central
 - 20.3 Primary
21. Irrigation Societies
22. Farming Societies
23. Consumers' Co-operative Stores:
 - 23.1 State Federations
 - 23.2 Wholesale / District Stores
 - 23.3 Primary
24. Working of Departmental Stores:
 - 24.1 Run-by State Federations
 - 24.2 Run-by Wholesale/District Stores
 - 24.3 Primary

- | | |
|---|---|
| 25. Housing Societies: | 30.2 District (Unions) |
| 25.1 State | 30.3 Primary (Tribals) |
| 25.2 Primary | 30.4 Primary (non-tribal) |
| 26. Weavers' Societies: | 31. Forest Labourers' Societies |
| 26.1 National | 31.1 State |
| 26.2 State | 31.2 Primary |
| 26.3 Central | 32. Transport Societies (P): |
| 26.4 Primary | 32.1 Ex-Servicemen |
| 27. Other Industrial Societies: | 32.2 Others |
| 27.1 National | 33. Electricity Co-operatives (P) |
| 27.2 State | 34. Other Non-Credit Societies (P): |
| 27.3 Central | 34.1 Agricultural |
| 27.4 Primary | 34.2 Non-Agricultural |
| 28. Spinning Mills (All types) | 35. Women's Co-operative Societies |
| 29. Co-operative Industrial Estates | 36. Student's Co-operative Societies |
| 30. Labour Contract and Construction Societies: | 37. Multi-Unit Co-operative Societies (P) |
| 30.1 State | |

Annex 3. 2: List of Institutions covered under the OFI sector

- | | |
|---|---|
| 1. Central level non-Bank Financial institutions (i.e., Development Banks, Unit Trust, Term Lending Institutions and Credit Rating Agencies): | Services Ltd. |
| ➤ Industrial Development Bank of India | ➤ Small Industries Development Bank of India |
| ➤ Industrial Credit and Investment Corporation of India | ➤ National Housing Bank |
| ➤ National Bank for Agriculture and Rural Development | ➤ Technology Development and Information Company of India |
| ➤ Industrial Finance Corporation of India | ➤ Stock Holding Corporation of India Ltd. |
| ➤ Industrial Investment Bank of India | ➤ Credit Rating Information Services of India Ltd. |
| ➤ Unit Trust of India | ➤ Tourism Finance Corporation of India Ltd. |
| ➤ Housing Development Finance Corporation | ➤ Discount and Finance House of India Ltd. |
| ➤ Export Import Bank of India | ➤ SBI Capital Markets Ltd. |
| ➤ Housing and Urban Development Corporation | 2. State-Level Lending Institutions |
| ➤ Rural Electrification Corporation | ➤ State Financial Corporations |
| ➤ Risk Capital and Technology Finance Corporation Ltd. | ➤ State Industrial Development/Investment Corporations (26 in number) |
| ➤ Infrastructure Leasing and Financial | 3. Insurance Sector |
| | ➤ Life Insurance Corporation of India |
| | ➤ General Insurance Corporation and its four subsidiaries |

- Export Credit and Guarantee Corporation of India
- Deposit Insurance and Credit Guarantee Corporation
- 4. Mutual Funds
 - Tata Asset Management Ltd.
 - Shriram Asset Management Ltd.
 - IDBI Mutual Funds
 - Taurus Mutual Funds
 - BOB Mutual Funds
 - Birla Mutual Funds
 - Apple Asset Management Ltd.
 - PNB Mutual Funds
 - Alliance Capital Asset Management
 - Indian Bank Mutual Funds
 - BOI Mutual Funds
 - ICICI Mutual Funds
 - Canara Bank Mutual Funds
 - Kothari Pioneer Mutual Funds
 - Morgan Stanley Mutual Funds
 - Reliance Capital Asset Management Ltd.
- HB Asset Management Co. Ltd.
- SBI Mutual Funds
- LIC Mutual Funds
- 5. Financial and Investment Companies
- 6. Non-Government Provident Fund Institutions
 - RBI Employees
 - Commercial Banks Employees
 - Employees Provident Fund Scheme
 - Assam Tea Plantation
 - Seamen's Provident Fund
 - Life Insurance Corporation of India
 - Coal Mines Employees Provident Fund
 - Port Trusts
 - IFCI & SFCs
 - Dock Labour Boards
 - Indian Airlines
 - Air India
 - Family Pension Fund
 - Other Statutory Institutions / Corporations

Annex 3.3: List of International Institutions

1. International Monetary Fund
2. International Bank for Reconstruction and Development
3. International Development Association
4. International Financial Corporation
5. International Labour Organisation
6. International Civil Aviation Organisation
7. International Telecommunication Organisation
8. International Trade Organisation
9. Inter-government Maritime Consulting Organisation
10. Food & Agricultural Organisation of the United Nations
11. World Health Organisation
12. World Meteorological Organisation
13. Universal Postal Union
14. United Nations Educational, Social and Cultural Organisation
15. United Nations Children's Fund
16. United Nations Special Fund
17. United Nations Relief and Works Agency for Palestine Refugees,
18. Asian Clearing Union
19. International Fund for Agricultural Development
20. African Development Bank
21. Asian Development Bank
22. Other International Institutions

PART II – NON-FINANCIAL STATISTICS

4. COMPANY FINANCES STATISTICS

4.1. Introduction

The Reserve Bank of India has been regularly publishing studies on the financial performance of private corporate business sector for the past five decades. The source for measuring the financial performance of companies is the audited annual accounts of companies. The work relating to the analysis of balance sheets of companies was initiated in the Bank as early as in 1949. The first study related to around 2500 non-financial companies whose accounts were closed during 1947. Data on 20 selected items were captured in this study. The number of items included was increased to 51 in the next study conducted in 1952, which related to 1000 non-financial companies whose accounts were closed during 1948 and 1949. Both these studies were exploratory in nature, aimed at understanding the presentation of corporate statistics and the subtle differences, if any, in the concepts and definitions adopted by the companies. Based on the experience gained from these studies, a system for the analysis and processing of financial statistics from the annual accounts of selected companies was evolved and the studies based on the same were taken up on a regular basis from 1953 onwards. The first regular study for the years 1950 and 1951 was published in the RBI Bulletin in August 1954.

4.2. Measurement needs of the area

The main objective of the study is to build comprehensive corporate finance statistics with a view to capture the trends in income, value of production, sales, profitability, saving, investment, borrowings, etc., for understanding the broad structural features of the private corporate sector.

One of the features of company finance (CF) studies is the analysis of sources and uses of funds. These data give an insight into the internal and external sources of funds of the private corporate sector; the adequacy of support from financial intermediaries and the extent to

which corporate raise resources bypassing financial intermediaries. These data also give valuable insight into the trends in capital formation in the private corporate sector. The analysis of profit and loss accounts gives an indication on interest burden, profitability of corporates and give an idea of business climate in the country. These data, therefore, serve both qualitative and quantitative inputs for the policy formulation.

As per the standing arrangement with the Central Statistical Organization (CSO) and the RBI, the Department of Statistical Analysis and Computer Services (DESACS) of RBI compiles the estimates of saving and capital formation in the private corporate business sector based on the data from CF studies and supplies the estimates to CSO for inclusion in the National Accounts Statistics. The methodology of compiling the estimates of saving and capital formation in India has been examined by two Expert Committees: the K.N. Raj Committee: "Capital Formation and Saving in India 1950-51 to 1979-80", (Report published in February 1982) and the Raja J. Chelliah Committee: "Report of the Expert Group on Saving and Capital Formation", December 1996. Raj Committee (set up in 1981) on the method of estimation of saving and investment specified the role of the RBI and the CSO in preparing the estimates on saving and investment. While it recommended that the RBI should prepare the estimates for the private corporate business sector and financial saving (except life insurance, provident and pension funds) of household sector.

The Expert Group on Saving and Capital Formation (Chelliah Committee, set up in 1995) considered various alternative sources of data, viz., ASI data and data compiled by other private bodies, for generating the estimates of saving and capital formation of the private corporate sector. It was, however, noted that these sources of data do not provide complete or satisfactory information to build up the required saving and

capital formation of the private corporate business sector. Hence it recommended continuation of preparation of the estimates based on the RBI studies.

In addition to the corporate saving and investment estimates at aggregate level, industry-wise saving and capital formation figures, data on value added and its detailed components for selected industries and industry-wise inventory data for preparation of Input-Output Transaction Table (IOTT) is also forwarded to CSO. The CSO uses data from CF studies on Financial and Investment Companies to prepare estimates of financial intermediation services indirectly measured (FISIM).

On the basis of the captured data, the DESACS is preparing the following regular annual studies for the publication in the RBI Bulletin.

- a) Finances of Large public Limited Companies
- b) Finances of Public Limited Companies
- c) Finances of Private Limited Companies
- d) Performance of Financial and Investment Companies
- e) Finances of Foreign direct investment Companies

A list of other adhoc publications is presented in the Annex 4.1.

4.3. Concepts, Definitions and Classifications

The RBI studies present detailed data items covering all financial variables from 'combined balance sheet' and 'combined income, value of production and appropriation accounts'. Data on assets/liabilities, income, expenditure and appropriation accounts are culled out from annual accounts and posted in self-balancing worksheets. The studies cover selected non-financial and financial companies relating the Private corporate business sector. The criteria adopted for the selection of companies is the size of their paid-up capital with objective of having maximum coverage in terms of paid-up capital and industry-wise representation of companies. Companies in construction stage and defunct companies are not included in the RBI

studies. The studies also exclude companies in formative stage and those not operative for more than six months during the year. In addition, companies functioning for non-profit motives, companies limited by guarantee and promotional/developmental organizations are excluded. The list of selected companies is revised constantly with a view to improving the paid-up capital coverage and the representative character of the selected companies. These studies include as many representative companies as possible from various industries. While presenting industry-wise results, companies are classified as per national industrial classification (NIC), 1998. Since classification of industries under NIC-1998 refers to activities, whereas, company finance studies are based on products; the department adopted certain modifications at the 3-digit level to suit its requirements. In RBI classification, while the first two digits are taken from corresponding NIC code, the third digit is suitably adjusted to represent specific industry/industry group based on the main product. A company with more than one line of business activity is classified under the industry from which it derived more than half of its sales.

In the process of analyzing the accounts, data on assets/liabilities, income, expenditure and appropriation accounts are culled out from annual accounts and posted in self-balancing worksheets. These are supplemented with information available in Directors' report, notes on accounts, statutory disclosures, etc. For preparing the worksheet, the DESACS has developed suitable methodology so as to standardize the accounts for comparability between companies and over time period. All company finances studies cover data for three consecutive years, the current study year as well as two immediate preceding years, so as to get comparable growth rates and sources and uses of funds data. The definitional aspects of various items of assets, liabilities, income and expenditure accounts are given in Annex 4.2.

4.4. Sources and Systems

The source of data for CF studies is the audited annual accounts of companies. A company is

required to present within six months of the date of closing of accounts its balance sheet and profit and loss account at an annual general meeting (AGM) of the share holder members. Companies prepare the annual accounts for their shareholders in the manner prescribed in the Schedule VI of the Companies Act, 1956.

The DESACS maintains a database of companies consisting of information of about 32,000 companies and corresponds with them for procurement of balance sheets. Besides direct correspondence with companies, DESACS also gets balance sheets from Registrars of Companies (RoCs). Companies submit three copies of their annual accounts to RoCs under whose jurisdiction they are falling. By an arrangement of RBI(DESACS) with the Ministry of Company Affairs (MCA), the RoCs provide one copy of the balance sheet as required by RBI.

The National Statistical Commission (NSC) recognised the importance of RBI studies and recommended various measures to strengthen the data collection efforts of the Bank. The Commission recommended that the Department of Company Affairs (Now Ministry of Company Affairs) should ensure that Annual Reports of companies required by the Reserve Bank of India

(RBI) % whether listed, deemed or private limited – are made available to RBI so that further detailed analysis can be conducted.

Annual accounts/reports of some companies are available in the Internet. The department uses such reports whenever printed balance sheets are not received through regular sources.

4.5. Ensuring Quality standards

The company finances studies present three-year data for the same set of companies at aggregate/ industry level. In the case of companies, which either extended or shortened their accounting year, their income, expenditure and appropriation account figures are annualized. The balance sheet data, however, have been retained as presented in the annual accounts of the companies. The methodology of standardization and aggregation of company level data ensures that changes in the composition of selected companies do not affect the results of the studies. While the derived financial ratios are comparable over the years, forming time-series of ratios, the absolute numbers are not strictly comparable due to changes in the samples over the successive studies. However, if the analysis is based on common companies, the absolute figures also become comparable.

Annex 4.1**Annual Studies and Ad-hoc Publications****Annual Studies**

1. Finances of Large Public Limited Companies
2. Finances of Public Limited Companies
3. Performance of Financial and Investment Companies
4. Finances of Private Limited Companies
5. Finances of Foreign Direct Investment Companies

Ad-hoc Publications (Other than in RBI Bulletin)

Name of the publication	Month/Year of Publication
I. Compendiums	
(1) Financial Statistics of Joint Stock Companies in India 1950-51 to 1962-63	February 1967
(2) Financial Statistics of Joint Stock Companies in India 1960-61 to 1970-71	August 1975
(3) Financial Statistics of Joint Stock Companies in India 1970-71 to 1974-75	August 1977
(4) Private Corporate Business Sector in India – Selected Financial Statistics from 1950-51 to 1997-98 (All-Industries) (Available on CD-ROM also)	November 2000
(5) Selected Financial Statistics – Public Limited Companies 1974-75 to 1999-2000 (Selected Industries) (Available on CD-ROM also)	September 2001
II. Census Studies	
(1) Census of Public Limited Companies in India 1971-72	January 1980
(2) Census of Public Limited Companies in India 1976-77	October 1983
(3) Public Limited Companies in India 1980-82- A Profile	December 1986
III. Financial Ratios	
(1) Selected Financial and other Ratios Private Corporate Sector 1970-71 to 1975-76	October 1978
(2) Selected Financial and other Ratios Private Corporate Sector 1975-76 to 1978-79	November 1982
(3) (a) Selected Financial and other Ratios Public Limited Companies 1980-81 to 1987-88 All Industries (Vol. I)	December 1990
(b) Selected Financial and other Ratios Public Limited Companies 1980-81 to 1987-88 Selected Industries (Vol. II)	December 1990
(4) Selected Financial and other Ratios Private Limited Companies 1980-81 to 1987-88	May 1992
(5) (a) Selected Financial and other Ratios Public Limited Companies 1988-89 to 1990-91 (Part I)	October 1994
(b) Selected Financial and other Ratios Private Limited Companies 1988-89 to 1990-91 (Part II)	October 1994

Annex 4.2

- 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 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 includes 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 expenses like construction expenses of construction companies, 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 payments.
- 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.
- 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 and (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.

5. EXTERNAL SECTOR STATISTICS

This chapter covers the concepts and definitions relating to India's external sector statistics covering balance of payments, external debt, foreign investment inflows, NRI deposits, international investments position, foreign exchange reserves, etc. The data on each of these components are compiled following the international best practices. The detailed aspects of each of the components are outlined below.

5.1. BALANCE OF PAYMENTS

In India's balance of payments (BoP), transactions are recorded in accordance with the guidelines given in the fifth edition of IMF's Balance of Payments Manual (1993), with minor modifications to adapt to the specifics of the Indian situation. The Manual defines BoP as a statistical statement that systematically summarises, for a specific time period, the economic transactions of an economy with the rest of the world. Transactions between residents and non-residents consist of those involving goods, services, and income; involving financial claims on and liabilities to the rest of the world; and those classified as transfers, involving offsetting entries to balance one-sided transactions. The data are received from the banking system as part of the Foreign Exchange Management Act (FEMA), 1999. The data are received by the Reserve Bank of India mainly from the banking system (authorized dealers) as part of the Foreign Exchange Management Act (FEMA), 1999.

The basic structure of the Balance of Payments (BOP) of India consists of:

- (i) Current account: exports and imports of goods, services, income (both investment income and compensation of employees) and current transfers;
- (ii) Capital account: assets and liabilities covering direct investment, portfolio investment, loans, banking capital and other capital;
- (iii) Statistical discrepancy;
- (iv) International reserves and IMF transactions.

5.1.1. Current Account

5.1.1.1. Merchandise Trade

Merchandise credit relates to export of goods while merchandise debit represent import of goods. These are mainly based on reporting from the authorized dealers (ADs) supplemented by the information from other sources such as DGCI&S, USAID, Government of India. The item "Non-monetary Gold Movement" has been excluded from Invisibles in conformity with the IMF Manual on BOP (4th edition) from May 1993 onwards; these entries have been included under merchandise. Data on gold and silver brought in by the Indians returning from abroad have been included under imports payments with contra entry under Private Transfer Receipts since 1992-93.

5.1.1.2. Services

Services receipts and payments are compiled based on the information received from ADs supplemented with other sources such as Air India, embassies, NASSCOM, Full-fledged money changers, Government of India.

5.1.1.2.1. Travel

Travel' represents all expenditure by foreign tourists in India on the receipts side and all expenditure by Indian tourists abroad on payments side. Travel receipts largely depend on the arrival of foreign tourists in India during a given time period.

5.1.1.2.2. Transportation

'Transportation' records receipts and payments on account of the carriage of goods and natural persons as well as other distributive services (like port charges, bunker fuel, stevedoring, cabotage, warehousing, etc.) linked to merchandise trade.

5.1.1.2.3. Insurance

'Insurance receipts' consist of insurance on exports, premium on life and non-life policies and reinsurance premium from foreign insurance

companies. Insurance on exports is directly related to total exports from India.

5.1.1.2.4. Government not included elsewhere (GNIE)

'Government not included elsewhere (GNIE)' receipts represent inward remittances towards maintenance of foreign embassies, diplomatic missions and offices of international/regional institutions in India, while GNIE payments record the remittances on account of maintenance of Indian embassies and diplomatic missions abroad and remittances by foreign embassies on their account.

5.1.1.2.5. Miscellaneous

'Miscellaneous services' comprise of a host of business services, viz., communication, construction, financial, software and news agency services, royalties, copyright and license fees, management services and others. Of late, data on software services – receipts and payments, are presented separately.

5.1.1.3. Transfers (Official, Private)

Transfers represent one-sided transactions, i.e., transactions that do not have any quid pro quo, such as grants, gifts, and migrants' transfers by way of remittances for family maintenance, repatriation of savings and transfer of financial and real resources linked to change in resident status of migrants. Official transfer receipts include grants, donations and other assistance received by the Government from bilateral and multilateral institutions. Similar transfers by Indian Government to other countries are recorded under official transfer payments.

5.1.1.4. 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.

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".

5.1.2. Capital Account

The data on capital account are compiled on the basis of various returns filed by the entities engaged in capital account transactions to the Reserve Bank of India or Government of India. These include reporting on foreign direct investment, foreign institutional investment/ADR/GDR, external commercial borrowing (ECBs)/foreign currency convertible bonds (FCCBs), trade credit, NRI deposits and other banking liabilities/assets. The data on external assistance are obtained from the Government of India.

5.1.2.1. Foreign Investment

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' (inter-corporate 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 (2002-03) 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.

5.1.2.2. Portfolio Investment

Portfolio investments mainly include FIIs' investment, funds raised through GDRs/ADRs 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.

5.1.2.3. External Assistance

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.

5.1.2.4. Commercial Borrowings

Commercial borrowings cover 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 draws/ 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).

5.1.2.5. Short-Term Loans to India

It is defined as the draws in respect of loans, utilized and repayments with a maturity of less than one year.

5.1.2.6. Banking Capital

It comprises 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.

5.1.2.7. Rupee Debt Service

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.

5.1.2.8. Other Capital

Other capital comprises mainly the leads and lags in export receipts. 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 transaction not included elsewhere.

5.1.3. Movement in Reserves

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.

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.

5.1.4. 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 foreign exchange market and the monthly averages of cross rates of non-dollar currencies based on the London market.

5.1.5. Data Sources

Data on BoP are primarily compiled on the basis of International Transaction Reporting System (ITRS) in the form of fortnightly R>Returns filed by ADs/banks dealing in forex transactions. In accordance with the Foreign Exchange Management Act (FEMA), 1999, all foreign exchange transactions must be channeled

through banking system and the banks that undertake foreign exchange transactions must submit various periodical returns and supporting documents prescribed under the FEMA to RBI.

The above information is further supplemented by information available from the Directorate General of Commercial Intelligence and Statistics (DGCI&S), various embassies/consulates including Indian embassies/consulates abroad, various ministries/government agencies/departmental undertakings, USAID, National Association of Software Service Companies (NASSCOM), Air India, financial institutions and commercial banks (independent of reporting under ITRS), corporate sector and the RBI's own records.

5.1.6. Data Dissemination

At present, BoP statistics are published in two formats, viz., standard presentation with broad heads and detailed presentation with break-up of broad heads. The standard presentation with broad heads is compiled in accordance with the methodology set out in the IMF Balance of Payments Manual, 5th edition (BPM5) and is published every quarter with a lag of three months as per IMF's Special Data Dissemination Standards (SDDS) requirements. The disaggregated data on invisibles are finalised and published once the firm data on components become available. Invisibles are broadly classified under three heads, viz., services, transfers and income. While services, comprise travel, transportation, insurance, government not included elsewhere (GNIE) and miscellaneous (i.e. other services); transfers constitute private transfers and official transfers and income includes investment income and compensation of employees.

5.1.7. Revisions Policy for India's Balance of Payments Data

India's balance of payments statistics are published as 'preliminary', 'partially revised' and 'revised' data. Preliminary data are quarterly and are released with a lag of three months from the reference date (i.e., data for the quarter ending March 2004 are available at the end of June

2004). Preliminary data are subjected to some revisions during the year and partially revised data are released with lags of six months, nine months and twelve months from the reference date, alongside preliminary data for the relevant quarter(s). Partial revisions in the annual data are carried out with a lag of eighteen months from the reference date. Thereafter, the data are 'frozen' and final revisions are incorporated in the revised data, which are released within a lag of twenty-four months from the reference date. Extraordinary revisions may be undertaken within this cycle in the event of methodological changes in respect of data collection and compilation procedures and/or significant changes indicated by data sources that cause structural shifts in the data series. These extraordinary revisions are documented at the time of release. Preliminary, partially revised and revised data are clearly identified in the text and tables.

5.2. EXTERNAL DEBT

The definition of gross external debt adopted by India is based on the definition provided in 1988 by the International Working Group on External Debt Statistics (IWGEDS), which was set up jointly by the Bank for International Settlements (BIS), the International Monetary Fund (IMF), the Organisation for Economic Cooperation and Development (OECD) and the World Bank. The core definition of external debt given by the IWGEDS is "gross external debt is the amount, at any given time, of disbursed and outstanding contractual liabilities of residents of a country to non-residents to repay principal, with or without interest, or to pay interest, with or without principal".

The coverage of data is broadly consistent with the recommendations made in IMF's "External Debt Statistics – Guide for Compilers and Users", 1993. The external debt classification distinguishes between type of debtor/creditor, by maturity, i.e., long term and short term, by type of transactions, i.e., deposit or trade related and by element of concessionality.

5.2.1. Scope of the data

The gross external debt of the country is classified under eight categories: (i) multilateral,

(ii) bilateral, (iii) IMF, (iv) trade credits, (v) commercial borrowings, (vi) NRI deposits, (vii) rupee debt and (viii) short-term debt of maturity up to one year. In contrast to the liabilities side of the international investment position (IIP), the external debt data do not include any financial liabilities arising from foreign direct investment (except loans obtained by FDI enterprises in India from their parent company abroad) and equity component of foreign portfolio investment.

5.2.2. Accounting Conventions

External debt data are compiled and disseminated on original maturity basis. External debt is compiled and presented both in terms of US dollar and Indian rupees. The external debt figures are first compiled in terms of Indian rupees and then converted into US dollar at the spot exchange rate on the reference date.

5.2.3. Nature of the Basic Data Sources

At present various sources are used for obtaining information on various components of the external debt. The office of the Controller of Aid, Accounts and Audit Division, Ministry of Finance (MoF), Government of India (GoI) collects information on (i) multilateral and bilateral debt, excluding that part of multilateral/bilateral non-concessional debt to non-government entities for which approval needs to be sought under the ECB route; (ii) bilateral component of trade credit.

The External Debt Management Unit (EDMU) of the Department of Economic Affairs, MoF, GoI, collects data on rupee debt and export credit component for defence purposes. Securities and Exchange Board of India (SEBI) is the source for data on FII investment in debt instruments. Information on all other components of debt, viz., commercial borrowings, NRI deposits and trade credits (both long and short term) is collected by the Reserve Bank of India.

5.2.4. Compilation Practices

India's external debt data are disseminated under two broad heads namely, long-term and short-term. Long term debt is classified into multilateral, bilateral, IMF, export credit,

commercial borrowings, rupee debt and NRI deposits. Short-term debt comprises NRI deposits and trade related credits. The further disaggregation of long-term and short-term debt is based on creditor source and the status of borrower.

- Loans raised by India under external assistance programme or Official Development Assistance (ODA) are covered for the most part under multilateral and bilateral classification. Under multilateral, the following creditor sources have been identified: IDA, IBRD, ADB, EEC(SAC), OPEC, ISO, NIB, and IFC(W). Loans raised from all the above international bodies except IFC(W) are included under multilateral. The latter is treated as a part of commercial borrowings. Multilateral group comprises the loans extended by the above international institutions to the Government under ODA as well as loans to non-Government entities including those at market determined interest rates (commercial borrowings).
- Bilateral group represents loans received from bilateral sources. Certain bilateral credits to Government of India contain an export credit component, for example French and German credits as well as Swiss mixed credits, which is not treated as bilateral but as a part of export credit. Loans raised by non-Government entities including those at market related interest rates (commercial borrowings) from bilateral sources, for example EXIM Japan, EXIM USA and KFW Germany, are covered under bilateral category.
- The multilateral and bilateral loans are classified into Government and Non-Government borrowings. Government borrowings are those which pass through Central Government's budget. Non-Government borrowings include all loans raised by the non-government bodies with or without Government guarantee. Government and Non-Government credits are further disaggregated into concessional and non-concessional. Concessional loans are those loans under ODA, which carry grant element of more than 25 per cent. Rest are all non-concessional.
- "IMF" classification represents use of Fund credits. "Export credits" essentially include long-term trade credits. "Buyers' credits" are export credits raised through commercial banks with insurance cover from export credit agency of the donor country. "Suppliers' credits" are credits extended by the suppliers with or without insurance cover by export credit agencies. "Export credit component of bilateral loans" are export credits routed through commercial banks and are part of the package of bilateral assistance.
- "Commercial borrowings" comprise borrowings from international capital markets on commercial terms. "Commercial banks loans" refer to borrowings by Indian entities from international banks and other financial leasing and lending by overseas branches of Indian commercial banks to Indian residents. 'Securitised Borrowings' include funds raised through the issue of securitised instruments like bonds (including for example India Development Bonds and Resurgent India Bonds), Floating Rate Notes, Euro-Commercial Paper, Note Issuance Facility, etc., and Non-convertible/convertible debentures. India Millennium deposits (IMDs) also figure here. FII investment in Government securities is treated as part of securitised borrowings. "Loans/securitised borrowings with multilateral/bilateral guarantee and IFC(W)" covers borrowings of Indian residents from international capital market with a guarantee from multilateral/bilateral agencies.
- NRI deposits consist of deposits under Foreign Currency Non-resident (Banks) (FCNR)(B) and Non-resident (External) Rupee Account (NR(E)RA). Back data include Foreign Currency Non-resident Account (FCNRA) which was withdrawn with effect from August 1994.

- Rupee debt covers civilian and non-civilian (defence) rupee debt owed to Russia which are payable through exports.
- Short-term debt represents all borrowings including NRI deposits with maturity of six months to one-year.

5.2.5. Other Aspects

The Reserve Bank of India compiles and publishes quarterly data on India's external debt for quarters ending March and June and the Ministry of Finance, Government of India releases external debt data for quarters ending September and December. The data are not seasonally adjusted. The data are preliminary when first released and are revised in about one year, by which time they become final.

5.3. FOREIGN INVESTMENT INFLOWS

Foreign investment inflows can be broadly categorised as Foreign Direct Investment (FDI) and Foreign Portfolio Investment (FPI). FDI is the process whereby residents of one country (the home country) acquire ownership of assets for the purpose of controlling the production, distribution and other activities of a firm in another country (the host country). According to International Monetary Fund (IMF) definition contained in the Balance of Payments Manual, Fifth Edition (BPM-5), FDI has three components, viz., equity capital, reinvested earnings and other direct capital. India reports FDI inflows in accordance with the IMF definition, which include reinvested earnings and other direct capital flows, besides equity capital. Portfolio Investment includes investment in equity securities and debt securities in the form of bonds and notes, money market instruments and other instruments such as American Depository Receipts (ADRs)/Global Depository receipts that usually denotes ownership of equity.

5.3.1. Scope of the data

Following the IMF practice and in line with other country practices, foreign investment data are published under two broad heads: Foreign Direct Investment (FDI) and Foreign Portfolio Investment (FPI). FDI data for India is published under the

following three broad heads, viz., equity capital, reinvested earnings and intra-company loans. FPI includes portfolio flows through issuance of American depository receipts (ADRs)/global depository receipts (GDRs) and investment by Foreign Institutional Investors (FIIs).

5.3.2. Accounting Conventions

Foreign Investment data is compiled and presented in terms of US dollar.

5.3.3. Nature of the Basic Data Sources

The basic source for obtaining information on various components of foreign investment is the Reserve Bank of India.

5.3.4. Compilation Practices

In India, foreign investment data including FDI and FPI are compiled on a monthly basis by the RBI, using an international transactions reporting system (ITRS) as the principal source of information. Following the methodology prescribed in BPM5, data on fresh inflows of foreign direct investment are being captured through reporting of these transactions by the companies who receive these funds. The companies who receive the foreign investment report send these receipts data with full details to the Reserve Bank, which are then consolidated and used for compilation of direct investment data. Amount raised by the corporates through issuances of ADRs/GDRs are reported to the Reserve Bank.

The Reserve Bank also separately obtains from the custodians, on a weekly basis, the details of actual inflows/outflows into the accounts of the FIIs. Data on reinvested earnings and other capital is captured through annual surveys on FDI companies. These different components are then, finally compiled and consolidated to obtain the data on aggregate foreign investment in India.

5.3.5. Other Aspects

RBI publishes foreign investment data on a monthly basis in the RBI Bulletin, which provides component-wise details of direct investment and portfolio investment. Direct investment comprises of inflows through (i)

Equity via Government (SIA/FIPB) route, RBI automatic route, NRI, acquisition of shares and equity capital of unincorporated bodies, (ii) Reinvested Earnings and (iii) Other capital. Portfolio investment covers: (i) GDRs / ADRs (ii) FIIs, and (iii) offshore funds and others.

5.4. NON RESIDENT DEPOSITS

Non resident Indians (NRIs) are allowed to open and maintain bank account in India under special deposit schemes – both rupee denominated and foreign currency denominated. Such deposits are termed NRI deposits. For the purpose of opening and maintaining NRI deposits, Non resident Indian and Overseas corporate bodies are defined as follows:

- An Indian Citizen residing outside India and a Foreign Citizen of Indian origin residing outside India for employment/ carrying on business or vocation outside India or staying abroad under circumstances indicating an intention for an uncertain duration of stay abroad are defined as Non-Resident Indians. Persons posted in United Nations organizations and officials deputed abroad by Central/State Governments and public sector undertakings on temporary assignments are also treated as non-residents.
- Foreign citizens of Indian origin are treated at par with NRIs for certain facilities under bank deposits and investments in India. 'A person of Indian origin' means an individual (not being a citizen of Pakistan or Bangladesh or Sri Lanka), who at any time, held an Indian passport; or who or either of whose parents or whose grandparents were citizens of India by virtue of the Constitution of India or the Citizenship Act, 1955 (57 of 1955).

5.4.1. Scope of the data

NRI deposits include deposits under Foreign Currency Non-resident (Banks) (FCNR)(B) and Non-resident (External) Rupee Account (NR(E)RA). Back data include NR(NR)RD which was withdrawn in 2002.

FCNR(B) deposits are designated in foreign currency. The deposits can be made by NRIs. They are accepted in Pound Sterling, US Dollar, EURO, Japanese yen, Australian dollar and Canadian dollar. FCNR(B) deposits are accepted for the tenure of one year and above but less than two years, two years and above but less than three years and three years only.

NR(E)RA and NR(NR)RD, on the other hand, are a rupee denominated deposit schemes, where in NRIs can park their funds in both term deposits as well savings accounts.

5.4.2. Accounting Conventions

FCNR (B) deposits are compiled and disseminated in US dollar. For FCNR (B) deposits, conversion into a numeraire currency (US dollar) is done on the basis of average monthly exchange rate. NRE and NRNR deposits data are first compiled in terms of Indian rupees and then converted into US dollar. The stock data at the end of each month is calculated on the basis of end-period exchange rate for the respective month. For compilation of the monthly net flow figures, the average rupee-US dollar exchange rate for the month is used for conversion.

5.4.3. Nature of the Basic Data Sources

The basic source for obtaining information on various components of NRI deposits is the Reserve Bank of India.

5.4.4. Compilation Practices

At present, the monthly outstanding balances under the existing Non-Resident Deposit schemes are compiled on the basis of fortnightly statement on external liabilities received by Reserve Bank of India (RBI) under Section 42(2) of the RBI Act. These data are supplemented by information received in the form of monthly statements submitted by ADs to the Reserve Bank for calculating the maturity structure and comparing the balances under various deposits.

5.4.5. Other Aspects

The figures on NRI deposits are published in the Reserve Bank of India Bulletin on a monthly

basis. It is also published every quarter in the table on Balance of Payments of the Bulletin.

5.5. INTERNATIONAL INVESTMENT POSITION OF INDIA

The International Investment Position (InIP), compiled as at the end of a specific period such as quarter-end or year-end, is the balance sheet of the stock of external financial assets and liabilities of a country. The net InIP (the stock of external assets less the stock of external liabilities) shows the difference between what an economy owns in relation to what it owes. Reflecting the increased world interest in levels of foreign investment, InIP has been included under Special Data Dissemination Standard (SDDS) of the IMF to provide key information for assessing a country's economic relations with the rest of the world. The conceptual framework for the InIP was introduced in the fifth edition of the International Monetary Fund's (IMF's) Balance of Payments Manual (BPM5) in 1993. The position at the end of a specific period reflects financial transactions, valuation changes, and other adjustments that occurred during the period and affected the level of assets and/or liabilities.

RBI disseminates InIP data annually as per the format prescribed under the SDDS by the International Monetary Fund (IMF). This manual presents the detail compilation procedure followed to compile the InIP of India.

5.5.1. Concept

The underlying concept of Balance of Payments (BoP) and InIP are same [ref. BPM5 (1993), BoP Compilation Guide (1995), BoP Text Book (1996)]. Transactions between residents and non-residents of an economy are shown in the BoP under three accounts, viz., current account, capital account and financial account. The international investment position measures the economy's stock of external financial assets and liabilities; the BOP financial account measures transactions during the period in these assets and liabilities.

5.5.2. InIP Components: Definition and Classification

Foreign Assets and Foreign Liabilities

International investments made by a country in non-resident entities constitute foreign assets

whereas international investments received by a country from non-resident entities form its foreign liabilities. These assets/liabilities are primarily financial assets and financial liabilities. Assets are divided into direct investment, portfolio investment, financial derivative, other investment and reserve assets. Liabilities are divided the same way except for reserve assets, i.e., direct investment, portfolio investment, financial derivative and other investment.

Direct Investment and Portfolio Investment

As per the IMF manual, international investments are broadly classified under five categories viz. direct investment, portfolio investment, financial derivatives, other investment and reserve assets. Direct investment is the category of international investment that reflects the objective of a resident entity in one economy obtaining a lasting interest in an enterprise resident in another economy. Direct investment includes equity capital, reinvested earnings, and other capital (inter company debt). Claims on and liabilities to affiliated enterprises are shown separately. The "lasting interest" aspect is translated in terms of holding of ordinary share or voting power, a threshold of ten percent is indicated by IMF. Otherwise the investment is classified as portfolio investment in equity.

The manual states that portfolio investment includes equity securities and debt securities in the form of bonds and notes, and money market instruments. Excluded are any of the aforementioned instruments included in the categories of direct investment and reserve assets. Portfolio investment under each instrument then is sub-classified by institutional resident sectors viz. Monetary authorities, General government, Banks and Other sectors.

Financial Derivatives

Financial derivatives are financial instruments that are linked to another specific financial instrument, indicator, or commodity and through which specific financial risks can be traded in financial markets in their own right. The derivatives are classified by the four institutional

resident sectors, viz., Monetary authorities, General government, Banks and Other sectors. All financial derivatives are included here except those reported under reserve assets.

Other investment

The fourth category of investments, viz., 'Other investment' includes investments other than in equities and securities such as Trade credits, loans, currency and deposits and other assets/liabilities. (such as capital subscriptions to international, non-monetary organizations and miscellaneous accounts receivable and payable). Other investment are also classified by sector and lastly by original maturity (long term and short term).

A detail discussion on data sources for the above items are available in InIP Guide (2002) published by the IMF.

Reserve Assets

Reserve assets are foreign financial assets available to, and controlled by, the monetary authorities or financing or regulating payments imbalances or for other purposes.

5.5.3. Dissemination of InIP of India

India has been disseminating data pertaining to InIP since 1951. The first study on India's InIP entitled "Census of India's Foreign Liabilities and Assets (as on June 30, 1948)" was published by the RBI in 1951 [RBI(1951)]. However, with India's subscription to SDDS, India committed to disseminate InIP as per the SDDS format prescribed by IMF. Currently annual data as on March are released by September of the same calendar year through RBI website . Data are released as per the prescribed format under SDDS and are available from end March 1997.

5.5.4. Compilation Methodology/Procedure

The format of the InIP as prescribed by the IMF

is presented in the Annex 5.1. At present two methods are followed to compile the data as stated below:

- In the case of direct investment (DI) data, BoP data are added to the previous year stock value. Necessary exchange rate changes are taken into account in the final compilation. In the case of DI assets, data are first compiled based on US Dollars (USD) values and then converted to Indian rupee values. In the case of DI liabilities, data are first compiled in Indian rupee (INR) and then converted to USD. Exchange rate of USD as on end-March vis-à-vis INR of the reference year is used for conversion. Data as on end-March 1997 that was compiled through a census and published in 2000 provide the base value [RBI(2000)].
- Data pertaining to Banks, Government and Monetary authority are compiled based on published sources or collected from the corresponding agencies. If the published data of the stock values are available in USD as well as in INR (e.g. reserves, external debt, etc.), then the published information is used for InIP. If the data are available in either currency only, end-March exchange rate of USD vis-à-vis INR of the reference year is used for necessary conversion.
- Data pertaining to corporate sector (other than direct investment and portfolio investment) are compiled based on survey, viz., survey on foreign liabilities and assets on non-financial companies, mutual funds, insurance companies.

5.5.5. Limitation of the current methodology

Changes in InIP over a period occur due to four reasons, viz., financial transactions, price and exchange rate changes, and other adjustments as shown in Table 5.1.

Table 5.1: Changes in InIP

	Changes				
Position at the beginning of the period	Financial Transactions	Price Changes	Exchange Rate	Other Adjustments Changes	Position at the end of the period

At present a few items, viz., reserves, non-resident deposits, are compiled incorporating all the changes mentioned above. However, in the case of all other items, changes due to financial transactions and exchange rate only are taken

into account as information on price changes and other adjustments are not readily available.

Following the above, the sources of data of various components and compilation procedures are given in Table 5.2.

Table 5.2. Compilation of Guidelines for International Investment Position

	Flow	Stocks	Source
A. Assets			
1. Direct Investment Abroad			
1.1 Equity Capital and Reinvested Earnings	BoP Table: 43 (in USD) - Latest (as relevant)	Net flow is added to base data on stock, which are available in the article titled 'Census of India's Foreign Liabilities and Assets as on March 1997; RBI Bulletin (October 2000)'. [@]	RBI Bulletin for Flow data (Statements on BoP data)
1.1.1 Claims on Affiliated Enterprises		NA	
1.1.2 Liabilities to Affiliated Enterprises (-)		NA	
1.2 Other Capital	BoP Table 43 (in USD) - Latest (as relevant)	Net flow is added to base data on Stock, which are available in the article titled 'Census of India's Foreign Liabilities and Assets as on March 1997; RBI Bulletin (October 2000)'. [@]	RBI Bulletin for Flow data
1.2.1 Claims on Affiliated Enterprises		NA	
1.2.2 Liabilities to Affiliated Enterprises (-)		NA	
2. Portfolio Investment			
2.1 Equity Securities	BoP Table: 43 (in USD) - Latest (as relevant)	As mentioned for items 1.1 & 1.2	RBI Bulletin for Flow data
2.1.1 Monetary Authorities		Not Applicable	
2.1.2 General Government		Not Applicable	
2.1.3 Banks		International Banking Statement (IBS) (Statement-II) Item 3.1: other Assets: Investment in Equity Abroad : Locational Banking Statistics	RBI Bulletin – Articles on International Banking Statistics.
2.1.4 Other Sectors		2.1-2.1.3	
2.2 Debt Securities	-		
2.2.1 Bonds and Notes			
2.2.1.1 Monetary Authorities		Not Applicable	

	Flow	Stocks	Source
2.2.1.2 General Government		Not Applicable	
2.2.1.3 Banks	–	IBS (Statement-II) Item 2.2 → Investment in Other Debt Securities	RBI Bulletin - Articles on International Banking Statistics
2.2.1.4 Other Sectors	Articles on	Survey data	Foreign Liabilities and Assets Survey (FLAS) canvassed by DESACS (BPSD)
2.2.2 Money-market Instruments			
2.2.2.1 Monetary Authorities		Not Applicable	
2.2.2.2 General Government		Not Applicable	
2.2.2.3 Banks	–	IBS (Statement-II) Item 2.1 → Investment in Foreign Govt. securities	RBI Bulletin - Articles on International Banking Statistics
2.2.2.4 Other Sectors	–	Survey data	Foreign Liabilities and Assets Survey (FLAS) conducted by DESACS (BPSD)
3. Financial Derivatives	–	NA	
3.1 Monetary Authorities			
3.2 General government			
3.3 Banks			
3.4 Other sectors			
4. Other Investment	–	As per item 4.1.2	
4.1 Trade Credit			
4.1.1 General Government		Not Applicable	
4.1.1.1 Long-term			
4.1.1.2 Short-term	–		
4.1.2 Other Sectors			
4.1.2.1 Long-term		As per the survey	Foreign Liabilities and Assets Survey (FLAS) conducted by DESACS (BPSD)
4.1.2.2 Short-term	–		Collected from Department of Economic Analysis and Policy (Division of International finance); Data pertain to Export proceeds not realised by Corporate Sector

	Flow	Stocks	Source
4.2 Loans			
4.2.1 Monetary Authorities		Not Applicable	
4.2.1.1 Long-term			
4.2.1.2 Short-term			
4.2.2 General Government			
4.2.2.1 Long-term		(1) Advances to Foreign Govt. and (2) Partition Debt Payable by Pakistan	Data on item (1) are compiled by RBI (Department of Economic Analysis and Policy)Data on item (2) were published by RBI (Census of India's Foreign Liabilities and Assets as on March 1997, RBI Bulletin, October 2000).
4.2.2.2 Short-term		NA	
4.2.3 Banks		Banks Assets and Liabilities (BAL) (Item-5)	Compiled by RBI (DESACS)
4.2.3.1 Long-term		Banks' Assets and Liabilities (BAL) (Item-5)	Compiled by RBI (DESACS)
4.2.3.2 Short-term		NA	
4.2.4 Other Sectors		Survey data	Foreign Liabilities and Assets Survey (FLAS) conducted by RBI, (DESACS)
4.2.4.1 Long-term		Not Applicable	
4.2.4.2 Short-term		Not Applicable	
4.3 Currency and Deposits			
4.3.1 Monetary Authorities		Nil	
4.3.2 General Government		Balances Held Abroad by Embassies of India	RBI (Department of Economic Analysis and Policy)
4.3.3 Banks		BAL-Currency (Item-1)+Deposits (Item-2)	Compiled by RBI (DESACS)
4.3.4 Other Sectors		Survey	Foreign Liabilities and Assets Survey (FLAS) conducted by RBI (DESACS)
4.4 Other Assets			
4.4.1 Monetary Authorities		Nil	
4.4.1.1 Long-term			
4.4.1.2 Short-term			

	Flow	Stocks	Source
4.4.2 General Government			
4.4.2.1 Long-term		Subscriptions to international Institutions after conversion: Annual Reports	Included are AFD, IFC, IDA, IBRD, MIGA, ADB. Data are collected from respective website.
4.4.2.2 Short-term		Not Applicable	
4.4.3 Banks			
4.4.3.1 Long-term		(1)Consolidated Balance Sheet of Overseas Branches of Indian Banks (Liabilities : Head Offices i.e. HO funds) and (2) BAL [Vostro (Debit)]	Item (1) from RBI (Department of Banking Supervision)Item (2) compiled by by RBI (DESACS)
4.4.3.2 Short-term		NA	
4.4.4 Other Sectors		Survey: LIC, Insurance, Mutual Fund, Corporate	Foreign Liabilities and Assets Survey (FLAS) conducted by RBI (DESACS)
4.4.4.1 Long-term		-do-	-do-
4.4.4.2 Short-term		-do-	-do-
5. Reserve Assets			
5.1 Monetary Gold		Data are published by RBI	RBI, RBI Bulletin (Table 4.4)
5.2 Special Drawing Rights		-do-	-do-
5.3 Reserve Position in the Fund		-do-	-do-
5.4 Foreign Exchange		-do-	-do-
5.4.1 Currency and Deposits		Data Template on International Reserves	IMF's SDDS site (India page)
5.4.1.1 With Monetary Authorities		-do-	-do-
5.4.1.2 With Banks		-do-	-do-
5.4.2 Securities		-do-	-do-
5.4.2.1 Equities			
5.4.2.2 Bonds and Notes			
5.4.2.3 Money-market Instruments			
5.4.3 Financial Derivatives (net)			
5.5 Other Claims			
B. Liabilities			
1. Direct Investment in Reporting economy			
1.1 Equity Capital and Reinvested Earnings	BoP Table 42 (In Indian	Net flow is to be added to Stock; base data are available in the	RBI Bulletin, October 2000

	Flow	Stocks	Source
	Rupee)-Latest (as relevant)	article titled 'Census of India's Foreign Liabilities and Assets as on March 1997.	
1.1.1 Claims on Direct Investors (-)		NA	
1.1.2 Liabilities to Direct Investors		NA	
1.2 Other Capital	BoP Table 42 (In Indian Rupee)-Latest (as relevant)	Net flow is to be added to Stock; base data are available in the article titled 'Census of India's Foreign Liabilities and Assets as on March 1997.	RBI Bulletin, October 2000
1.2.1 Claims on Direct Investors (-)		NA	
1.2.2 Liabilities to Direct Investors \$\$\$		NA	
2. Portfolio Investment			
2.1 Equity Securities			
2.1.1 Banks @@			
2.1.2 Other Sectors \$\$	BoP Table 42 (In Indian Rupee)-Latest (as relevant)	Net flow is to be added to Stock; base data are available in the article titled 'Census of India's Foreign Liabilities and Assets as on March 1997;	RBI Bulletin, October 2000
2.2 Debt securities			
2.2.1 Bonds and notes			
2.2.1.1 Monetary Authorities		Nil	
2.2.1.2 General Government		Non resident Government (NRG) (Purpose code '02')	RBI (DESACS)
2.2.1.3 Banks		External Debt—V.b) Securitised borrowings (excluding FCCB)	External Debt Statistics
2.2.1.4 Other Sectors ##		India's External Debt - V.b) Securitised Borrowings [Only FCCB]	External Debt Statistics; RBI
2.2.2 Money-market Instruments			
2.2.2.1 Monetary Authorities		Nil	
2.2.2.2 General Government (DESACS)		NRG (Treasury Bill)	Compiled by RBI
2.2.2.3 Banks		Nil	
2.2.2.4 Other Sectors		Nil	
3. Financial Derivatives		NA	
3.1 Monetary Authorities			
3.2 General Government			
3.3 Banks			
3.4 Other Sectors			

	Flow	Stocks	Source
4. Other Investment			
4.1 Trade Credits			
4.1.1 General Government			
4.1.1.1 Long-term		Export credit component of Bilateral credits - India's External Debt	External Debt Statistics, MoF, GoI.
4.1.1.2 Short-term		NA	
4.1.2 Other Sectors			
4.1.2.1 Long-term		India's External Debt - suppliers' credit + Export credit for defence purposes	External Debt Statistics, MoF, GoI.
4.1.2.2 Short-term		India's External Debt: Others: Trade related (Short term debt over six months)	External Debt Statistics, MoF, GoI.
4.2 Loans			
4.2.1 Monetary Authorities			
4.2.1.1 Use of Fund Credit & loans from the fund		International Financial Statistics (IFS): Page 534 : India : Total fund credit & loans outstanding Excluding SDR	IMF
4.2.1.2 Other Long-term		Nil	
4.2.1.3 Short-term		Nil	
4.2.2 General Government			
4.2.2.1 Long-term		India's External Debt -Multilateral (A)+Bilateral (A)+Rupee Debt	External Debt Statistics, MoF, GoI.
4.2.2.2 Short-term		Nil	
4.2.3 Banks		Nil	
4.2.3.1 Long-term		India's External Debt[Multilateral →Non Govt-→Non concessional → Financial Institutions + Bilateral → Non Govt. → (Concessional → Financial Institutions + Non concessional → financial institutions)]	External Debt Statistics. MoF, GoI
4.2.3.2 Short-term		Nil	
4.2.4 Other Sectors			
4.2.4.1 Long-term**		India's external Debt-[Multilateral → Non Govt. → Non concessional → a)Public sector + b) Private sector)] + [Bilateral → Non Govt. → concessional → (Private + Public sector) + Bilateral -> Non Govt. → Non concessional → (Private + Public sector)] + Buyer's credits + Commercial Banking	External Debt Statistics, MoF, GoI.RBI (DESACS)

	Flow	Stocks	Source
		loans + Loans/ securitized borrowings etc. with multilateral/ bilateral guarantee and IFC(W)]— ECB(FDI component collected from ECB section	
4.2.4.2 Short-term		Nil	
4.3 Currency and Deposits			
4.3.1 Monetary Authorities		NRG(Purpose'01')	Compiled by RBI (DESACS)
4.3.2 General government		Nil	
4.3.3 Banks @		India's External Debt-. NRI & FC Deposits+ NRI deposits up to 1 year	External Debt Statistics
4.3.4 Other sectors		Nil	
4.4 Other Liabilities			
4.4.1 Monetary Authorities		Nil	
4.4.1.1 Long-term			
4.4.1.2 Short-term			
4.4.2 General Government		Nil	
4.4.2.1 Long-term			
4.4.2.2 Short-term			
4.4.3 Banks			
4.4.3.1 Long-term		Nil	
4.4.3.2 Short-term		BAL NOSTRO (Debit: Code (convert into Indian rupees then into USD with March end exchange rate of the reference year)	Compiled by RBI (DESACS)
4.4.4 Other sectors	Survey		Foreign Liabilities and Assets Survey (FLAS) conducted by RBI (DESACS)
4.4.4.1 Long-term			
4.4.4.2 Short-term			

NA : Not Available

\$\$: Foreign Direct Investment (FDI) & Portfolio Investment are not adjusted for price changes.

\$\$\$: All liabilities (other than equity) between direct investor & direct investment enterprises are treated as other capital.

@ : Include accrued interest. Do not include non-resident non-repatriable deposits from 1997-2001.

** : Includes Buyers' Credit. Loan transactions between direct investor & direct investment enterprises are treated as other capital.

@@ : Equity Investments in Banks by Non-residents included under FDI.

Reference:

RBI Census of India's Foreign Liabilities and Assets as on March 1997; RBI Bulletin (October 2000). (2000)

5.6. STATISTICS ON FOREIGN EXCHANGE RESERVES

Reserve Bank of India has been publishing the data on Foreign Exchange Reserves to fulfill statutory and international obligations as a member of International Monetary Fund (IMF). The data on Foreign Exchange Reserves are published at prescribed intervals in various publications and/or on its official website www.rbi.org.in for use by domestic and international entities and Research personnel.

5.6.1. Concepts of India's International Reserves

India's concept of international reserves conforms to IMF's Balance of Payments Manual, fifth edition, Chapter XXI. Reserves are held for the purpose of intervention in the domestic foreign exchange markets, providing foreign currency liquidity to the Government and as backing for domestic currency.

Data are classified and presented under these heads.

5.6.2. Concepts and Definitions of Foreign Exchange Reserves

The Foreign Exchange Reserves consist of the following components:

- i. Foreign Currency Assets (FCA)
- ii. Gold
- iii. Special Drawing Rights (SDR)
- iv. Reserve Tranche Position in IMF (RTP)

Reserve Bank of India has direct control over the Foreign Currency Assets and Gold, which are reflected in its Balance sheet while Special Drawing Rights and Reserve Tranche Position in IMF are reflected in the books of Government of India. SDRs and RTP, which appear in the books of the Government but are readily available to Reserve Bank (monetary authority) for use, are included in Foreign Exchange Reserves.

Foreign exchange reserves are deployed as per the provisions of the Reserve Bank of India Act 1934. Broadly, the FCA comprises:

- i. Cash Balance in Nostro accounts maintained with various Central Banks.

- ii. Deposits with
 - a. Central Banks
 - b. Foreign Commercial Banks
 - c. Bank for International Settlements
 - d. International Bank for Reconstruction and Development (IBRD)
- iii. Treasury Bills - Sovereign
- iv. Securities and bonds (Foreign Securities) - Sovereign and supranational

The Foreign Currency Assets are reflected in the balance sheet of Reserve Bank as:

- i. Foreign Securities (Issue Department Balance sheet)
- ii. Balances held abroad
- iii. Investments

Foreign Exchange Reserves or Reserve Assets are defined as consisting of those external assets that are readily available to and controlled by monetary authorities for direct financing of payments imbalances, for indirectly regulating the magnitude of such imbalances through intervention in exchange markets to affect the currency exchange rate, and/or for other purposes. The category of *reserve assets*, as defined in the *Manual*, comprises Monetary Gold, Special Drawing Rights of IMF, RTP with IMF, Foreign Exchange Assets (consisting of currency and deposits and securities), and other claims. Securities that do not satisfy the requirements of *reserve assets* are included in *direct investment* and *portfolio investment*.

Foreign Exchange or Currency Assets includes monetary authorities' claims on nonresidents in the forms of ECUs, currency bank deposits, government securities, other bonds and notes, money market instruments, financial derivatives, equity securities, and non-marketable claims arising from arrangements between central banks or governments. (Foreign exchange covers claims that are shown as the foreign exchange component of the series for international liquidity published by the Fund in *International Financial Statistics*.)

Monetary Gold is gold owned by the authorities (or by others who are subject to the effective control of the authorities) and held as a *reserve asset*. Other gold (non-monetary gold, possibly including commercial stocks held for trading purposes by authorities who also own monetary gold) owned by any entity is treated in this *Manual* as any other commodity. Transactions in monetary gold occur only between monetary authorities and their counterparts in other economies or between monetary authorities and international monetary organizations. Like SDRs, monetary gold is a *reserve asset* for which there is no outstanding financial liability.

Special Drawing Rights of IMF (SDRs) are international *reserve assets* created by the International Monetary Fund to supplement other *reserve assets* that are periodically allocated to IMF members in proportion to their respective quotas. SDRs are not considered liabilities of the Fund, and IMF members to whom SDRs are allocated do not incur actual (unconditional) liabilities to repay SDR allocations. The Fund determines the value of SDRs daily by summing, in U.S. dollars, the values—which are based on market exchange rates—of a weighted basket of currencies. The basket and weights are subject to revision from time to time. SDRs can be used to acquire other members' currencies (foreign exchange), to settle financial obligations, and to extend loans. Changes in the SDR holdings of monetary authorities can arise through (i) transactions involving SDR payments to or receipts from the Fund, other participants in the SDR Department of the Fund, or other holders or (ii) allocation or cancellation. Transactions such as those enumerated under (i) are included in the balance of payments; allocations or cancellations are not entered in the balance of payments but are reflected in the international investment position.

Reserve Tranche Position of IMF member is defined as the member's position in the IMF's General Resource Account which is recorded under the category for *reserve assets*. The member's reserve position is the sum of the reserve tranche purchases that a member may draw upon and any indebtedness of the Fund (under a loan agreement) that is readily

repayable to the member. Reserve tranche purchases are purchases from the Fund of other currencies that do not cause Fund holdings of a member's currency to exceed the member's quota (minus holdings that reflect the member's use of Fund credit). A purchase from the Fund is recorded as an increase in foreign exchange holdings and a decrease in the member's reserve position in the Fund; a repurchase is recorded as a decrease and an increase, respectively. Purchases in the reserve tranche are not regarded as a use of Fund credit, are not subject to charges, and do not require repurchase. RTP, shown as a memo item with effect from May 23, 2003, is included in the reserves from the weekend ended April 2, 2004.

5.6.3. Special Data Dissemination Standards (SDDS) of the International Monetary Fund (IMF) - International Reserves and Foreign Currency Liquidity Data Template

The SDDS was established in 1996 to guide countries that have, or that might seek, access to international capital markets in the dissemination of economic and financial data to the public.¹ This site provides information about economic and financial data disseminated by member countries that subscribe to the SDDS.

Reserve Bank subscribed to SDDS effective December 27, 1996. Metadata was posted on the DSBB - Dissemination Standards Bulletin Board on October 30, 1997. Reserve Bank completely subscribed to Metadata on December 14, 2001. The IMF requires that data should be available at regular intervals in public domain. The Reserve Bank publishes these data in its publications. The Reserve Bank also publishes on its website, advance dissemination of release calendars for these data categories in accordance with SDDS requirements.

5.6.3.1. Coverage characteristics

There are two publications relating to the reserve assets i.e Foreign Exchange Reserves under WSS and the data Template on International Reserves

¹ <http://dsbb.imf.org/Applications/web/sddshome>

and Foreign Currency Liquidity under SDDS. Data is disseminated in US dollars (in millions) and Indian Rupees (in crores, where one crore = 10 million) on the Foreign Exchange Reserves (comprising Foreign Currency Assets and Gold held by RBI and SDRs and RTP with IMF) under WSS and in US dollars (in millions) only under data template on International Reserves and Foreign Currency Liquidity.

5.6.3.2. Periodicity

Data are released on weekly basis (on week-end) for the Foreign Exchange Reserves and on monthly basis (on month-end) for the Data Template on International Reserves and Foreign Currency Liquidity.

5.6.3.3. Timeliness

Data are released one week after the reference week-end with respect to Foreign Exchange Reserves and one month after the reference month-end for the Data Template on International Reserves and Foreign Currency Liquidity.

5.6.4. Integrity and Quality of Data

The terms and conditions of dissemination of official statistics include those relating to the confidentiality of individually identifiable information. The data is compiled in accordance with the terms of Section 53 (1) of the *Reserve Bank of India Act 1934*, which requires that the RBI furnish a weekly statement of accounts of the Issue Department and the Banking Department to the Central Government. The *RBI Act 1934* is published in Hindi and English and is available, for a fee, from book stores selling government publications, from the Controller of Publications, Civil Lines, Delhi - 110006, India. The data on international reserves are disseminated by the RBI as a service to the public.

Data are compiled according to the 5th edition of the IMF's *"Balance of Payments Manual"*. The methodology used for compilation is indicated in footnotes in the monthly *"Reserve Bank of India Bulletin"* and in the Data Template on International Reserves and Foreign Currency Liquidity.

5.6.5. Dissemination of Foreign Exchange Reserves or Assets

The statistics related to country's Foreign Exchange Reserves are disseminated by Reserve Bank in the following publications and frequency.

- At weekly intervals (under Table 2) in the Weekly Statistical Supplement (WSS) with a lag of one week at every week-end. The data are presented in Indian Rupees as well as US dollar. Data include variation in Reserve Asset (component-wise) over previous week, over last December and close of previous financial year, i.e., March 31.
- At monthly intervals (under Table No.44) in Reserve Bank of India Bulletin; the data include reserve assets (component-wise) for month-wise position for the current and immediately preceding two financial years. The working notes are indicated under "Notes on Tables" of the bulletin.
- Weekly, monthly, quarterly, and annual data on Foreign Exchange Reserves are also published in the Handbook of Statistics on Indian Economy (Table 154; Table 197 and Table 201). These data were included earlier in the Report on Currency and Finance, Vol.II for current and previous years under reference of the publication.
- The RBI *"Annual Report"* publishes quarterly time series data for the last three years on: Foreign currency assets, gold, SDRs and the RTP with IMF

5.7. THE NOMINAL EFFECTIVE EXCHANGE RATE (NEER) AND THE REAL EFFECTIVE EXCHANGE RATE (REER) OF THE INDIAN RUPEE

The indices of NEER and REER are often used as indicators of external competitiveness. These indices are essentially drawn from the purchasing power parity doctrine. NEER is a weighted average of bilateral nominal exchange rates of the home currency in terms of foreign currencies. REER is a weighted average of NEER adjusted for inflation differential between India and the trading partner. Generally speaking, a country has to adjust its exchange rate (in case

of fixed exchange rate) or the exchange rate adjusts itself (in case of flexible exchange rate) to the basic fundamentals of the domestic economy vis-à-vis major trading partners like inflation differential and the movement in the other exchange rates.

There has been considerable discussion on movements in Nominal and Real Effective Exchange Rate (NEER and REER) of the Indian rupee. The stated stand of the RBI on this issue in the recent period has been that RBI does not consider REER to be an effective tool for management of short-term movements in exchange rate. As there is certain arbitrariness with respect to selection of base year, weights and prices, the use of REER could be suited to track the movements of currency over of time rather than exchange rate levels at any particular point of time.

REER movements are subject to various influences, including capital flows, and the estimation of REER raises several methodological issues, e.g., the choice of a basket of currencies, the choice of the base period, the choice of weights and the choice of price index. Nevertheless, in the long run, this index could be useful to assess the movements in the exchange rate of rupee vis-à-vis cross currency movements and inflation differential.

The Reserve Bank of India has been constructing five-country and thirty six-country indices of NEER and REER as part of its communication policy and to aid researchers and analysts. The five-country (U.S.A, Germany, France, Japan and U.K) NEER and REER, which is a quick index, was introduced by the RBI (Department of External Investments and Operations (DEIO)) in July 1998 and was published in the RBI Bulletin every month. Additionally, the 5-country NEER and REER were constructed on a daily basis for close monitoring of the nominal and real movement in the exchange rate of the rupee. The changing trade pattern of India, which rendered the fixed trade weights in the case of 5-country NEER/REER anachronistic and the introduction of single euro notes and coins for the entire Eurozone with effect from January 1, 2002, replacing the existing national currencies, some

of which formed part of RBI's existing indices of NEER/REER, necessitating the exploration of possibility of computing new series of NEER/REER with revised set of currencies and new weights. In December 2005, RBI replaced its existing 5-country indices with new six-currency indices of NEER/REER. It also revised its thirty six-country indices and replaced them with a new 36-currency indices of NEER/REER.

The new six-currency indices include U.S.A, Eurozone, U.K., Japan, China and Hong Kong SAR. The new indices have two new currencies - both Asian - the Chinese Renminbi and the Hong Kong Dollar. Two currencies in the existing five-country series, viz., French franc and Deutsche mark have been replaced by Euro in the new indices. China and Hong Kong SAR have become India's important trading partners and together accounted for around 9 per cent of India's foreign trade in 2004-05. The six countries/regions, represented by the six currencies, together accounted for around 40 per cent of India's total foreign trade in 2004-05 as compared with a lower coverage of around 22 per cent of India's total foreign trade in the case of the existing five-country index. China's share in India's foreign trade, which stood at a paltry 0.19 per cent in 1991-92 increased to 6.1 per cent in 2004-05. The increase has been especially pronounced in the last 4 years. China is likely to emerge as a major trading partner of India in the years to come and a big competitor too. Thus, including China takes account of third country competition in a limited way. The Chinese renminbi (RMB) is likely to gain in importance in future as China has already taken some steps on July 21, 2005 to make its exchange rate regime more flexible. Thus, it makes eminent sense to include China in the new 6-currency indices of NEER/REER. Including Hong Kong in the new indices takes care of the trade with mainland China, which is being routed through Hong Kong. The inclusion of China and Hong Kong SAR also takes care of the problem of falling share in India's total foreign trade of the countries included in existing 5-country indices and reflects an increasing recognition of the Indian economy's rapidly growing integration with the rest of Asia.

5.7.1. Note on Methodology

5.7.1.1. Definition

The six-currency trade based NEER and REER are constructed on a daily as well as monthly basis. The currencies chosen are US Dollar, Euro, Pound sterling, Japanese yen, Chinese renminbi and Hong Kong Dollar.

NEER: NEER is the weighted geometric average of the bilateral nominal exchange rates of the home currency in terms of foreign currencies. In terms of formula,

$$\text{NEER} = \prod_{i=1}^6 (e/e_i)^{w_i}$$

REER : REER is the weighted average of NEER adjusted by ratio of domestic inflation rate to foreign inflation rates. In terms of Formula,

$$\text{REER} = \prod_{i=1}^6 [(e/e_i) (P/P_i)]^{w_i}$$

Where e : Exchange rate of rupee against a numeraire (SDRs)

(i.e., SDRs per Rupee) (in index form)

e_i : Exchange rate of currency i against the numeraire (SDRs) (i.e., SDRs per currency i)

(i = US Dollar, Euro, Pound Sterling, Japanese Yen, Chinese Renminbi, Hong Kong Dollar)

w_i : Weights attached to currency/country i in the index

P : India's wholesale price index (in Index form)

P_i : Consumer Price Index of Country i (in Index form)

5.7.1.2. Weighting Scheme

The existing five-country indices use fixed trade weights, which are based on the average of India's bilateral trade (exports plus imports) with the countries in the index during the five-year

period from 1992-93 to 1996-97. The new indices will use 3-year moving average trade weights in place of the present fixed trade weights in order to suitably reflect the changing pattern of India's foreign trade with its major trading partners.

The weights are constructed on the basis of geometric average of India's bilateral trade (exports plus imports) with countries/regions represented by the six-currencies during the three year period, which gets updated every year. Thus, unlike the earlier practice of having fixed weights, the new set of weights will be different every year. The average share of each country in the average total trade for the three years, e.g., 2002-03 to 2004-05, is normalised to arrive at the requisite weights (w_i). Weights used in the computation of new six-currency series are as follows (Table 5.3):

Table 5.3: Weighting Pattern for Six-Currency Series

(In per cent)

Year	Euro	Japan	UK	USA	Hong-kong	China
1993-94	42.06	14.01	12.04	26.33	4.55	1.01
1994-95	40.25	13.50	11.73	26.95	5.40	2.17
1995-96	39.22	13.44	11.33	26.95	6.07	2.98
1996-97	38.95	12.87	11.25	27.29	6.15	3.49
1997-98	39.28	11.76	11.55	27.46	6.03	4.20
1998-99	38.71	11.03	11.82	28.21	6.03	4.20
1999-00	37.79	10.64	11.86	28.59	6.68	4.44
2000-01	36.67	9.92	12.15	29.12	7.48	4.65
2001-02	35.88	9.30	12.06	29.08	8.02	5.67
2002-03	35.55	8.31	11.67	29.51	7.67	7.29
2003-04	35.52	7.85	10.84	28.90	7.55	9.34
2004-05	35.12	7.15	10.13	28.19	7.45	11.96

5.7.2. Sources and Procedures

For data on exchange rate, the daily morning eastern market exchange rates of the five currencies, viz., euro, pound sterling, Japanese yen, Hongkong dollar and Chinese renminbi are crossed with SDR-USD rate. For US dollar, SDR-USD rate is taken into consideration. In the case

of the Indian rupee, RBI's reference rate for US Dollar, announced at 12.00 noon, is crossed with SDR-USD rate to arrive at SDR-Rs. rate. The weekly all commodities wholesale price index (WPI) is used as an index of inflation for India in REER. The WPI data are updated every week. These data are available with a time lag of 2 weeks. For the 6 countries/regions represented by the 6 currencies, monthly consumer price indices (CPI) are used as a measure of inflation in these countries. In the case of euro, Harmonised Index of Consumer Prices (HICP) has been used. China does not provide inflation indices but provides year-on-year monthly growth rates, which have been converted into indices by taking 1993-94 as the base year. The CPI data of these countries/regions are taken from online information system like Bloomberg as soon as these are announced by them. Later, these CPI data are substituted, wherever possible, by the price indices available in the International Financial Statistics (IFS), International Monetary Fund, which comes with a time lag.

The exchange rates have been defined in indirect quotes so that the appreciation/depreciation of the rupee is directly reflected by a rise/fall in index value. Thus, a rise in index represents an appreciation of rupee relative to the six currencies and a fall in index represents depreciation of rupee relative to these currencies. As against the practice of having three base years in the case of five-country indices, viz., 1991-92, 1993-94 and 2003-04 (financial years based on monthly averages), the last being a moving base updated every year to facilitate comparison with a more recent period, the new six-currency indices will have 1993-94 as fixed base and 2003-04 as a moving base, which would change every year as at present. In this connection, it may be mentioned that since the indices are geometric series, the percentage difference between any two period would be same in such a series, whatever be the base year.

The base year 1993-94 will remain fixed for several years, while the base year 2003-04 will be a moving one (i.e., from April 1, 2006 the base of 2003-04 would be changed to 2004-05 and so on). The indices are given on a financial year basis (average) since 1993-94.

REER and NEER of their respective national currencies are being computed by most of the country authorities and also by many global financial institutions/investment banks/multilateral institutions like IMF to gauge the competitiveness of various currencies and their likely future movements. Many countries are reporting NEER and REER to the IMF. These data are published in the International Financial Statistics (IFS), which is a monthly publication. Depending on the availability of data, IMF also publishes REER for some advanced countries based on other cost indicators like relative unit labour cost and relative value added deflators, relative export unit values in manufacturing and relative wholesale prices, apart from REER based on consumer prices. The methodology used by RBI for computing 6-currency REER and NEER indices is in consonance with best international practice adopted by top multilateral institution like IMF and other countries/institutions in this regard.

Indices of six-currency NEER and REER of the Indian Rupee are published in the Reserve Bank of India Bulletin under Table 51.

5.8. STATISTICS ON TURNOVER IN FOREX MARKET

5.8.1. Data Source

Foreign exchange turnover data provides a measure of market activity and can also provide a rough proxy for market liquidity. To gauge the size of the foreign exchange markets, forex turnover data is collected from authorized dealers in India.

The Reserve Bank of India, Forex Markets Division, Foreign Exchange Department, collects data in respect of foreign exchange transactions on a daily basis through the FEMIS a wide area network. All the authorized dealers are required to send a file containing details of Merchant (Spot, Forwards and Cancellation of Forwards) and Interbank (Spot, Swap & Forwards) purchases and sales data. The data so collected is then sent to Press Relations Division for dissemination on a weekly basis through the Weekly Statistical Supplement.

5.8.2. Definitions of terms related to forex transactions

Merchant: Where one of the parties to the contract is not a bank (AD).

Interbank: Where both the parties to the contract are banks (includes transactions with RBI)

Spot transaction: Single outright transaction involving exchange of two currencies at a rate agreed on the date of contract, for value or delivery within two business days and includes cash (same day delivery) & tom (next day delivery) transactions.

Outright forward: Transactions involving the exchange of two currencies at a rate agreed on the date of contract for value or delivery at some time in future (more than two business days later).

Cancellation of forwards: On the purchase side the forward merchant sale contracts cancelled and on the sale side cancelled forward purchase contracts are indicated.

Swap: Transaction which involves the actual exchange of two currencies (principal amount only) on a specific date at a rate agreed at the time of the conclusion of the contract and a reverse exchange of the same two currencies at a date further in the future at a rate agreed to at the time of the contract. Only foreign exchange swaps between ADs are to be reported. Double counting is not eliminated.

The data forwarded by ADs through the dial up mode is merged in the FEMIS system and reports are generated on-line.

Spot Rate: The rate of exchange quoted for transactions involving immediate settlement. It usually refers to the current market rate for a currency. Interest is either added on (premium) or subtracted from (discount) this rate to determine pricing for non-spot trades, which are referred to as forwards in the FX market.

Forward Premium: Forward premium is the difference between the respective forward rate (i.e. the rate at which a foreign exchange contract is struck today for settlement at a specified future date) and spot rate. This indicates the

supply and demand of foreign exchange for this duration. This also indicates “expectation on interest differentials”.

Forward Rate Agreement (FRA): A contract for borrowing or lending at a stated interest rate over a stated time period that begins at some time in the future. Parties wishing to protect themselves against future interest-rate movements use FRAs.

5.9. STATISTICS ON PURCHASE/SALE OF FOREX BY RBI

Over the years, the exchange rate of rupee has evolved from one being fixed by the central bank to one being determined by the market forces of demand and supply. During the period 1975-92, the exchange rate of rupee was officially determined by the RBI in terms of weighted basket of currencies of India's major trading partners and the exchange rate regime was characterized by daily announcement, by the RBI, of its buying and selling rates to Authorized Dealers. Following the recommendations of the Rangrajan Committee on Balance of Payments, the Liberalised Exchange Rate Management System (LERMS) involving dual exchange rate for the rupee was instituted in March 1992. Under LERMS, foreign exchange amounting to 40 per cent of the receipts from current account transactions was to be surrendered by the ADs to RBI, at the official pre-announced exchange rate. The exchange rate for the sale of the remaining 60 per cent could be market-determined. LERMS was meant to be transitional mechanism for enabling a movement from the managed regime to a market-determined system. The switch to market-determined exchange rate regime took place in March 1993, wherein the exchange rate of rupee was determined by the market forces of demand and supply in the forex market.

5.9.1. Exchange rate management objectives

The exchange rate policy of RBI has been articulated from time to time in monetary policy statements, annual publications and also in various speeches on the subject by the Top Management of the Bank. The objective has been maintenance of orderly conditions in the market,

correcting any temporary mismatch in the system and curbing excessive volatility or speculative activity. During times of volatility, RBI has also been issuing press releases for communicating its own assessment of the market movements, reiterating its commitment of maintaining orderly conditions in the market and announcing policy measures, if any, for stabilizing the market. The data on purchase/sales operations is placed in the public domain with a one month lag. (Table No 48- RBI Bulletin).

5.9.2. Intervention operations of RBI

Foreign exchange intervention can be defined as a transaction by an official agent of the government, to influence the value of the exchange rate. Put simply, it can be defined as the official purchase or sale of foreign assets against domestic assets in the foreign exchange market.

According to Section 40 of the RBI Act, Reserve Bank can buy or sell foreign currency to any authorized person. In addition to US dollar, RBI has the option to use the Euro as an intervention currency. Generally, intervention is used as a tool for regulating the external value of rupee. However, intervention can also be used as a tool of monetary policy because of its impact on liquidity. When the central bank buys foreign exchange from the market, it infuses an equivalent amount of rupee funds into the system (injection of liquidity); the opposite happens when it sells foreign exchange in the domestic market. Over the years RBI has intervened in the spot, forward and swap markets either directly or indirectly

- Direct intervention - Banks are contacted directly and asked to quote a two way price and the RBI buys or sells at the quoted rate. In 1995-96, most of the transactions were done directly with the authorized dealers.
- Indirect intervention - RBI intervenes indirectly through select public sector banks. These banks, in turn, buy or sell

on behalf of RBI in the market. Indirect interventions became the primary mode of intervening in the forex market by RBI since 1997-98.

Interventions are ordinarily done in the spot market. However, RBI also operates in the forward and swap markets for purposes such as correcting distortions in the forward premia, mitigating cash-dollar shortage in the market, creating forward forex assets (to meet large bullet redemption like RIB), etc.

5.9.3. Statistics On Daily Foreign Exchange Reference Rates

Effective from March 1, 1993, following the unification of exchange rates, the era of free floating market determined exchange rate regime of the rupee, based on demand and supply began. Accordingly, the Reserve Bank is announcing the rupee reference rate for the US Dollar and Euro daily at 12.00 noon. This is an indicative rate, which is the average of the middle rates of the 12.00 noon quotes obtained from a few select banks in Mumbai. The Reference Rate is given out in a Press Release daily and is placed on the RBI website, and also in the RBI Bulletin (Table No. 47).

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Annex 5.1: International Investment Position: Format as Prescribed under SDDS by IMF**A. Assets****1. Direct Investment Abroad****1.1 Equity Capital and Reinvested Earnings****1.1.1 Claims on Affiliated Enterprises****1.1.2 Liabilities to Affiliated Enterprises (-)****1.2 Other Capital****1.2.1 Claims on Affiliated Enterprises****1.2.2 Liabilities to Affiliated Enterprises (-)****2. Portfolio Investment****2.1 Equity Securities****2.1.1 Monetary Authorities****2.1.2 General Government****2.1.3 Banks****2.1.4 Other Sectors****2.2 Debt Securities****2.2.1 Bonds and Notes****2.2.1.1 Monetary Authorities****2.2.1.2 General Government****2.2.1.3 Banks****2.2.1.4 Other Sectors****2.2.2 Money-market Instruments****2.2.2.1 Monetary Authorities****2.2.2.2 General Government****2.2.2.3 Banks****2.2.2.4 Other Sectors****3. Financial Derivatives****3.1 Monetary Authorities****3.2 General government****3.3 Banks****3.4 Other sectors****4. Other Investment****4.1 Trade Credits****4.1.1 General Government****4.1.1.1 Long-term****4.1.1.2 Short-term****4.1.2 Other Sectors****4.1.2.1 Long-term****4.1.2.2 Short-term****4.2 Loans****4.2.1 Monetary Authorities****4.2.1.1 Long-term****4.2.1.2 Short-term****4.2.2 General Government****4.2.2.1 Long-term****4.2.2.2 Short-term****4.2.3 Banks****4.2.3.1 Long-term****4.2.3.2 Short-term****4.2.4 Other Sectors****4.2.4.1 Long-term****4.2.4.2 Short-term****4.3 Currency and Deposits****4.3.1 Monetary Authorities****4.3.2 General Government****4.3.3 Banks****4.3.4 Other Sectors****4.4 Other Assets****4.4.1 Monetary Authorities****4.4.1.1 Long-term****4.4.1.2 Short-term****4.4.2 General Government****4.4.2.1 Long-term****4.4.2.2 Short-term**

Annex 5.1: International Investment Position: Format as Prescribed under SDDS by IMF (Contd.)

4.4.3 Banks	2. Portfolio Investment
4.4.3.1 Long-term	2.1 Equity Securities
4.4.3.2 Short-term	2.1.1 Banks
4.4.4 Other Sectors	2.1.2 Other Sectors
4.4.4.1 Long-term	2.2 Debt securities
4.4.4.2 Short-term	2.2.1 Bonds and notes
	2.2.1.1 Monetary Authorities
	2.2.1.2 General Government
	2.2.1.3 Banks
	2.2.1.4 Other Sectors
5. Reserve Assets	2.2.2 Money-market Instruments
5.1 Monetary Gold	2.2.2.1 Monetary Authorities
5.2 Special Drawing Rights	2.2.2.2 General Government
5.3 Reserve Position in the Fund	2.2.2.3 Banks
5.4 Foreign Exchange	2.2.2.4 Other Sectors
5.4.1 Currency and Deposits	
5.4.1.1 With Monetary Authorities	3. Financial Derivatives
5.4.1.2 With Banks	3.1 Monetary Authorities
5.4.2 Securities	3.2 General Government
5.4.2.1 Equities	3.3 Banks
5.4.2.2 Bonds and Notes	3.4 Other Sectors
5.4.2.3 Money-market Instruments	4. Other Investment
5.4.3 Financial Derivatives (net)	4.1 Trade Credits
5.5 Other Claims	4.1.1 General Government
	4.1.1.1 Long-term
	4.1.1.2 Short-term
	4.1.2 Other Sectors
	4.1.2.1 Long-term
	4.1.2.2 Short-term
B. Liabilities	4.2 Loans
1. Direct Investment in Reporting economy	4.2.1 Monetary Authorities
1.1 Equity Capital and Reinvested Earnings	4.2.1.1 Use of Fund Credit & loans from the fund
1.1.1 Claims on Direct Investors (-)	4.2.1.2 Other Long-term
1.1.2 Liabilities to Direct Investors	4.2.1.3 Short-term
1.2 Other Capital	
1.2.1 Claims on Direct Investors (-)	
1.2.2 Liabilities to Direct Investors	

Annex 5.1: International Investment Position: Format as Prescribed under SDDS by IMF (Concl'd.)

4.2.2	General Government	4.4	Other Liabilities
4.2.2.1	Long-term	4.4.1	Monetary Authorities
4.2.2.2	Short-term	4.4.1.1	Long-term
4.2.3	Banks	4.4.1.2	Short-term
4.2.3.1	Long-term	4.4.2	General Government
4.2.3.2	Short-term	4.4.2.1	Long-term
4.2.4	Other Sectors	4.4.2.2	Short-term
4.2.4.1	Long-term	4.4.3	Banks
4.2.4.2	Short-term	4.4.3.1	Long-term
4.3	Currency and Deposits	4.4.3.2	Short-term
4.3.1	Monetary Authorities	4.4.4	Other sectors
4.3.2	General government	4.4.4.1	Long-term
4.3.3	Banks	4.4.4.2	Short-term
4.3.4	Other sectors		

6. NON-BANKING FINANCIAL COMPANIES

The activities of non-banking financial companies (NBFCs) in India have undergone qualitative changes over the years through functional specialisation. The role of NBFCs as effective financial intermediaries has been well recognised as they have inherent ability to take quicker decisions, assume greater risks, and customise their services and charges more according to the needs of the clients. While these features, as compared to the banks, have contributed to the proliferation of NBFCs, their flexible structures allow them to unbundle services provided by banks and market the components on a competitive basis. The distinction between banks and non-banks has been gradually getting blurred since both the segments of the financial system engage themselves in many similar types of activities. At present, NBFCs in India have become prominent in a wide range of activities like hire-purchase finance, equipment lease finance, loans, investments, etc. By employing innovative marketing strategies and devising tailor-made products, NBFCs have also been able to build up a clientele base among the depositors, mop up public savings and command large resources as reflected in the growth of their deposits from public, shareholders, directors and other companies, and borrowings by issue of non-convertible debentures, etc. Consequently, the share of non-bank deposits in household sector savings in financial assets, increased from 3.1 per cent in 1980-81 to 10.6 per cent in 1995-96. In 1998, the definition of public deposits was for the first time contemplated as distinct from regulated deposits and as such, the figures thereafter are not comparable with those before.

The importance of NBFCs in delivering credit to the unorganised sector and to small borrowers at the local level in response to local requirements is well recognised. The rising importance of this segment calls for increased regulatory attention and focused supervisory scrutiny in the interests of financial stability and depositor protection (Box 6.1).

In response to the perceived need for better regulation of the NBFC sector, the Reserve Bank of India (RBI) Act, 1934 was amended in 1997, providing for a comprehensive regulatory framework for NBFCs. The RBI (Amendment) Act, 1997 conferred powers on the RBI to issue directions to companies and its auditors, prohibit deposit acceptance and alienation of assets by companies and initiate action for winding up of companies. The Amendment Act provides for compulsory registration with the RBI of all NBFCs, irrespective of their holding of public deposits, for commencing and carrying on business of a non-banking financial institution; minimum entry point norms; maintenance of a portion of deposits in liquid assets; and creation of reserve fund and transfer of 20 per cent of profit after tax but before dividend annually to the fund. Accordingly, to monitor the financial health and prudential functioning of NBFCs, the RBI issued directions to companies on: acceptance of public deposits; prudential norms like capital adequacy, income recognition, asset classification, provisioning for bad and doubtful assets, exposure norms and other measures. Directions were also issued to the statutory auditors to report non-compliance with the RBI Act and regulations to the RBI, and Board of Directors and shareholders of the NBFCs.

Box 6.1: An Overview of Regulation of NBFCs

(1) Mission	(3) Basic Structure of Regulatory and Supervisory Framework
<p>To ensure that</p> <ul style="list-style-type: none"> the financial companies function on healthy lines, these companies function in consonance 	<p>Prescription of prudential norms akin to those applicable to banks,</p> <p>Submission of periodical returns for the purpose of off-site surveillance,</p>

Box 6.1: An Overview of Regulation of NBFCs (Concl'd.)

<p>with the monetary policy framework, so that their functioning does not lead to systemic aberrations,</p> <ul style="list-style-type: none"> the quality of surveillance and supervision exercised by the RBI over the NBFCs keeps pace with the developments in this sector. comprehensive regulation and supervision of Asset liability and risk management system for NBFCs, 	<p>Supervisory framework comprising (a) on-site inspection (CAMELS pattern) (b) off-site monitoring through returns (c) market intelligence, and (d) exception reports by statutory auditors,</p> <p>Punitive action like cancellation of Certificate of Registration (CoR), prohibition from acceptance of deposits and alienation of assets, filing criminal complaints and winding up petitions in extreme cases, appointment of the RBI observers in certain cases, etc.</p> <p>Co-ordination with State Governments to curb unauthorised and fraudulent activities, training programmes for personnel of NBFCs, State Governments and Police officials.</p>
(2) Amendments to the Reserve Bank of India (RBI) Act, 1934	(4) Other steps for protection of depositors' interest
<p>RBI Act was amended in January 1997 providing for, <i>inter alia</i>.</p> <ul style="list-style-type: none"> Entry norms for NBFCs and prohibition of deposit acceptance (save to the extent permitted under the Act) by unincorporated bodies engaged in financial business, Compulsory registration, maintenance of liquid assets and creation of reserve fund, Power of the RBI to issue directions to an NBFC or to the NBFCs in general or to a class of NBFCs. Comprehensive regulation and Supervision of deposit taking NBFCs and limited supervision over those not accepting public deposits. 	<p>Publicity for depositors' education and awareness, workshops / seminars for trade and industry organisations, depositors' associations, chartered accountants, etc.</p>

6.1. Non-Banking Financial Entities Regulated by the RBI

The developments in the NBFC sector in terms of policies and performance during 2001-02 and for the subsequent periods (to the extent information is available) are discussed in the subsequent paragraphs.

Non-banking financial entities partially or wholly regulated by the RBI include: (a) NBFCs

comprising equipment leasing (EL), hire purchase finance (HP), loan (LC), investment (IC) (including primary dealers³ (PDs)) and residuary non-banking (RNBC) companies; (b) mutual benefit financial company (MBFC), *i.e.* *nidhi* company; (c) mutual benefit company (MBC), *i.e.* potential *nidhi* company; (d) miscellaneous non-banking company (MNBC), *i.e.* *chit fund* company (Table 6.1).

Table 6.1: Types of Non-Banking Financial Entities (Regulated by RBI)

Non-Banking Financial Entity	Principal Business
1. Non-Banking Financial Company	In terms of the Section 45-l(f) read with Section 45-i(c) of the RBI Act, 1934, as amended in 1997, their principal business is that of receiving deposits or that of a financial institution, such as lending, investment in securities, hire purchase finance or equipment leasing.
(a) Equipment leasing company (EL)	Equipment leasing or financing of such activity.
(b) Hire purchase finance company (HP)	Hire purchase transactions or financing of such transactions.
(c) Investment company (IC)	Acquisition of securities. These include Primary Dealers (PDs) who deal in underwriting and market making for government securities.
(d) Loan company (LC)	Providing finance by making loans or advances, or otherwise for any activity other than its own; excludes EL/HP/Housing Finance Companies (HFCs).
(e) Residuary non-banking company (RNBC)	Company which receives deposits under any scheme or arrangement by whatever name called, in one lump-sum or in instalments by way of contributions or subscriptions or by sale of units or certificates or other instruments, or in any manner. These companies do not belong to any of the categories as stated above.
II. Mutual Benefit Financial Company (MBFC) i.e., Nidhi Company	Any company which is notified by the Central Government as a Nidhi Company under section 620A of the Companies Act, 1956 (1 of 1956)
III. Mutual Benefit Company (MBC), i.e., potential <i>Nidhi</i> company	A company which is working on the lines of a Nidhi company but has not yet been so declared by the Central Government, has minimum net owned fund(NOF) of Rs.10 lakh, has applied to the RBI for CoR and also to Department of Company Affairs (DCA) for being notified as Nidhi company and has not contravened directions/ regulations of RBI/DCA.
IV. Miscellaneous non-banking company (MNBC), Managing, Conducting or supervising as a promoter, foreman or i.e., <i>Chit Fund Company</i>	Managing, conducting or supervising as a promoter, foreman or agent of any transaction or arrangement by which the company enters into an agreement with a specified number of subscribers that every one of them shall subscribe a certain sum in instalments over a definite period and that every one of such subscribers shall in turn, as determined by tender or in such manner as may be provided for in the arrangement, be entitled to the prize amount.

6.2. Registration

In terms of the RBI Act, 1934, registration of NBFCs with the RBI is mandatory, irrespective of whether they hold public deposits or not. The amended Act (1997) provides an entry point norm of Rs. 25 lakh as the minimum net owned fund (NOF), which has been revised upwards to Rs.2 crore for new NBFCs seeking grant of CoR

on or after April 21, 1999. Certain types of financial companies, viz., insurance companies, housing finance companies, stock broking companies, *chit fund* companies, companies notified as '*nidhis*' under Section 620A of the Companies Act, 1956 and companies engaged in merchant banking activities (subject to certain conditions), however, have been exempted from

the requirement of registration under the RBI Act, as they are regulated by other agencies. Accordingly, as at the end of March 2006, RBI received 38214 applications of which 13873 were approved and 24134 were rejected. The rest of the applications are pending at different stages of processing. Of the total approvals, only 434 companies have been permitted to accept/ hold public deposits. Moreover, all NBFCs holding public deposits, whose applications for Certificate of Registration (CoR) have been rejected or CoRs have been cancelled, have to continue repaying the deposits on due dates and dispose of their financial assets within three years from the date of rejection of application/ cancellation of certificate or convert themselves into non-banking non-financial companies within the same period.

6.3. Supervision

The RBI has instituted a strong and comprehensive supervisory mechanism for NBFCs. The focus of the RBI is on prudential supervision so as to ensure that NBFCs function on sound and healthy lines and avoid excessive risk taking. The RBI has put in place a four pronged supervisory framework based on:

- i. On-site inspection;
- ii. Off-site monitoring supported by state-of-the art technology;
- iii. Market intelligence; and
- iv. Exception reports of statutory auditors of NBFCs.

The thrust of supervision is based on the asset size of the NBFC and whether it accepts/ holds deposits from the public. The system of on-site examination put in place during 1997 is structured on the basis of assessment and evaluation of CAMELS (Capital, Assets, Management, Earnings, Liquidity, and Systems and Procedures) approach and the same is akin to the supervisory model adopted by the RBI for the banking system. Market intelligence system is also being strengthened as one of the

important tools of supervision. This process of continuous and on-going supervision is expected to facilitate RBI to pick up warning signals, which can result in triggering supervisory action promptly. The returns being submitted by the NBFCs are reviewed and re-looked at intervals to widen the scope of information so as to address the requirements either for supervisory objectives or for furnishing the same to various interest groups on the important aspect of the working of these companies. The companies not holding public deposits are supervised in a limited manner with companies with asset size of Rs.100 crore and above being subjected to annual inspection and other non-public deposit companies by rotation once in every 5 years. The exception reports, if any, from the auditors of such companies coupled with adverse market information and the sample check at periodical intervals are the main tools for monitoring the activities of such companies *vis-à-vis* the RBI regulations.

6.4. Policy Developments

The RBI introduced a number of measures to enhance the regulatory and supervisory standards of this sector, to bring them on par with commercial banks over a period of time. The regulatory norms, applicable to NBFCs are presented in Box 6.2. Regulatory measures adopted during the year aim at aligning the interest rates in this sector with the rates prevalent in the rest of the economy, tightening prudential norms, standardising operating procedures and aligning the RBI's regulations with the requirements of the amended Companies Act.

Directions applicable to NBFCs

The RBI has issued comprehensive deposit acceptance and asset side regulations as under for the NBFCs.

While all the prudential norms are applicable to public deposit accepting/holding NBFCs only, some of the regulations are applicable to non-deposit accepting companies.

Box 6.2: Regulatory Norms and Directions for NBFCs A. Important Statutory Provisions of Chapter III B of the RBI Act as applicable to NBFCs

Sr.No.	Subject	Particulars
1.	Certificate of Registration	No company, other than those exempted by the RBI, can commence or ea the business of non-banking financial institution without obtaining a CoR RBI. The pre-requisite for eligibility for such a CoR is that the NBFC f have a minimum NOF of Rs. 25 lakh (since raised to Rs. 2 crore on and April 21, 1999 for any new applicant NBFC). The RBI considers grant CoR after satisfying itself about the company's compliance with the c enumerated in Section 45-1A of the RBI Act
2.	Maintenance of Liquid Assets	NBFCs have to invest in unencumbered approved securities, valued at a not exceeding current market price, an amount which, at the close of business on any day, shall not be less than 5.0 per cent but not exceeding 25.0 per cent specified by RBI, of the deposits outstanding at the close of business on the working day of the second preceding quarter.
3.	Creation of Reserve Fund	Every non-banking financial company shall create a reserve fund and transfer thereto a sum not less than 20.0 per cent of its net profit every year as disi in the profit and loss account and before any dividend is declared. Such fund to be created by every NBFC irrespective of the fact whether it accepts] deposits or not. Further, no appropriation can be made from the fund ft purpose without prior written approval of RBI.
(1) Deposit Acceptance Related Regulations		
1	Ceiling on quantum of public deposits	<p>Loan and investment companies - 1.5 times of NOF if the company has NOF of Rs. 25 lakh, minimum investment grade (MIG) credit rating, complies with all the prudential norms and has CRAR of 15 per cent. Equipment leasing and hire purchase finance companies - if company has NOF of Rs. 25 lakh and complies with all the prudential norms.</p> <p>i. with MIG credit rating and 12 per cent CRAR - 4 times of NOF</p> <p>ii. without MIG credit rating but CRAR 15 per cent or above - 1.5 times of NOF, or Rs. 10 crore, whichever is less.</p>
2	Investment in liquid assets	NBFCs - 15 per cent of outstanding public deposit liabilities as at the close of business on the last working day of the second preceding quarter, of which
		<p>i. not less than 10 per cent in approved securities and</p> <p>ii. not more than 5 per cent in term deposits with scheduled commercial banks.</p> <p>Directions for investments by RNBCs were rationalized in June 2004 with a view to reducing the overall systemic risk in the financial sector and safeguarding the interest of the depositors. In this regard the following roadmap was prescribed:</p> <p>a) From the quarter ended June 2005 and onwards, RNBCs were permitted to invest only to the extent of 10% of the Aggregated Liabilities to Depositors (ALDs) as at the second preceding quarter or one time of their Net Owned Funds, whichever is</p>

		<p>lower, in the manner which in their opinion of the company is safe as per approval of its Board of Directors.</p> <p>b) From the quarter ended June 2006 onwards, this limit would stand abolished and RNBCs would not be permitted to invest any amount out of ALDs as per their discretion. However, to avoid strain, in complying with 100% directed investments by companies, the same had been modified to 95% of ALD up to March 31, 2007 and 100% of ALD thereafter. These liquid asset securities are required to be lodged with one of the scheduled commercial banks or Stock Holding Corporation of India Ltd.. or a depository or its participant (registered with SEBI). Effective October 1, 2002, government securities are to be necessarily held by NBFCs either in Constituent's Subsidiary General Ledger Account with a scheduled commercial bank or in a demat account with a depository participant registered with SEBI. These securities cannot be withdrawn or otherwise dealt with for any purpose other than repayment of public deposits.</p>
3	Period of Deposits	<p>No demand deposits</p> <p>NBFCs – 12 to 60 months</p> <p>RNBCs – 12 to 84 months</p> <p>MNBCs (chit Funds) – 6 to 36 months</p>
4	Ceiling of deposit rate	<p>NBFCs, MNBCs and <i>Nidhis</i> - 11.0 per cent per annum (effective March 4, 2003)</p> <p>RNBCs - Minimum interest of 4.0 per cent on daily deposits and 6.0 per cent on other than daily deposits. Interest may be paid or compounded at periods not shorter than monthly rests.</p>
5	Advertisement methodology for acceptance of deposits/public deposits	<p>Every company which accepts deposits by advertisement has to comply with the advertisement rules prescribed in this regard, the deposit acceptance form should contain certain prescribed information, issue receipt for deposits and maintain a deposit register. etc.</p>
6	Submission of returns	<p>All NBFCs holding or accepting public deposits have to submit periodical returns to RBI at Quarterly, half yearly and annual intervals.</p>
(2) Prudential Norms applicable to only those NBFCs which are accepting/holding public deposits		
1	Capital to Risk Assets Ratio (CRAR)	<p>The NBFCs holding/accepting public deposits are required to maintain CRAR as under:</p> <ul style="list-style-type: none"> i. Equipment leasing companies/hire purchase finance companies (with MIG credit rating) 12 percent ii. Equipment leasing companies/hire purchase finance companies (without MIG credit rating) 15 percent iii. Loan/investment companies 15 percent iv. RNBCs 12 per cent <p>CRAR comprises – tier I and tier II capital To be maintained on a daily basis and not merely on the reporting dates. Tier I Capital – core capital or NOF but includes compulsorily convertible preference shares (CCPS) as a special case for CRAR purposes. Tier II Capital – all quasi-capital like preference shares (other than CCPS) subordinated debt, convertible debentures, etc. Tier III</p>

		Capital not to exceed tier I capitalGeneral provisions and loss reserves not to exceed 1.25 per cent of the risk – weighted assets.Subordinated debt issued with original tenor of 60 months or more.
2	Restrictive norms	Acceptance of public deposits not allowed if the prudential norms are not complied with fully. Any NBFC defaulting in repayment of the matured deposits prohibited from creating any further assets until the defaults are rectified Investments in real estate, except for own use, restricted to 10 per cent of the owned fund.Investments in unquoted shares restricted as under:EL/HP Companies10 percent of owned fund Loan/investment companies20 per cent of owned fund No further investments in real estate or unquoted shares in case of excess position held till its regularisation. Sufficient adjustment period allowed - further extension on merits of each case.
3	Credit/investment concentration norms	Single borrower exposure limits credit -15 percent of owned fund Investments -15 percent of owned fund Single group of borrower exposure limits credit -25 percent of owned fund Composite (credit and investments) exposure limits Single borrower25 percent of owned fund Single group of borrowers40 percent of owned fund
		<ul style="list-style-type: none">Exposure norms also applicable to own group companies and subsidiaries.Includes all forms of credit and credit related and certain other receivables as also off balance sheet exposures.Debentures/bonds to be treated as credit for the purpose of prudential norms but as investments for the purpose of balance sheet and compliance with investment obligations.
4	Reporting System: Half yearly return	Half-yearly returns to be submitted as at the end of March and September every year, <ul style="list-style-type: none">Time allowed for submission - 3 months from the due date,The return to be certified by the statutory auditors of the company. However, it need not wait for audit and the figures furnished therein could be the unaudited figures but must be certified by auditors
(3) Prudential Norms applicable to all NBFCs irrespective of whether they accept/hold public deposits or not		
1	Income Recognition Norms	The recognition of income on the NPA is allowed on cash basis only.The unrealised income recognised earlier is required to be reversed.

2	NPA norms	Recognition of income on accrual basis before the asset becomes NPA as under: Loans and Advances: Upto 6 months and 30 days past due period (past due period done away with effect from March 31, 2003) Lease and Hire Purchase Finance: 12 months
3	Restrictive Norms	Loans against own shares not allowed
4	Policy on demand/call loans	Companies to frame a policy for demand and call loans relating to cut-off date for recalling the loans, the rate of interest, periodicity of such interest, periodical reviews of such performance, etc.
5	Accounting Standards	All the Accounting Standards and Guidance Notes issued by Institute of Chartered Accountants of India (ICAI) are applicable to all NBFCs in so far as They are not inconsistent with the guidelines of RBI.
6	Accounting for investments	<p>All NBFCs to have a well defined investment policy.</p> <p>Investments classified into two categories - (i) long term and (ii) current investments.</p> <p>Long term investments to be valued as per Accounting Standard, issued by ICAI.</p> <p>Current investments to be classified into - (a) quoted and (b) unquoted.</p> <p>Current quoted investments to be valued at lower of cost or market value.</p> <p>Block valuation permitted - Notional gains or losses within the block permitted to be netted - but not inter-block, net notional gains to be ignored but notional losses to be provided for.</p> <p>Valuation norms for current unquoted investments are as under:</p> <ol style="list-style-type: none"> Equity shares (at lower of cost or break up value or fair value) Re I/- for the entire block of holding if the balance sheet of the investee company is not available for the last two years Preference shares at lower of cost or face value Government securities at carrying cost Mutual Fund units at net asset value (NAV) for each scheme and Commercial paper (CP) at its carrying cost
7	Asset Classification	<p>All forms of credit (including receivables) to be classified into four categories -</p> <ul style="list-style-type: none"> Standard asset Sub-standard asset Doubtful asset Loss asset
8	Provisioning for Non-Performing Assets – Loans and Advances	<p>Standard assets - No provision</p> <p>Sub-standard assets- 10 per cent of outstanding balance</p> <p>Doubtful assets - on unsecured portion 100 per cent and on secured portion 20, 30 and 50 per cent depending on the age of the doubtful assets</p> <p>Loss asset - 100 per cent of the outstanding</p>

9	Provisioning for Non-Performing Assets – Equipment Lease and Hire Purchase accounts	<ul style="list-style-type: none"> • Unsecured portion to be fully provided for • Further provisions on net book value (NBV) of EL/HP assets • Accelerated additional provisions against NPAsNPA for 12 months or more but less than 24 months 10 per cent of NBVNPA for 24 months or more but less than 36 months 40 per cent of NBVNPA for 36 months or more but less than 48 months 70 per cent of NBVNPA for 48 months or more 100 per cent of NBVValue of any other security considered only against additional provisions.Rescheduling in any manner will not upgrade the asset upto 12 months of satisfactory performance under the new terms.Reposessed assets to be treated in the same category of NPA or own assets - option lies with the company.
10	Risk – Weights and Credit Conversion factors	<ul style="list-style-type: none"> • Risk - weights to be applied to all assets except intangible assets. • Risk - weights to be applied after netting off the provisions held against relative assets. • Risk - weights are 0, 20 and 100. • Assets deducted from owned fund like exposure to subsidiaries or companies in the same group or intangibles to be assigned 0 per cent risk - weight. • Exposures to all-India financial institutions (AIFIs) at 20 per cent risk -weight and all other assets to attract 100 per cent risk - weights. • Off-balance sheet items to be factored at 50 or 100 and then converted for risk - weight.
11	Disclosure requirements	<ol style="list-style-type: none"> 1. Every NBFC is required to separately disclose in its balance sheet the provisions made as outlined above without netting them from the income or against the value of assets. 2. The provisions shall be distinctly indicated under separate heads of accounts as under: <ol style="list-style-type: none"> i. provisions for bad and doubtful assets; and ii. provisions for depreciation in investments. 3. Such provisions shall not be appropriated from the general provisions and loss reserves held, if any, by the NBFC. 4. Such provisions for each year shall be debited to the profit and loss account. The excess of provisions, if any, held under the heads general provisions and loss reserves may be written back without making adjustment against them. 5. <i>Nidhis</i> and <i>Chit Fund</i> companies exempted.

6.5 Interest Rates

Keeping in view interest rates prevalent in the financial sector, the ceiling on interest rates on deposits payable by NBFCs, including *chit fund* companies and *nidhi* companies, was reduced from 16 per cent per annum to 14 per cent per annum effective April 1, 2001 and further to 12.5 per cent per annum effective November 1, 2001 and further to 11% effective from March 2003.

6.6. Classification of NBFCs as Equipment Leasing and Hire Purchase Finance Companies

In response to representations from NBFCs, it was decided to include loans and advances against hypothecation of automobiles, aircrafts and ships registered with the specified authorities in the aggregate of equipment leasing and hire purchase assets for the purpose of

classification of an NBFC into equipment leasing and hire purchase finance company.

6.7. Alignment of the RBI's Regulations with Companies (Amendment) Act, 2000

Changes were effected in the RBI directions to NBFCs to align with those contained in the Companies Act, 1956, as amended by the Companies (Amendment) Act, 2000. Accordingly, all NBFCs were advised to report to the Company Law Board the defaults, if any, in repayment of matured deposits or payment of interest to small depositors within 60 days of such default. In addition to NBFCs with asset size of Rs.50 crore and more, those with paid up capital of not less than Rs.5 crore have to constitute Audit Committees. Such committees would have the same powers, functions and duties as laid down in Companies Act, 1956. Moreover, some NBFCs, which were hitherto private limited companies holding public deposits, have now become public limited companies under the Companies Act. Such NBFCs have to approach the RBI after obtaining a fresh certificate of incorporation from the Registrar of Companies, for change of name in the CoR to reflect their status as public limited companies.

6.8. Liquid Asset Securities of NBFCs

Effective from October 1, 2002, all NBFCs should necessarily hold their investments in government securities either in Constituent's Subsidiary General Ledger Account (CSGL) with a scheduled commercial bank or Stock Holding Corporation of India Ltd. (SHCIL) or in a dematerialised account with depositories [National Securities Depository Ltd. (NSDL)/ Central Depository Services (India) Ltd. (CDSL)] through a depository participant registered with SEBI. The facility of holding government securities in physical form, therefore, stands withdrawn. Government guaranteed bonds, which have not been dematerialised may be kept in physical form till such time these are dematerialised. Only one CSGL or a dematerialised account can be opened by any NBFC. In case the CSGL account is opened with a scheduled commercial bank, the account holder has to open a designated funds account (for all CSGL related transactions) with

the same bank. In case the CSGL account is opened with any of the non-banking institutions indicated above, the particulars of the designated funds account (with a bank) should be intimated to that institution. The NBFCs maintaining the CSGL/designated funds accounts will be required to ensure availability of clear funds in the designated funds accounts for purchases and of sufficient securities in the CSGL account for sales before putting through the transaction. No further transactions in government securities should be undertaken by NBFCs with any broker in physical form with immediate effect. All further transactions of purchase and sale of government securities have to be compulsorily through CSGL/demat account. Government securities held in physical form were to be dematerialised by October 31, 2002.

6.9. Accounting Standards

In terms of Accounting Standard (AS) 19 (Accounting for Leases) issued by the Institute of Chartered Accountants of India (ICAI), it was clarified that (i) the prudential norms applicable to hire purchase assets would, *mutatis mutandis*, be applicable to the financial leases written on or after April 1, 2001 and (ii) the leases written up to March 31, 2001 would continue to be governed by the prudential norms relating to leased assets, as hitherto.

6.10. Statutory Auditors

NBFCs have to reiterate in their letter of appointment to statutory auditors their statutory responsibility to report directly to the RBI the violations, if any, of the provisions of the RBI Act or Directions issued thereunder, noticed by them in the course of their audit.

6.11. Prudential Regulation

Some NBFCs were granting demand/call loans with an open period or without any stipulation regarding the rate of interest and servicing, resulting in problems of compliance with prudential norms relating to income recognition, asset classification and provisioning in respect of such loans. Accordingly, guidelines were issued to obviate such difficulties and to ensure that all such loans are appropriately classified and the position of NPAs are truly reflected in the financial statements of NBFCs. The concept

of 'past due' would be done away with in respect of the definition of NPA for NBFCs effective from March 31, 2003, which would be reflected in the half-yearly return on prudential norms and the balance sheet as on March 31, 2003. In terms of NBFCs Directions on Prudential Norms, the NBFCs accepting/holding public deposits have to ensure maintenance of minimum prescribed capital to risk-weighted assets ratio (CRAR) at all times. The format for the report of the auditors has accordingly been amended. In order to obviate the probability of applying divergent yardsticks for identification of potential threat of non-recoverability of loans, RBI has prescribed objective criteria for classification of assets as loss assets.

6.12. Submission of Returns by NBFCs

Several NBFCs have been lax in timely submission of the returns to the RBI. Action has been contemplated against such NBFCs - initially those with public deposits of Rs.50 crore and above - for non-submission of returns. The action may include imposing penalties as provided in the RBI Act, 1934 as also launching court

proceedings against the errant companies, besides considering rejection/ cancellation of the CoR. A list of returns submitted by NBFCs is presented in *Annex 6.1*.

6.13. Protection of Depositors' Interest

With a view to protecting the interest of depositors, it was decided to issue press advertisements in cases where winding up petitions filed by the RBI have been admitted in Court and provisional liquidators have been appointed or where criminal complaints have been filed by the RBI and summons have been issued by the Court.

6.14. Asset Liability Management

Based on the guidelines issued in July 2001, effective March 31, 2002 asset liability management system in all NBFCs with public deposits of Rs. 20 crore and above as also NBFCs with asset size of Rs. 100 crore and above has been made operational. Instructions were also issued to the effect that the first return as on September 30, 2002, should be submitted by the NBFCs to the RBI latest by October 31, 2002.

Annex 6.1: Details of Returns Being Received By DNBS as on January 31, 2007

Srl	Name of the Return	Short Name	Frequency	Reference Dates	Purpose	Who are supposed to file the return
1	Annual Returns By NBFCs/MNBCs	NBS 1	Yearly	31-March	Details of Assets And Liabilities	NBFCs-D/MNBCs
1	Annual Returns By RNBCs	NBS 1A	Yearly	31-March	Details of Assets And Liabilities	RNBCs
2	Half-Yearly Statement of etc By NBFCs and RNBCs	NBS 2	Half Yearly	31 March, 30 September	Capital Funds, Risk Assets, Asset Classification etc	NBFCs-D and RNBCs
3	Quarterly Return on Statutory Liquid Assets of NBFCs	NBS 3	Quarterly	31 March, 30-June, 30-September, 31 December	Statutory Liquid Assets	NBFCs-D
3	Quarterly Return on Statutory Liquid Assets of RNBCs	NBS 3A	Quarterly	31 March, 30-June, 30-September, 31 December	Statutory Liquid Assets	RNBCs
4	Monthly Return on Repayment of Deposits	NBS 4	Monthly	Month-end	Details of Public Deposits, Other Liabilities, Liquid Assets, Other Assets	NBFCs holding public deposits whose application for Certificate of Registration under Section 45-IA of RBI Act, 1934 have been rejected
5	Monetary and Supervisory Return	NBS 5	Quarterly	31 March, 30-June, 30-September, 31 December	Components of Assets, Liabilities, Interest Rates, Cash Inflow/Outflow etc.	NBFCs-D and RNBCs holding Public Deposits of Rs.20 crore and above as per the last balance sheet.
6	Monthly Return on Capital Market Exposure	NBS 6	Monthly	Month-end	Details of Capital Market Exposure	NBFCs-D holding public deposits of Rs.50 crore or above and RNBCs having aggregate liabilities to the depositors of Rs. 50 crore and above.
7	Monthly Return on Important Financial Parameters of NBFCs not accepting/holding public deposits and having asset size of Rs.100 crore and above		Monthly	Month-end	Sources and Application of Funds, Profit and Loss Account, Asset Classification, Bank's/Fis exposure on the company, Details of Capital Market Exposure etc.	NBFCs-ND having asset-size of Rs.100 crore and above.
8	Asset-Liability Management (ALM) Return		Half Yearly	31 March, 30 September	Structural Liquidity, Short-term dynamic liquidity, Interest Rate sensitivity etc.	All NBFCs having Asset Size of Rs.100 crore and above and/or Public Deposits of Rs.20 crore and above.

Note: NBFCs-D -> Deposit taking Non-Banking Financial Companies (NBFCs); MNBC -> Miscellaneous Non-Banking Company; RNBC -> Residuary Non-Banking Company; NBFCs-ND -> Non-Deposit taking NBFCs.

7. STATISTICS ON GOVERNMENT SECURITIES MARKET

7.1. Introduction

The market for government securities is the oldest and most dominant in terms of market capitalisation, outstanding securities, trading volume and number of participants. It not only provides resources to the government for meeting its short term and long term needs, but also sets benchmark for pricing corporate paper of varying maturities and is used by RBI as an instrument of monetary policy. The instruments in this segment are fixed coupon bonds, commonly referred to as dated securities, treasury bills, floating rate bonds, zero coupon bonds and inflation index bonds. Both Central and State government securities comprise this segment of the debt market.

Reserve Bank of India (RBI) administers and manages the Public Debt Operations of the country and conducts the issue and servicing of new loans of the Central and State Governments, primarily Dated Securities, through its Public Debt Offices (PDO). To accomplish the task of administration and management of internal debt, RBI had a decentralized system of operations through 15 Public Debt Offices established at 14 centres. With the computerization of Public Debt Office-cum-Negotiated Dealing System (PDO-NDS), the PDO system now operates as an integrated virtual centralized system.

The key data relevant to the government securities market are captured under various data system, compiled and published in the Bank's publications following standard definitions, classifications, timeliness and related guidelines conforming to international standards like IMF's Data Dissemination Standards.

7.1.1. Purpose

Purpose of the document is to provide information in the form of a handbook on the key particulars about the data relating to the Government Securities Market that are published regularly in the Bank's Publications. The document aims to provide the basic information

on the methodological framework covering the details of the basic information system, definitions and measurements, working processes like data capture, compilation and dissemination.

7.1.2. Scope

This document provides the user with guidelines relating to the Published Data in the Bank's Publications. This will facilitate better understanding, documentation, work-continuity, standardization and historical perspective.

The document is organized as follows: Section 7.2 contains an analytical perspective outlining the significance of the area, measurement needs and key parameters or indicators determining the contours of the data system. Section 7.3 describes the concepts, definitions and classificatory methods for the different kind of data published in various statistics brought out by RBI. Section 7.4 gives a description of the sources and systems used in capturing related data. Section 7.5 contains the list of the Bank's publications containing similar kind of data sets. A detailed glossary of terms used in various statistical tables as also form and content of each table are appended as ready reckoner.

7.2. Analytical Perspective

The Government Securities (G-Sec) market is the oldest and the largest component of the Indian Debt Market in terms of market capitalization, outstanding securities and trading volumes. The Reserve Bank of India manages public debt and issues Indian currency denominated loans on behalf of the central and the state governments under the powers derived from the Reserve Bank of India Act. The RBI is the debt manager for both the Central Government and the State Governments. It is also the regulator of Government securities market. The Public Debt Act, 1944, provides the framework under which government securities are issued and serviced. Under the RBI Act, 1934, RBI is the manager of Central Government debt by statute. RBI

manages the debt of state governments on the basis of separate agreements. External debt of the Government is managed by the Ministry of Finance. As a debt manager for the both Central and State Governments, RBI in consultation with the Government, manages the maturity profile, timing of issue, composition of debt and the type of instruments issued. Operationally, RBI deals with the issue, servicing and repayment of government debt.

Public Debt management is the process of formulating and executing a strategy for managing the government's debt to raise the required amount of funding, within the ambit of cost/risk objectives. Public Debt management also encompasses other functions such as cash and liquidity management of Central and State governments as also the development of a liquid and deep market for government securities which will facilitate the cost reductions of public debt.

The framework of Government securities market bestows the central bank a very useful tool for conducting of Open Market Operations (OMO) and a backing for its role as note issuing authority. Government security based activities carried out by the RBI involve (a) auctioning the government debt from time to time, (b) introduction of new instruments, smoothening the maturity structure of debt, placing of debt at market related rates and improving depth and liquidity of government securities market by developing an active secondary market for them, (c) liquidity operations as and when required through various instruments, such as, Open Market Operations, Repos and Reverse Repos and issuing MSS bonds.

Historically, the GOI rupee securities used to comprise (i) dated securities of different maturity periods issued by the Central Government in respect of public loans, (ii) Treasury Bills and (iii) *ad hoc* treasury bills. Under Section 33(1) of the RBI Act, 1934, GOI securities form one of the main assets of the Issue Department of the Bank.

The analytical perspective of the data system relating to the G-sec market relevant to the Bank is based on the data framework of the Weekly Statistical Supplement (WSS) to the RBI Bulletin.

It may be mentioned that the genesis of the various Tables published in the WSS is based on the Weekly Statement of Affairs of Issue and Banking Departments of RBI. The specific format of various Tables are in accordance with Section 53 (1) of the RBI Act, 1934 and any major change is effected with the concurrence of the Bank as also the Central Government, as and when necessary.

7.2.1. Developments and Measurement needs of the area

Prior to the nineties, G-sec market was virtually not visible as it used to operate under severe controls on pricing of assets, segmentation of markets and barriers to entry, low levels of liquidity, limited number of players, near lack of transparency, and high transactions cost. Financial reforms have significantly changed the Indian debt markets for the better. Most debt instruments are now priced freely in the markets; trading mechanisms have been altered to provide for higher levels of transparency, higher liquidity, and lower transactions costs; new participants have entered the markets, broad basing the types of players in the markets; methods of security issuance, and innovation in the structure of instruments have taken place; and there has been a significant improvement in the dissemination of market information.

The Nineties have seen significant policy reforms in the government securities (G-sec) market. The early nineties saw the introduction of auction-based price determination for government borrowings; development of appropriate instruments and mechanisms for the borrowing programme; a significant increase in information dissemination on market borrowings and secondary market transactions; and the development of the RBI's yield curve for marking the G-sec portfolios of banks to the market. In the mid-nineties, RBI introduced the system of primary dealers; the National Stock Exchange was created as the first formal mechanism for trading on G-sec; Delivery versus Payment (DVP) was introduced in securities settlement; number of players in the G-sec markets was increased with the facility for non-competitive bidding in auctions, constituent SGL (Subsidiary General

Ledger) accounts and the setting up of gilt funds; and Repos re-emerged as important instruments of short term liquidity-management.

The late nineties have seen the emergence of market based liquidity arrangement through the Liquidity Adjustment Facility (LAF); expansion of the repo markets; growth in the number and volume of secondary market transactions in G-sec; the creation of a market yield curve; the complete stoppage of automatic monetisation of deficits; the creation of on-going review mechanisms such as the Monitoring Group on Cash and Debt Management of GOI; and the emergence of self regulating industry bodies such as the Primary Dealers Association of India (PDAI) and the Fixed Income Money Markets and Derivatives Association (FIMMDA).

Internal Debt Management by the Bank received a focused attention from April, 1992. Management of the public debt of the Central Government is an obligation cast on the Bank under Section 20 of the Reserve Bank of India Act, 1934. The work relating to Policy, planning and execution of the Market Borrowing Programme of Central Government, issuances of Government of India Treasury Bills of varying maturity were made focussed and transparent. The State Finances activity was also brought into a clear focus so as to attend the work of planning and execution of the Market Borrowing Program of the State Governments in a timely and orderly manner. This includes advising the Market Borrowing Programme to respective State Governments on receipt of the details from the Ministry of Finance, attending to the pre-floatation arrangements including convening of State Finance Secretary's meeting. The present objectives of the Debt Management Operations of the Bank can be summarized as under:

- Undertake debt and cash management operations for the Central and State Governments with the objective of minimising the cost of Government borrowing over a long period consistent with the objective of the monetary policy.
- Develop a deep and liquid Government Securities Market.
- Regulate the government securities market.
- Improve the transmission mechanism for monetary policy and facilitate the use of indirect instruments of monetary policy.
- Develop a yield curve across maturities so as to provide benchmarks for development of debt markets.
- Facilitate the development of hedging products to manage liquidity and market risk.

7.3. Concept, Definition and Classification

7.3.1. Liquidity Adjustment Facility (LAF) – Repo and Reverse Repo

The LAF is intended to primarily meet the day-to-day liquidity mismatches in the system, and is not intended to meet the financing requirements of eligible institutions. The scheme of Liquidity Adjustment Facility (LAF) was introduced from June 5, 2000. Under the scheme Repo auctions (for absorption of liquidity) and Reverse Repo auctions (for injection of liquidity) were introduced on a daily basis (except Saturdays). But for the intervening holidays and Fridays, the tenor of the Repo was one day. On Fridays, the auction was conducted for three days. The Repo auction was conducted on "Uniform price" basis initially and thereafter it was conducted on "Multiple price" basis. Interest rate in respect of both Repo and Reverse Repo was based on the bids quoted by participants and subject to the cut-off rates as decided by the RBI at Mumbai. In addition to the overnight Repo, RBI had the discretion to conduct Repo up to 14 days. All scheduled commercial banks (excluding RRBs) and Primary Dealers having current account and SGL account with RBI, Mumbai, are eligible to participate in the Repo and Reverse Repo auctions under LAF.

RBI introduced the Liquidity Adjustment Facility – Revised Scheme with effect from March 29, 2004 taking into account the recommendations of the Internal Group on Liquidity Adjustment Facility and suggestions from the market participants and experts. The features of the Revised Scheme were as under (Table 7.1):

Table 7.1: Features of the Revised Liquidity Adjustment Facility Scheme

1	Tenor-Repo Tenor- Reverse Repo	7 days fixed rate repo conducted daily (1 day repo from November 1, 2004) 1 day overnight fixed rate Reverse Repo on week days only
2	Option	RBI retains the option to conduct overnight repo or longer term repo at fixed rate or variable rates depending on market conditions RBI will have the discretion to change the spread between repo and reverse repo
3	Participants	Scheduled commercial banks (excluding RRBs) and Primary dealers having current account and SGL account with RBI
4	Repo Rate	4.50% (Monetary Policy review-October, 2004 raised the Repo rate to 4.75%) @
5	Reverse Repo rate	150 basis points above Repo rate. (Monetary Policy Review – October, 2004 reduced the spread to 125 basis points) @ Therefore, Reverse repo rate is $4.75\% + 1.25\% = 6.00\%$
6	Bidding	The bids will be submitted electronically through NDS Cut off time for submission of bids is 10.30 AM – Auction result will be announced by 12.00 Noon
7	Bid size	Minimum Rs. 5 crore and multiple of Rs. 5 crore
8	Eligible securities	All SLR eligible transferable Government of India dated securities/Treasury bills
9	Type	Repo will be conducted as “Hold-in-custody” type wherein the RBI will act as custodian for the participants and hold the securities on their behalf in the Repo/Reverse repo Constituents’ Accounts

@ Repo and Reverse Repo rates are revised by RBI from time to time.

RBI receives the bids for LAF in the morning. The Financial Market Committee meets daily at 12.00 noon to assess the bids. The actual amount of liquidity to be absorbed or injected into the system is determined by the RBI after taking into account the liquidity conditions in the market, the interest rate situation and the stance of policy. The rate of interest depends on the quotes received in the bids. RBI has also rejected all bids in the repo auctions, on few occasions.

In the Monetary Policy Review, October, 2004, the Repo rate has been raised from 4.50% to 4.75% and the spread between Repo rate and

Reverse Repo rate has been reduced from 150 basis points to 125 basis points. Accordingly, the Repo rate and reverse repo rate was 4.75% and 6.00%, respectively.

With effect from November 1, 2004, Liquidity Adjustment Facility scheme being operated with overnight fixed rate repo and reverse repo. Accordingly, auctions of 7-day and 14-day repo were discontinued from November 1, 2004. The Reserve Bank continues to have the discretion to conduct overnight/longer term repo/reverse repo auctions at fixed rate or at variable rates depending upon market conditions and other factors.

Some of the recent policy changes that impact the data definitions are as follows:

- A policy decision was made to adopt the international usage of the term “Repo” and “Reverse Repo” under LAF operations. Effective from October 29, 2004, the term “Repo” is being used for the LAF operations where Reserve Bank of India would inject liquidity to the Banking system (earlier termed as Reverse Repo).
- To fine-tune the management of liquidity, it was decided to introduce a second LAF (SLAF) from November 28, 2005. SLAF will be conducted between 3.00 P.M. and 3.45 P.M. The spread between the reverse repo rate and the repo rate is 100 basis points.

Daily data on the LAF operations are published in the specific format. The format of the data along with explanatory notes is given in the *Annex-7.1*.

7.3.2. Treasury Bills

Treasury bills are short-term debt instruments issued by the Central government. Treasury bills play a vital role in cash management of the Government. Being risk-free, their yields at varied maturities serve as short term benchmarks and help pricing varied floating rate products in the market.

Until 1988, the only kind of Treasury bill that was available was the 91-day bill, issued on tap; at a fixed rate of 4.5% (the rates on these bills remained unchanged at 4.5% since 1974). 182-day T-bills were introduced in 1987, and the auction process for T-bills was started. 364 day T-bill was introduced in April 1992, and in July 1997, the 14-day T-bill was also introduced. RBI had suspended the issue of 182-day T- bills from April 1992, and revived their issuance since May 1999. All T-bills are now sold through an auction process according to a fixed auction calendar, announced by the RBI. Ad-hoc treasury bills, which enabled the automatic monetisation of central government budget deficits, have been eliminated in 1997. All T-bill issuances now represent market borrowings of the central government.

91 days Treasury bill on tap: Before, 1960s the 91 days Treasury bills were sold on auction basis. Subsequently, these T-Bills were replaced by Tap sale of T-bills since mid-1960s. The tap bill rates varied consistently with changes in the Bank Rate till 1974 and thereafter the discount rate on tap bill was fixed at 4.6%

Other maturities of T-bills: 182 days T-bills were introduced in November, 1986 on auction basis. The 182 days T-bills were replaced by introduction of 364 days T-bills on fortnightly auction basis since April, 1992. Subsequently, 91 days T-bills were introduced on auction basis in January, 1993. When the ad-hoc T-bills were discontinued in April, 1997, to enable finer cash management of the government and to provide avenue for state governments and some foreign central banks to invest surplus funds, 14-days T-bills were introduced in April, 1997. Subsequently, the 14 days T-bills and 182 days T-Bills were discontinued. Currently, 91 days T-Bills, 182 days T-Bills and 364 days T-Bills are sold on auction basis. Table 7.2 gives a chronology of treasury bills of various maturities introduced and discontinued subsequently.

Table 7.2: Treasury Bills – Chronology of Developments

Type of T-Bill	Introduced	Discontinued
91 days T-Bill on weekly auction	Before 1950s	Mid-1950s
91 days Ad-hoc T-Bill	Mid 1950s	April, 1997
91 days T-Bill on Tap	Mid 1950s	March, 1997
182 days T-Bill on weekly auction	November, 1986	April, 1992
14 days T-Bill on weekly auction	April, 1997	May, 2001
364 days T-Bill on fortnightly auction	April, 1992	
91 days T-Bill on weekly auction	January, 1993	
182 days T-Bill on weekly auction	Re-introduced in June, 1999	May, 2001
182 days T-Bill on weekly auction	Re-introduced in April, 2005	

As will be seen from the above table that at present 91 days T-Bills are sold on weekly and 182 days Treasury Bills and 364 days Treasury Bills are sold on fortnightly basis. The auction of 91 days T-Bills are conducted every Wednesday with the notified amount of Rs. 500 crores and the auction of 182 days T-Bills, and 364 days T-Bills are conducted every alternate Wednesday with the notified amount of Rs. 500 crores and Rs. 1000 crores, respectively. The investors in Treasury bills are banks, primary dealers, State governments, Provident funds, financial institutions, Insurance companies, NBFCs, Foreign Institutional Investors and Non-Resident Indians.

Weekly data on the Treasury Bills auction summary are published in a specific format. The format of the data along with explanatory notes is given in the *Annex-7.2*.

7.3.3 Government Security

“Government security” means a security created and issued by the Government for the purpose of raising a public loan or for any other purpose as may be notified by the Government in the Official Gazette and having one of the forms mentioned in The Public Debt Act, 1944.

A Government security may, subject to such terms and conditions as may be specified, be in such forms as may be prescribed or in one of the following forms, namely: (i) a Government promissory note payable to or to the order of a certain persons; or (ii) a bearer, bond payable to bearer; or (iii) a stock; or (iv) a bond held in a bond ledger account.

The Central government raises resources in the debt markets, through market borrowings, predominantly to fund the fiscal deficit. Market borrowings, which funded about 18% of the gross fiscal deficits in 1990-91, constituted 68.64% of the gross fiscal deficit in 2000-01, and have emerged as the dominant source of funding of the deficit. The abolition of the automatic monetisation of deficit in 1997 has led to significant increases in market borrowings of the government. The State government bond issuance is presently managed by the RBI along

with the central borrowings. A part of state deficits are funded through market borrowings by the RBI.

The issuance process for G-sec has undergone significant changes in the 1990s, with the introduction of the auction mechanism, and the broad basing of participation in the auctions through creation of the system of primary dealers and the introduction of non-competitive bids. RBI announces the auction of government securities through a press notification, and invites bids. The sealed bids (bids received electronically as well as physically) are opened at an appointed time, and the allotment is based on the cut-off price decided by the RBI. Successful bidders are those that bid at a higher price, exhausting the accepted amount at the cut-off price.

The design of treasury auctions is an important issue in government borrowing.

The objectives of auction design are:

- Enabling higher auction volumes that satisfy the target borrowing requirement, without recourse to underwriting and/or devolvement;
- Broadening participation to ensure that bids are not concentrated or skewed; and
- Ensuring efficiency through achieving the optimal (lowest possible) cost of borrowing for the government.

The two choices in treasury auctions, which are widely known and used, are (a) Discriminatory Price Auctions (French Auction) and (b) Uniform Price Auctions (Dutch Auction). In both these kinds of auctions, the winning bids are those that exhaust the amount on offer, beginning at the highest quoted price (or lowest quoted yield). However, in a uniform price auction, all successful bidders pay a uniform price, which is usually the cut-off price (yield). In the case of the discriminatory price auction, all successful bidders pay the actual price (yield) they bid for.

The RBI has the discretion to reject bids when the rates at which bids are received are higher than the rates at which RBI wants to place the debt. Depending on the pricing objective RBI wants to achieve and the bidding pattern of

participants, bidding success and devolvement takes place.

Non-competitive bids can also be submitted in treasury auctions by specified institutions. Allotments to these bids will be first made from the notified amount, at the weighted average price of all successful bids.

Some of the key terms used in the primary issuance of dated security are as under (cf. Glossary in Annex – 7.5 for other terms)

Yield corresponding to each transaction in a security is calculated from the following Yield to Maturity (YTM) and price relationship:

$$P + bpi = \sum_{i=1}^n \frac{c/v}{(1 + y/v)^{vt_i}} + \frac{F}{(1 + y/v)^{vt_n}}$$

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

Quarterly data on the primary issuances of dated securities are published in the RBI Bulletin as per pre-designed format. The format of the data along with explanatory notes is given in the *Annex-7.3*.

7.3.4. Secondary Markets for Government Securities

In the secondary market, outstanding securities are traded. This term differentiates from the primary or initial market when securities are sold for the first time. Secondary market refers to

the buying and selling that goes on after the initial public sale of the security.

Government securities are deemed to be listed as soon as they are issued. Markets for government securities are pre-dominantly wholesale markets, with trades done on NDS as also NDS-OM trading platform. Since most institutional participants have to report their trades to the PDO, and effect settlement through the SGL, RBI's reports on SGL transactions provide summary data on secondary market transactions in government securities. Introduction of NDS has provided certainty to market participants in respect of demand for settlement funds for securities transactions on the day of settlement, leading to improved cash and liquidity management among the market participants.

Apart from banks, provident funds and insurance companies are large holders of government bonds, buying them to comply with prudential norms governing their portfolios. These institutions hold about 20% of outstanding G-secs. However, the fact that provident funds are not actively managed portfolios, and do not mark their portfolios to market, makes them large dormant holders of government bonds.

Primary Dealers hold government bonds either due to devolvement or underwriting commitments, or to enable repo transactions and market making. They are market participants who turn over their portfolios very rapidly, and have enabled liquidity in secondary market to a large extent. Others investors in G-sec include mutual funds, primary and satellite dealers, and Constituent SGL accounts with banks and PDs.

Data on the secondary market transactions in G-sec, both outright and Repos, are published in the Weekly Statistical Supplement, RBI Bulletin and other regular publications of the Bank in a prescribed format. The format of the data along with explanatory notes is given in the *Annex-7.4*.

Annex 7.1

REPO/REVERSE REPO AUCTIONS UNDER LIQUIDITY ADJUSTMENT FACILITY

(Rs. Crore)

LAF Date	Repo period (Day(s))	REPO (Injection)					REVERSE REPO (absorbtion)					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)
Mmm dd, yyyy	d1	x1	y1	x11	y11	r	w1	z1	w1	z1	rr	yz1	AA
\$	d2	x2	y2	x12	y12	r	w2	z2	w2	z2	rr	yz2	
Mmm dd, yyyy	d3	x3	y3	x13	y13	r	w3	z3	w3	z3	rr	yz3	BB
\$	d4	x4	y4	x14	y14	r	w4	z4	w4	z4	rr	yz4	
Mmm dd, yyyy	d5	x5	y5	x15	y15	r	w5	z5	w5	z5	rr	yz5	CC
\$	d6	x6	y6	x16	y16	r	w6	z6	w6	z6	rr	yz6	
Mmm dd, yyyy	d7	x7	y7	x17	y17	r	w7	z7	w7	z7	rr	yz7	DD
\$	d8	x8	y8	x18	y18	r	w8	z8	w8	z8	rr	yz8	
Mmm dd, yyyy	d9	x9	y9	x19	y19	r	w9	z9	w9	z9	rr	yz9	EE
\$	d10	x10	y10	x20	y20	r	w10	z10	w10	z10	rr	yz10	

@ Net of overnight Repo.

With effect from October 29, 2004 nomenclature of Repo & Reverse Repo interchanged as per international usages. " -" No bid was received in the auction

Note: (\$) Second LAF auction introduced with effect from November 28, 2005.

Annex 7.2**AUCTIONS OF GOVERNMENT OF INDIA TREASURY BILLS (TBS)***(Rs. crore)*

Date of Auction	Date of Issue	Notified Amount	Bids Received			Bids Accepted			Devolvement on		Total Issue (8+9+10+11)	Weighted Average 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		PDs / SDs*	RBI				
				Compe- titive	Non- Com- petitive		Compe- titive	Non- Com- petitive						
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
91-Day Treasury Bills														
2005-2006														
Mmm dd, yyyy	Mmm1 dd, yyyy	x1	y1	z1	nc1	y11	z11	nc1	d1	d11	t1	p1	y1	o1
Mmm dd, yyyy	Mmm2 dd, yyyy	x2	y2	z2	nc2	y12	z12	nc2	d2	d12	t2	p2	y2	o2
182-Day Treasury Bills														
2005-2006														
Mmm dd, yyyy	Mmm1 dd, yyyy	x1	y1	z1	nc1	y11	z11	nc1	d1	d11	t1	p1	y1	o1
Mmm dd, yyyy	Mmm2 dd, yyyy	x2	y2	z2	nc2	y12	z12	nc2	d2	d12	t2	p2	y2	o2
364-Day Treasury Bills														
2005-2006														
Mmm dd, yyyy	Mmm1 dd, yyyy	x1	y1	z1	nc1	y11	z11	nc1	d1	d11	t1	p1	y1	o1
Mmm dd, yyyy	Mmm2 dd, yyyy	x2	y2	z2	nc2	y12	z12	nc2	d2	d12	t2	p2	y2	o2

Notes: 1. For 91-day TBs, Uniform Price auction was introduced from November 06, 1998. The format of auction has been changed to multiple price auction from December 11, 2002.

2. For 91-day TBs, Notified amount of Rs. 2,000 crore includes Rs.1,500 crore under Market Stabilisation Scheme (MSS). For 182-day TBs, Notified amount of Rs. 1,500 crore includes Rs.1,000 crore under MSS.

For 364-day TBs, Notified amount of Rs. 2,000 crore includes Rs.1,000 crore under MSS.

3. Effective from auction dated June 2,1999, non competitive bids have been allowed in case of 364-day TBs.

4. 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.

Annex 7.3

DETAILS OF CENTRAL GOVERNMENT MARKET BORROWINGS

Date of Auction	Date of Issue	Notified Amount	Maturity period/ Residual period	year	Bids received				Bids Accepted				Devolve- ment on Primary Dealers	Devolve- ment/ Private place- ment on RBI	Indicative YTM at cut-off price/ reissue price/ coupon rate	NOMENCLATURE OF LOAN
					(Comp)		(Non Comp)		(Comp)		(Non Comp)					
					Number	Value	Number	Value	Number	Value	Number	Value				
yyyy-yy DD- MMM- YYYY	DD- MMM- YYYY	N1	m1	yyyy	x1	v1	nx1	nv1	x11	v11	nx1	nv1	d1	dr1	pr1/ yi1	x.xx per cent Government Stock yyyy @ **
DD- MMM- YYYY	DD- MMM- YYYY	N2	m2	yyyy	x2	v2	nx2	nv2	x12	v12	nx2	nv2	d2	dr2	pr1/ yi2	x.xx per cent Government Stock yyyy @ **
DD- MMM- YYYY	DD- MMM- YYYY	N3	m3	yyyy	x3	v3	nx3	nv3	x13	v13	nx3	nv3	d3	dr3	pr1/ yi3	x.xx per cent Government Stock yyyy @ **
DD- MMM- YYYY	DD- MMM- YYYY	N4	m4	yyyy	x4	v4	nx4	nv4	x14	v14	nx4	nv4	d4	dr4	pr1/ yi4	x.xx per cent Government Stock yyyy @ **

@ Reissue

u Uniform Price Auction

Yield based Auction

PP Private Placement with RBI

** Allotment to Non-Competitive Bidders at wrt.average yield/price of competitive bids

u Uniform Price Auction

& Mark up (spread) over the base rate.

(*) All the bids were rejected.

Annex 7.4**TURNOVER IN GOVERNMENT SECURITIES MARKET (FACE VALUE) @***(Rs. Crore)*

Items \ Week Ended	yyyy-yyyy					
	mmm dd, yyyy	mmm dd, yyyy	mmm dd, yyyy	mmm dd, yyyy	mmm dd, yyyy	mmm dd, yyyy
1	2	3	4	5	6	7
I. Outright Transactions						
1. Govt. of India dated Securities	a1	b1	c1	d1	e1	f1
2. State Government Securities	a2	b2	c2	d2	e2	f2
3. 91 Day Treasury Bills	a3	b3	c3	d3	e3	f3
4. 182 Day Treasury Bills	a4	b4	c4	d4	e4	f4
5. 364 Day Treasury Bills	a5	b5	c5	d5	e5	f5
II. RBI *	a6	b6	c6	d6	e6	f6

@ Excluding Repo Transactions.

* RBI's Sales and Purchases include transactions in other offices also.

Annex 7.4 (Contd.)**GOVERNMENT OF INDIA- TREASURY BILLS OUTSTANDING (FACE VALUE)**

(Rs. Crore)

Holders	mmm dd, yyyy				Total Treasury Bills (2+3+4+5)	Variation in total	
	Treasury Bills of Different Maturities					Over The Week	Over End March
	14 Day (Inter- Mediate)	91 Day (Auction)	182 Day (Auction)	364 Day (Auction)			
1	2	3	4	5	6	7	8
Reserve Bank of India	a1	a2	a3	a4	a5	w1	x1
Banks	b1	b2	b3	b4	b5	w2	x2
State Governments	c1	c2	c3	c4	c5	w3	x3
Others	d1	d2	d3	d4	d5	w4	x4

Annex 7.4 (Concl'd.)**SECONDARY MARKET TRANSACTIONS IN GOVERNMENT SECURITIES (FACE VALUE) @****(Rs. Crore)**

Items	For the week ended mmm dd,yyyy			For the week ended mmm dd,yyyy		
	Amount	YTM (%PA) Indicative **		Amount	YTM (%PA) Indicative	
		Minimum	Maximum		Minimum	Maximum
1	2	3	4	5	6	7
I. Outright Transactions						
1. Govt. of India dated securities maturing in the year						
2006-07	x1	my1	mxy1	z1	mz1	mxz1
2007-08	x2	my2	mxy2	z2	mz2	mxz2
2008-09	x3	my3	mxy3	z3	mz3	mxz3
2009-10	x4	my4	mxy4	z4	mz4	mxz4
2010-11	x5	my5	mxy5	z5	mz5	mxz5
2011-12	x6	my6	mxy6	z6	mz6	mxz6
2012-15	x7	my7	mxy7	z7	mz7	mxz7
2015-16	x8	my8	mxy8	z8	mz8	mxz8
Beyond 2016	x9	my9	mxy9	z9	mz9	mxz9
2. State Government Securities	x10	my10	mxy10	z10	mz10	mxz10
3. Treasury Bills (Residual Maturity in Days)						
A. Upto 14 Days	x11	my11	mxy11	z11	mz11	mxz11
B. 15 - 91 Days	x12	my12	mxy12	z12	mz12	mxz12
C. 92 - 182 Days	x13	my13	mxy13	z13	mz13	mxz13
D. 183 - 364 Days	x14	my14	mxy14	z14	mz14	mxz14
II. RBI * : Sales	x15			z15		
: Purchases	x16			z16		
III. Repo Transactions # (Other than with RBI)						
1. Govt. of India Dated Securities	x17	my17 (d1)	mxy17 (dm1)	z17	mz17 (d11)	mxz17 (dm11)
2. State Govt. Securities	x18	my18 (d2)	mxy18 (dm2)	z18	mz18 (d12)	mxz18 (dm12)
3. 91 Day Treasury Bills	x19	my19 (d3)	mxy19 (dm3)	z19	mz19 (d13)	mxz19 (dm13)
4. 182 Day Treasury Bills	x20	my20 (d4)	mxy20 (dm4)	z20	mz20 (d14)	mxz20 (dm14)
5. 364 Day Treasury Bills	x21	my21 (d5)	mxy21 (dm5)	z21	mz21 (d15)	mxz21 (dm15)
IV. RBI: Repo # ^	x22	r1	r2	z22	r1	r2
: Reverse Repo !	x23	rr1	rr2	z23	rr1	rr2

@ As reported in subsidiary general ledger accounts at RBI, Mumbai which presently accounts for nearly 98 per cent of total transactions in the country.

* RBI's sales and purchases include transactions in other offices also.

Represent the first leg of transactions

^ Data relate to Repo auctions under liquidity adjustment facility effective from June 05, 2000

! Includes Reverse Repo auctions under liquidity adjustment facility

** Minimum and maximum YTMS (% P.A.) indicative have been given excluding transactions of non-standard lot size (less than Rs. 5 crore)

Annex 7.5

GLOSSARY

Accrued interest

The accrued interest on a bond is the amount of interest accumulated on a bond since the last coupon payment. The interest has been earned, but because coupons are only paid at set intervals the investor has not gained the money yet. In India day count convention for G-Secs is 30/360.

Bid price/yield

The price/yield being offered by a potential buyer for a security.

Competitive Bid

Competitive bid refers to the bid for the stock at the price stated by a bidder in an auction.

Coupon

The rate of interest paid on a debt security as calculated on the basis of the security's face value.

Coupon frequency

Coupon payments are made at regular intervals throughout the life of a debt security and may be quarterly, semi-annual (twice a year) or annual payments.

Face value

Face value is the amount that is to be paid to an investor at the maturity date of the security. Debt securities can be issued at varying face values, however in India they typically have a face value of Rs.100. The face value is also known as the repayment amount at par. This amount is also referred as redemption value, principal value (or simply principal), maturity value or par value.

Floating-rate Bond

Bonds whose interest rate varies with changes in a pre-specified market interest rate.

Gilt/Government Securities

Government securities are also known as gilts or gilt edged securities. "Government security" means a security created and issued by the Government for the purpose of raising a public loan or for any other purpose as may be notified by the Government in the Official Gazette and having one of the forms mentioned in The Public Debt Act, 1944.

LAF

Liquidity Adjustment Facility (LAF) is a facility by which the RBI adjusts the daily liquidity in the domestic markets (India) either by injecting funds or by withdrawing them out.

Maturity Date

The date when the principal (face value) is paid back. The final coupon and the face value of a debt security is repaid to the investor on the maturity date. The time to maturity can vary greatly from short term to long term (30 years).

Non-competitive Bid

Non-competitive bidding means the bidder would be able to participate in the auctions of dated government securities without having to quote the yield or price in the bid. The allotment to the non-competitive segment will be at the weighted average rate that will emerge in the auction on the basis of competitive bidding. It is an allocating facility wherein a part of total securities are allocated to bidders at a weighted average price of successful competitive bid.

Open Market Operations:

Central banks buy bonds in exchange for money, thus increasing the stock of the money, or sell bond; thus reducing the money stock. This operation is known as Open Market Operation.

Price

The price quoted is for per Rs. 100 of face value. The price of any financial instrument is equal

Annex 7.5 (Contd.)

to the present value of the expected cash flow. The price one pays for a debt security is based on a number of factors. Newly-issued debt securities usually sell at, or close to, their face value. On the secondary market, where already-issued debt securities are bought and sold between investors, the price one pays for a bond is based on a host of variables, including market interest rates, accrued interest, supply and demand, credit quality, maturity date, state of issuance, market events and the size of the transaction.

Primary Dealers

In order to accomplish the objective of covering the government borrowing needs as cheaply and efficiently as possible, a group of highly qualified financial firm/banks are appointed to play the role of specialist intermediaries in the government security market between the issuer on the one hand and the market on the other. These are generally called Primary dealers or market makers. In return of a set of obligations, such as making continuous bids and offer price in the marketable government securities or submitting reasonable bids in the auctions, these firms receive a set of privileges in the primary/secondary market.

Private Placement

A private placement is a direct offer by a company to subscribe to a security issued by it, which is not available to any person other than the person to whom the offer is made. Section 67(3) of Company Act, 1956, while specifying what does not constitute a public offer, lays down two basic conditions, viz., (a) the share and debentures should not be available for subscription to persons other than those receiving the offer, and (b) the offer should be made to less than 50 persons.

Repo Rate

Repo rate is the return earned on a repo transaction expressed as an annual interest rate.

Repo/Reverse Repo

Repo means an instrument for borrowing funds by selling securities of the Central Government or a State Government or of such securities of a local authority as may be specified in this behalf by the Central Government or foreign securities, with an agreement to repurchase the said securities on a mutually agreed future date at an agreed price which includes interest for the fund borrowed.

Reverse Repo means an instrument for lending funds by purchasing securities of the Central Government or a State Government or of such securities of a local authority as may be specified in this behalf by the Central Government or foreign securities, with an agreement to resell the said securities on a mutually agreed future date at an agreed price which includes interest for the fund lent.

Secondary Market

The market in which outstanding securities are traded. This term differentiates from the primary or initial market when securities are sold for the first time. Secondary market refers to the buying and selling that goes on after the initial public sale of the security.

Tap Sale

Under Tap sale, a certain amount of securities is created and made available for sale, generally with a minimum price, and is sold to the market as bids are made. These securities may be sold over a period of day or even weeks; and authorities may retain the flexibility to increase the (minimum) price if demand proves to be strong or to cut it if demand weakens. Tap and continuous sale are very similar, except that with Tap sale the debt manager tends to take a more pro-active role in determining the availability and indicative price for tap sales. Continuous sale are essentially at the initiative of the market.

Annex 7.5 (Concl.)

Treasury Bills

Debt obligations of the government that have maturities of one year or less is normally called Treasury Bills or T-Bills. Treasury Bills are short-term obligations of the Treasury/Government. They are instruments issued at a discount to the face value and form an integral part of the money market.

Underwriting

The arrangement by which investment bankers undertake to acquire any unsubscribed portion of a primary issuance of a security.

Weighted Average Price/yield

It is the weighted average mean of the price/yield where weight being the amount used at that price/yield. The allotment to the non-competitive segment will be at the weighted average price/yield that will emerge in the auction on the basis of competitive bidding.

Yield

The annual percentage rate of return earned on a security. Yield is a function of a security's purchase price and coupon interest rate. Yield fluctuates according to numerous factors including global markets and the economy.

Yield to maturity (YTM)

Yield to maturity is the total return one would expect to receive if the security is being held until maturity. Yield to maturity is essentially the discount rate at which the present value of future payments (investment income and return of principal) equals the price of the security.

Yield curve

The graphical relationship between yield and maturity among bonds of different maturities and the same credit quality. This line shows the term structure of interest rates. It also enables investors to compare debt securities with different maturities and coupons.

8. FISCAL SECTOR STATISTICS

8.1. Introduction

The term 'Budget' refers broadly to the financial proposals, which the Minister for Finance puts before the Houses of Parliament or the state Legislature as the case may be. In the Constitution of India, reference is made to the 'Laying of Annual financial Statement before the Houses of Parliament or the Legislatures of the States'. This document is a statement of estimated receipts and expenditure of the government for the coming financial year and is generally known as the 'Budget'. It also contains actuals for the preceding year and revised estimates of the current year. The Reserve Bank of India compiles and disseminates the budgetary data of the Central Government, State Governments, combined finances of the Central and State Governments, and public debt. Studies based on these data are regularly published in Reserve Bank of India Bulletin.

8.2. Deficit Indicators

In general, RBI follows the Government of India's approach/methodology for compilation in respect of various deficits/fiscal indicators. Details of methodology followed in budget 2006-07 are presented in Annex-8.1. The definitions of various deficit indicators used in compilation of fiscal statistics are as follows: *Revenue Deficit* denotes the difference between revenue receipts and revenue expenditure. *The conventional deficit (budgetary deficit)* is the difference between all receipts and expenditure, both revenue and capital. *The gross fiscal deficit (GFD)* is the excess of total expenditure including loans net of recovery over revenue receipts (including external grants) and non-debt capital receipts. Since 1999-2000, GFD excludes States' share in small savings as per the new system of accounting. The *net fiscal deficit* is the gross fiscal deficit less net lending of the Central Government. The *net primary deficit* denotes net fiscal deficit minus net interest payments. Primary revenue balance denotes revenue deficit minus interest payments. The *net RBI credit to the Central Government* represents the sum of variations in the RBI's

holdings of (i) Central Government dated securities, (ii) Treasury Bills, (iii) Rupee Coins and (iv) Loans and Advances from RBI to Centre since April 1, 1997 adjusted for changes in the Centre's cash balances with RBI in the case of Centre. Regarding State Governments, net RBI credit refers to variation in loans and advances given to them by the RBI net of their incremental deposits with the RBI, for the State Governments having accounts with the RBI.

8.3. Combined Finances

While defining the combined deficit/fiscal indicators, the Bank broadly follows the approach/methodology adopted by International Monetary Fund (IMF) in its Government Finance Statistics (GFS) Manual. The fiscal variables are worked as the sum of Centre and States *minus* inter-governmental transactions. The data on inter-governmental transactions *viz.* States' share in Central taxes, grants to States and interest receipts from States in the revenue account; loans and advances to States and recovery of loans from States in the capital account, are taken from the Central Government budget documents. Combined GFD is the GFD of Central Government plus GFD of State Governments minus net lending (loans and advances from States *minus* recovery of loans and advances from States) from Central Government to State Governments. Revenue deficit is the difference between revenue receipts and revenue expenditure of the Central and State Governments adjusted for inter-Governmental transactions in the revenue account. Gross primary deficit is defined as combined GFD *minus* combined interest payments. Combined interest payments are sum of interest payments of the Centre and State governments net of interest payments by State governments to the Centre.

8.4. State Government Finances

All moneys coming into the possession of and disbursed by the public officers of the State in the course of their official duties have to be

properly accounted for in the primary accounts maintained by them and the form in which the accounts are to be kept is prescribed by the Controller and Auditor General of India (CAG). The Finance Department is required to prepare for each financial year, a statement of all receipts and expenditure expected to be realised or incurred during the year, which is called the Annual Financial Statement (AFS) or the Budget as laid down in Article 202 of the Constitution. Under Article 150 of the Constitution of India, the accounts of States are to be kept in such form as the CAG may, with the approval of the President, prescribe. In exercise of these powers, the CAG has prescribed a list of major and minor heads of accounts in which Government accounts should be kept. In accordance with the provisions of Articles 266 and 267 of the Constitution, the accounts of the Government are to be maintained into three main parts - Part I: Consolidated Fund of the State, Part II: Contingency Fund of the State, and Part III: Public Account of the State. These accounts are also shown in the budget documents of the State Governments.

All budgetary heads are broadly classified into two *viz.*, Revenue Account (Revenue Receipts and Revenue Expenditure) and Capital account (Capital Receipts and Capital Disbursements) as set out in Annex 8.2. Department of Economic Analysis and Policy (Division of State and Local Finances) of RBI brings out an annual Study 'State Finances - A Study of Budgets' based on budget documents of the State Governments. The Study may be referred to for further detailed classification of budgetary heads.

As an illustration, Annex 8.3 presents the explanatory notes as given in the budget documents of the Government of Maharashtra.

8.5. Measures of Resource Gap: Concepts and Definitions

There is no single criterion to measure the resource gap in the Government finances. The choice of a particular measure is, therefore, purpose specific. In the context of Indian public finance, the traditional approach while measuring the resource gap takes into consideration

revenue account gap, capital account gap and overall gap. Of late, there has been a frequent mention of the concept of gross fiscal deficit (GFD) by researchers while analyzing the finances of the State Governments; one variant of GFD *viz.*, primary deficit, which is analytically useful to examine the current operations of the Government finances, has been introduced in Indian public finance. The different measures of deficit (resource gap) are set out below.

- (a) Revenue Deficit (RD) denotes the difference between revenue receipts and revenue expenditure.

$$\text{Revenue Account Gap} = \text{Revenue Deficit (RD)} = \text{Revenue Receipts (RR)} - \text{Revenue Expenditure (RE)}$$

- (b) Capital Deficit denotes the difference between capital receipts and capital disbursements.

$$\text{Capital Account Gap} = \text{Capital Account Deficit (CAD)} = \text{Capital Receipts (CR)} - \text{Capital Disbursements (CD)}$$

- (c) Conventional deficit (budgetary deficit or overall deficit) is the difference between all receipts and expenditure, both revenue and capital.

$$\text{Overall Gap} = \text{RD} + \text{CAD} = (\text{RR} - \text{RE}) + (\text{CR} - \text{CD}) = [(\text{RR} + \text{CR}) - (\text{RE} + \text{CD})]$$

- (d) Gross Fiscal Deficit (GFD) is the difference between aggregate disbursements net of debt repayments and recovery of loans and revenue receipts and non-debt capital receipts.

Gross Fiscal Deficit (GFD)

$$= \text{RE} + [\text{CD} - (\text{Discharge of Internal Debt (DID)} + \text{Repayment of Loans to Centre (RLC)} + \text{Recoveries of Loans \& Advances (RLA)})] - \text{RR}$$

$$= \text{RE} + [\text{Capital Outlay (CO)} + \text{Loans \& Advances by States (LAS)} + \text{DID} + \text{RLC} - (\text{DID} + \text{RLC} + \text{RLA})] - \text{RR}$$

$$= (\text{RE} - \text{RR}) + [\text{CO} + (\text{LAS} - \text{RLA}) + (\text{DID} - \text{DID}) + (\text{RLC} - \text{RLC})]$$

$$= \text{RD} + \text{CO} + \text{Net Lending (NL)}$$

- (e) Net Fiscal Deficit (NFD) is the gross fiscal deficit *less* net lending of the State Governments.

$$\text{Net Fiscal Deficit (NFD)} = \text{GFD} - (\text{LAS-RLA})$$

- (f) Gross Primary Deficit (GPD) is defined as GFD *minus* interest payments.

$$\text{Primary Deficit (PD)} = \text{GFD} - \text{Interest Payment (IP)}$$

- (g) Net Primary Deficit (NPD) denotes net fiscal deficit (NFD) *minus* net interest payments.

$$\text{Net Primary Deficit (NPD)} = \text{NFD} - [(\text{IP} - \text{Interest Receipts (IR)})]$$

- (h) Primary revenue balance denotes revenue deficit *minus* interest payments.

$$\text{Primary Revenue Balance (PRB)} = \text{RD} - \text{IP}$$

- (i) Net primary revenue balance denotes revenue deficit *minus* net interest payments.

$$\text{Net Primary Revenue Balance (NPRB)} = \text{RD} - (\text{IP} - \text{IR})$$

Annex 8. 1

KEY TO BUDGET DOCUMENTS - BUDGET 2006-2007*

Annual Financial Statement

Under Article 112 of the Constitution, a statement of estimated receipts and expenditure of the Government of India has to be laid before Parliament in respect of every financial year which runs from 1st April to 31st March. This statement titled "*Annual Financial Statement*" is the main Budget document. The Annual Financial Statement shows the receipts and payments of Government under the three parts in which Government accounts are kept: (i) Consolidated Fund, (ii) Contingency Fund and (iii) Public Account.

2. All revenues received by Government, loans raised by it, and also its receipts from recoveries of loans granted by it, form the Consolidated Fund. All expenditure of Government is incurred from the Consolidated Fund and no amount can be withdrawn from the Fund without authorisation from Parliament.

3. Occasions may arise when Government may have to meet urgent unforeseen expenditure pending authorisation from Parliament. The Contingency Fund is an imprest placed at the disposal of the President to incur such expenditure. Parliamentary approval for such expenditure and for withdrawal of an equivalent amount from the Consolidated Fund is subsequently obtained and the amount spent from Contingency Fund is recouped to the Fund. The corpus of the Fund authorised by the Parliament, at present, is Rs.500 crore.

4. Besides the normal receipts and expenditure of Government which relate to the Consolidated Fund, certain other transactions enter Government accounts, in respect of which, Government acts more as a banker, for example, transactions relating to provident funds, small savings collections, other deposits, etc. The moneys thus received are kept in the Public

Account and the connected disbursements are also made the reform. Generally speaking, Public Account funds do not belong to Government and have to be paid back some time or the other to the persons and authorities who deposited them. Parliamentary authorisation for payments from the Public Account is, therefore, not required. In a few cases, a part of the revenue of Government is set apart in separate funds for expenditure on specific objects like road development, primary education including mid-day meal scheme, etc. These amounts are withdrawn from the Consolidated Fund with the approval of Parliament and kept in the Public Account for expenditure on the specific objects. The actual expenditure on the specific objects is, however, again submitted for vote of Parliament even though the moneys have already been earmarked by Parliament for transfer to the funds.

5. Under the Constitution, Budget has to distinguish expenditure on revenue account from other expenditure. Government Budget, therefore, comprises (i) Revenue Budget; and (ii) Capital Budget.

6. Revenue Budget consists of the revenue receipts of Government (tax revenues and other revenues) and the expenditure met from these revenues. Tax revenues comprise proceeds of taxes and other duties levied by the Union. The estimates of revenue receipts shown in the Annual Financial Statement take into account the effect of the taxation proposals made in the Finance Bill. Other receipts of Government mainly consist of interest and dividend on investments made by Government, fees, and other receipts for services rendered by Government. Revenue expenditure is for the normal running of Government departments and various services, interest charges on debt incurred by Government, subsidies, etc. Broadly speaking, expenditure that does not result in creation of assets is treated as revenue expenditure. All grants given to State

* Reproduction from the Union Budget 2006-07.

Governments and other parties are also treated as revenue expenditure even though some of the grants may be for creation of assets.

7. *Capital Budget* consists of capital receipts and payments. The main items of capital receipts are loans raised by Government from public which are called Market Loans, borrowings by Government from Reserve Bank and other parties through sale of Treasury Bills, loans received from foreign Governments and bodies and recoveries of loans granted by Central Government to State and Union Territory Governments and other parties. Capital payments consist of capital expenditure on acquisition of assets like land, buildings, machinery, equipment, as also investments in shares, etc., and loans and advances granted by Central Government to State and Union Territory Governments, Government companies, Corporations and other parties. Capital Budget also incorporates transactions in the Public Account.

Accounting Classification

8. The estimates of receipts and disbursements in the Annual Financial Statement and of expenditure in the Demands for Grants are shown according to the accounting classification prescribed under Article 150 of the Constitution. This classification is intended to allow Parliament and the public to make a meaningful appreciation of allocation of resources and purposes of Government expenditure.

9. Under the Constitution, certain items of expenditure like emoluments of the President, salaries and allowances of the Chairman and the Deputy Chairman of the Rajya Sabha and the Speaker and the Deputy Speaker of the Lok Sabha, salaries, allowances and pensions of Judges of the Supreme Court, Comptroller and Auditor-General of India and the Central Vigilance Commission, interest on and repayment of loans raised by Government and payments made to satisfy decrees of courts etc. are charged on the *Consolidated Fund* and are not required to be voted by the Lok Sabha. The Annual Financial Statement shows the expenditure

charged on the *Consolidated Fund* separately.

Demands for Grants

10. The estimates of expenditure from the *Consolidated Fund* included in the Annual Financial Statement and required to be voted by the Lok Sabha are submitted in the form of *Demands for Grants* in pursuance of Article 113 of the Constitution. Generally, one Demand for Grant is presented in respect of each Ministry or Department. However, in respect of large Ministries or Departments more than one Demand is presented. Each Demand normally includes the total provisions required for a service, that is, provisions on account of revenue expenditure, capital expenditure, grants to State and Union Territory Governments and also loans and advances relating to the service. In regard to Union Territories without Legislature, a separate Demand is presented for each of the Union Territory. Where the provision for a service is entirely for expenditure *charged* on the Consolidated Fund, for example, interest payments, a separate *Appropriation*, as distinct from a Demand, is presented for that expenditure and it is not required to be voted by Parliament. Where, however, expenditure on a service includes both '*voted*' and '*charged*' items of expenditure, the latter are also included in the Demand presented for that service but the '*voted*' and '*charged*' provisions are shown separately in that Demand.

11. The Demands for Grants are presented to the Lok Sabha along with the Annual Financial Statement. Each Demand first gives the totals of '*voted*' and '*charged*' expenditure as also the '*revenue*' and '*capital*' expenditure included in the Demand separately and also the grand total of the amount of expenditure for which the Demand is presented. This is followed by the estimates of expenditure under different major heads of account. The break up of the expenditure under each major head between '*Plan*' and '*Non-Plan*' is also given. The amounts of recoveries taken in reduction of expenditure in the accounts are also shown. A summary of Demands for Grants is given at the beginning of this document, while details of '*New Service*' or '*New Instrument of Service*' such as formation of a new company, undertaking or a

new scheme, etc., if any, are indicated at the end of the document.

Finance Bill

12. At the time of presentation of the Annual Financial Statement before Parliament, a Finance Bill is also presented in fulfilment of the requirement of Article 110(1)(a) of the Constitution, detailing the imposition, abolition, remission, alteration or regulation of taxes proposed in the Budget. A Finance Bill is a Money Bill as defined in Article 110 of the Constitution. It is accompanied by a Memorandum explaining the provisions included in it.

Memorandum Explaining the Provisions in the Finance Bill

13. To facilitate understanding of the taxation proposals contained in the Finance Bill, the provisions and their implications are explained in the document titled Memorandum Explaining the Provisions of the Finance Bill.

14. The Budget documents presented in terms of the Constitution have to fulfil certain legal and procedural requirements and hence may not by themselves give a clear indication of the major features of the Budget. To facilitate an easy comprehension of the Budget, certain other explanatory documents are presented along with the Budget.

Budget at a Glance

15. The document Budget at a Glance shows in brief, receipts and disbursements along with broad details of tax revenues and other receipts. This document also exhibits broad break-up of expenditure - Plan and Non-Plan, allocation of Plan outlays by sectors as well as by Ministries/ Departments and details of resources transferred by the Central Government to State and Union Territory Governments. This document also shows the revenue deficit, the gross primary deficit and the gross fiscal deficit of the Central Government. The excess of Government's revenue expenditure over revenue receipts constitutes revenue deficit of Government. Government mainly borrows through issue of dated securities,

i.e. market borrowings. Apart from this, Government also borrows funds under many schemes which form part of capital receipts. The difference between the total expenditure of Government by way of revenue, capital and loans net of repayments on the one hand and revenue receipts of Government and capital receipts which are not in the nature of borrowing but which finally accrue to Government on the other, constitutes gross fiscal deficit. Gross primary deficit is measured by gross fiscal deficit reduced by gross interest payments. In the Budget documents 'gross fiscal deficit' and 'gross primary deficit' have been referred to in abbreviated form 'fiscal deficit' and 'primary deficit', respectively.

Expenditure Budget Vol. 1

16. *Expenditure Budget Vol. 1* deals with revenue and capital disbursements of various Ministries/Departments and gives the estimates in respect of each under 'Plan' and 'Non-Plan'. This also gives analysis of various types of expenditure and broad reasons for the variations in estimates.

17. Under the present accounting and budgetary procedures, certain classes of receipts, like payments made by one department to another and receipts of capital projects or schemes are taken in reduction of the expenditure of the receiving department. The estimates of expenditure included in the Demands for Grants are for the gross amounts while the estimates of expenditure included in the Annual Financial Statement are for the net expenditure as will be reflected in the accounts, that is, after taking into account the recoveries. The document *Expenditure Budget* makes certain other refinements like netting expenditure of related receipts so that inflation of receipts and expenditure figures are avoided and there can be a better appreciation of the magnitudes of various expenditure. The annex showing guarantees given by Central Government and outstanding as at the end of March, 2005 has been included in Receipt Budget. Contributions to International bodies are shown in a separate annex. A statement each showing (i) the estimated strength of establishment of various Government Departments and provision made

therefor; and (ii) Plan grants and loans released by Ministries/ Departments directly to State and district level autonomous bodies, under various Central and Centrally Sponsored Plan schemes are also included in this document.

Expenditure Budget Vol. 2

18. The provisions made for a scheme or a programme may spread over a number of major heads in the Revenue and Capital sections in a Demand for Grants. In the Expenditure Budget Vol. 2, the estimates made for a scheme/ programme are brought together and shown on a net basis at one place, by major heads. To understand the objectives underlying the expenditure proposed for various schemes and programmes in the Demands for Grants, suitable explanatory notes are included in this volume in which, wherever necessary, brief reasons for variations between the Budget estimates and revised estimates for the current year and requirements for the Budget year are also given.

Receipts Budget

19. Estimates of receipts included in the Annual Financial Statement are further analysed in the document "*Receipts Budget*". The document provides details of tax and non-tax revenue receipts and capital receipts and explains the estimates. The document also provides the arrears of tax revenues and non-tax revenues, as mandated under the Fiscal Responsibility and Budget Management Rules, 2004. Trend of receipts and expenditure along with deficit indicators, statement pertaining to National Small Savings Fund (NSSF), statement of revenues foregone, statement of liabilities, statement of contingent liabilities, statements of assets and details of external assistance are also included in Receipts Budget.

Detailed Demands for Grants

20. The Demands for Grants are followed by the *Detailed Demands for Grants* laid on the table of the Lok Sabha some time after the presentation of the Budget, but before the discussion on Demands for Grants commences. These Detailed Demands for Grants show further details of the provisions included in the Demands

for Grants as also of actual expenditure during the previous year. A break up of the estimates relating to each programme/organisation, wherever the amount involved is not less than Rs.10 lakhs, is given under a number of object heads which indicate the categories and nature of expenditure incurred on that programme, like salaries, wages, travel expenses, material and equipment, grants-in-aid, etc. At the end of these Detailed Demands are shown the details of recoveries taken in reduction of expenditure in the accounts.

Resources transferred to States

21. The total resources transferred to State and Union Territory Governments are indicated in a statement incorporated in the document *Budget at a Glance*. Further details of these transfers by way of share of taxes, grants-in-aid and loans are given in *Expenditure Budget Vol.1*. Bulk of grants and loans are disbursed by the Ministry of Finance and are included in the Demand 'Transfers to State and Union Territory Governments', which is presented on its behalf. The grants and loans released by other Ministries/Departments are provided for in their respective Demands.

Plan Outlay

22. Plan expenditure forms a sizeable proportion of the total expenditure of the Central Government. The *Demands for Grants* of the various Ministries show the Plan expenditure under each head separately from the Non-Plan expenditure. The Expenditure Budget Vol. 1 also gives the total Plan provisions for each of the Ministries arranged under the various heads of development and highlights the budget provisions for the more important Plan programmes and schemes. A description of important schemes included in the Plan along with the objectives, targets and achievements is given in the *Performance Budget* of the respective Ministry. Variations in the estimates of Plan expenditure are also explained in this document.

Performance Budget

23. Physical and financial aspects of major programmes and schemes are included in the

Performance Budgets presented to Parliament separately by the Ministries/Departments. *Performance Budgets* are prepared and circulated to Members of Parliament by all Ministries/Departments dealing with developmental activities. The Performance Budget presents the budget of the Ministry/Department in terms of functions, programmes and activities and gives appraisal reports separately in respect of major Central sector projects/programmes estimated to cost Rs.100 crores or more. It also includes a statement on the programmes and performance of the various public sector undertakings under the Ministry/ Department indicating, among other things, the capacity installed and utilised, physical targets and achievements, results of operation, return on capital etc. Performance Budget serves the management as a tool of administrative and financial control in the implementation of development programmes.

Public Sector Enterprises

24. A large part of the Plan expenditure incurred by the Central Government is through public sector enterprises. Budgetary support for financing outlays of these enterprises is provided by Government either through investment in share capital or through loans. *Expenditure Budget Vol. 1* shows the estimates of capital and loan disbursements to public sector enterprises in 2005-2006 and 2006-2007 for Plan and Non-Plan purposes and also the extra budgetary resources available for financing their Plans. A detailed report on the working of public sector enterprises is given in the document titled '*Public Enterprises Survey*' brought out separately by the Department of Public Enterprises. A report on the working of the enterprises under the control of the various administrative Ministries is also given in the Annual Reports of the various Ministries circulated to Members of Parliament separately. The annual reports along with the audited accounts of each of the Government companies are also separately laid before Parliament. Besides, the reports of the Comptroller and Auditor General of India on the working of various public sector enterprises are also laid before Parliament.

Commercial Departments

25. Railways is the principal departmentally-run commercial undertaking of Government. The Budget of the Railways and the Demands for Grants relating to Railway expenditure are presented to Parliament separately. The total receipts and expenditure of the Railways are incorporated in the Annual Financial Statement of the Government of India. However, to portray the actual working and not inflate either receipts or expenditure, the expenditure as reflected in the Receipts Budget & Expenditure Budget Vol. 1 and 2 has been taken net of receipts. The Demands for Grants of the Department of Telecommunications are presented along with other Demands of the Central Government.

26. The receipts and expenditure of the Defence Department shown in the Annual Financial Statement are explained in greater detail in the document Defence Services Estimates presented along with the Detailed Demands for Grants of the Ministry of Defence.

27. The details of grants given to bodies other than State and Union Territory Governments are given in the statements of Grants-in-aid paid to non-Government bodies appended to Detailed Demands for Grants of the various Ministries. Annexure 6 to Expenditure Budget Vol.1 shows details of grants-in-aid exceeding Rs.5 lakhs (recurring) or Rs.10 lakhs (non-recurring) to private institutions, organisations and individuals sanctioned during the year 2004-2005.

Annual Report

28. A descriptive account of the activities of each Ministry/Department during the year 2005-2006 is given in the document *Annual Report* which is brought out separately by each Ministry/Department and circulated to Members of Parliament at the time of discussion on the Demands for Grants.

Economic Survey

29. The Budget of the Central Government is not merely a statement of receipts and expenditure. Since Independence, with the launching of Five Year Plans, it has also become a significant statement of governmental policy.

The Budget reflects and shapes, and is, in turn, shaped by the country's economic life. The Economic Survey brings out the economic trends in the country, which facilitates a better appreciation of the mobilisation of resources and their allocation in the Budget. The Survey analyses the trends in agricultural and industrial production, infrastructure, employment, money supply, prices, imports, exports, foreign exchange reserves and other relevant economic factors which have a bearing on the Budget, and is presented to the Parliament ahead of the Budget for the ensuing year.

30. The Budget of the Government has an impact on the economy as a whole. For a better appreciation of the impact of governmental receipts and expenditure on the other sectors of the economy, it is necessary to group them in terms of economic magnitudes, for example, how much is set aside for capital formation, how much is spent directly by the Government and how much is transferred by Government to other sectors of the economy by way of grants, loans, etc. This analysis is contained in the document *Economic and Functional Classification* of the Central Government Budget which is brought out by the Ministry of Finance separately.

Appropriation Bills

31. After the Demands for Grants are voted by the Lok Sabha, Parliament's approval to the withdrawal from the Consolidated Fund of the amounts so voted and of the amount required to meet the expenditure charged on the Consolidated Fund is sought through the Appropriation Bill. Under Article 114(3) of the Constitution, no amount can be withdrawn from the Consolidated Fund without the enactment of such a law by Parliament.

32. The whole process beginning with the presentation of the Budget and ending with discussions and voting on the Demands for Grants requires sufficiently long time. The Lok Sabha is, therefore, empowered by the Constitution to make any grant in advance in

respect of the estimated expenditure for a part of the financial year pending completion of procedure for the voting of the Demands. The purpose of the 'Vote on Account' is to keep Government functioning, pending voting of 'final supply'. The Vote on Account is obtained from Parliament through an Appropriation (Vote on Account) Bill.

Statement of Action Taken on Budget Announcements

33. This contains status of implementation on initiatives announced by the Finance Minister in the Budget Speech.

Medium-term Fiscal Policy Statement

34. The Medium-term Fiscal Policy Statement, as enjoined by the Fiscal Responsibility and Budget Management Act, 2003 (FRBM Act) sets forth a three year rolling target for specific fiscal indicators along with underlying assumptions. The statement includes an assessment of sustainability relating to balance between revenue receipts and revenue expenditure and the use of capital receipts including market borrowings for generation of productive assets.

Fiscal Policy Strategy Statement

35. The Fiscal Policy Strategy Statement, as enjoined by the FRBM Act, contains the policies of the Central Government for the ensuing financial year relating to taxation, expenditure, lending and investments, administered pricing, borrowings and guarantees. It outlines the strategic priorities of the Government in the fiscal area, how the current policies are in conformity with sound fiscal management principles and rationale for any major deviation in key fiscal measures.

Macro-economic Framework Statement

36. The Macro-economic Framework Statement, as enjoined by the FRBM Act, contains an assessment of the growth prospects of the economy with specific underlying assumptions. It contains assessment regarding the GDP growth rate, fiscal balance of the Central Government and the external sector balance of the economy.

Annex 8.2

BUDGETARY OPERATIONS OF STATE GOVERNMENTS – MAJOR HEADS

Revenue Account (A & B)

- (A) Revenue Receipts (i+ii)
 - (i) Tax Revenue (a+b)
 - (a) States' Own Tax Revenue
 - (b) States' Share in Central Taxes
 - (ii) Non-Tax Revenue
 - (a) States' Own Non-Tax Revenue
of which
Interest Receipts
 - (b) Grants from Centre (i+ii)
 - (i) Statutory Grants
 - (ii) Non-Statutory Grants
- (B) Revenue Expenditure
 - I. Developmental Expenditure
 - (a) Economic Services
 - (b) Social Services
 - II. Non-Developmental Services (General Services)
 - (a) Organs of State
 - (b) Fiscal Services
 - (c) Interest Payments
of which
Loans from Centre
Market Borrowings
 - (d) Administrative Services
 - (e) Pensions
 - (f) Miscellaneous General Services
 - (III) Grants-in-Aid and Contributions
 - (IV) Compensation and Assignments to Local Bodies and *Panchayati Raj* Institutions
 - (V) Reserve with Finance Department

Capital Account (I & II)

- I. Capital receipts (a to l)
 - (a) Internal Debt
of which
Market Loans
 - (b) Loans and Advances from Centre
 - (c) Recoveries of Loans and Advances
 - (d) Inter-State Settlement
 - (e) Contingency Fund
 - (f) Small Savings, Provident Funds, etc
 - (g) Reserve Funds
 - (h) Deposits and Advances
 - (i) Suspense and Miscellaneous
 - (j) Appropriation to Contingency Funds
 - (k) Miscellaneous Capital receipts
of which
Disinvestments
 - (l) Remittances
- II. Capital Disbursement
 - (a) Capital Outlay
 - (b) Loans and Advances by State Governments
 - (c) Discharge of Internal Debt
of which
Discharge of Market Borrowings
 - (d) Repayment of Loans to Centre
 - (e) Inter-State Settlement
 - (f) Contingency Fund
 - (g) Small Savings, Provident Funds, etc
 - (h) Reserve Funds
 - (i) Deposits and Advances
 - (j) Suspense and Miscellaneous
 - (k) Appropriation to Contingency Funds
 - (l) Remittances

Annex 8.3

EXPLANATORY NOTES

1. The Accounts of the State Government is kept in the following three parts:-

Part I	...	...	...	Consolidated Fund
Part II	...	...	...	Contingency Fund
Part III	...	...	...	Public Account
2. Consolidated Fund:- In Part I (Consolidated Fund, the scope of which has been defined in Article 266 (1) of the Constitution), there are three main divisions, namely:-
 - i. Revenue
 - ii. Capital and
 - iii. Debt (comprising Public Debt, Loans and Advances and Inter-State Settlement)
3. The first division which is known as 'Revenue Account' deals with the proceeds of taxation and other receipts classed as revenue and the expenditure there from, the net result of which represents the revenue surplus or deficit for the year.
4. The second division, which is known as 'Capital Expenditure outside the Revenue Account' deals with the expenditure met usually from borrowed funds with the main object of creating assets of material character. It also includes receipts of a capital nature intended to be applied as a set-off against capital expenditure.
5. The third division comprises loans and advances received from the Central Government and the loan raised by the State government classed as internal debt of the State government (such as market loans, ways and means advances and other loans) and Loans and Advances made by Government together with repayments of the former and recoveries of the latter. Inter-State Settlement transactions arising since the time of reorganization of States are also included in this division.
6. Contingency Fund:- In Part II of the Accounts, the transactions connected with the Contingency Fund set-up by the Government of Maharashtra, under Article 267 (2) of the Constitution of India are recorded. This fund is of the nature of an imprest and enables the Executive Government to meet unforeseen and emergent expenditure pending its authorization by the Legislature by law. The amounts drawn from the fund are recouped by taking a supplementary grant from the Legislature.
7. Public Account:- In Part III of the Accounts (Public Account, the scope of which has been defined in Article 266 (2) of the Constitution) there are two main divisions, namely:-
 - (1) Debt transactions, other than those included in Part I, relating to Provident Fund, Reserve Fund and Deposits and Advances and
 - (2) Remittances.
8. The first division comprises receipts and payments, other than those falling under Debt heads pertaining to part I, in respect of which Government incurs a liability to repay the money received or has a claim to recover the amounts paid, together with repayments of the former and recoveries of the latter. The second division embraces merely adjusting heads, under which appear remittances of cash between treasuries and transfers between different accounting circles. The initial debits or credits to the heads in this division are cleared eventually by corresponding receipts or payments either within the same circle of account or in an other account circle.
9. The different terms used in the Budget literatures and used in this publication as well, are defined briefly in the following paragraphs.

10. Internal Debt of the State Government:- this comprises Market Loans, Ways and Means Advances and other loans.
11. Market loans:- This generally covers loans raised in the open market and having a currency of more than twelve months.
12. Ways and Means Advances:- This item covers borrowing of a purely temporary nature repayable within twelve months, such as Ways and Means Advances from the Reserve Bank of India.
13. Other Loans:- This refers to loans from (a) the National Agricultural Credit (Long-term Operation) fund of the Reserve Bank of India, (b) the National Co-operative Development Corporation, (c) Indian Dairy Corporation, (d) Life Insurance Corporation of India, (e) Employee's State Insurance Corporation, etc.
14. Provident Fund and Other Accounts:- This heading covers interest bearing obligations of Government in respect of funds deposited with them (e.g. State Provident Fund, Other Provident Funds, Insurance Fund, etc.
15. Cash Balance Investment Account:- Under this head, transactions of the State Government by way of investment of its cash balances in short and long-term securities and loans i.e. Treasury Bills of the Government of India and the Government of India Securities or loans of the other State Governments are recorded. The profits derived from such investments are credited as receipts under the head '0049, Interest receipts' in the Revenue Section. The amount appearing on the disbursement side of this head in the total of the amount invested for short or long periods during the course of the year and on the receipt side, the total amounts realized on maturity (less the discount earned or interest derived there from) during the year.
16. Transfer of Funds:- Under this, amounts transferred to funds and treated as revenue expenditure under different heads are covered. Some of the funds so covered are (1) Education Cess Fund, (2) State Electricity Fund, (3) State Road Fund, (4) Employment Guarantee Fund, (5) State Health and Nutrition Fund, etc.
17. Tax Revenue*:- Tax revenue is sub-divided in three groups mentioned below according to nature of tax:
 - (a) Taxes on Income and expenditure include income other than corporation tax (0021), Taxes on agricultural income (0022) and other taxes on income and expenditure (0028).
 - (b) Taxes on property and capital transactions include Land Revenue (0029), Stamps and Registration fee (0030), Estate Duty (0031), and Taxes on immovable property other than agricultural land (0035).
 - (c) Taxes on commodities and services include State Excise (0039), Sales Tax (0040), Taxes on Vehicles (0041), Taxes on goods and passenger (0042), Taxes and duties on electricity (0043) and Other taxes: and duties on commodities and services (0045). State's share of union excise duties (1603) is treated as tax revenue.
18. Non-Tax Revenue:- This group includes Interest receipts (0049), Dividend and Profits (0050) and miscellaneous receipts in respect of General Services and Social Services and Economic Services and Grants-in-aid from Central Government (1601).
19. Development and Non-Development Expenditure:- One of the usual methods of presenting Government expenditure is to classify it into two categories, viz. Development Expenditure and Non-Development Expenditure. Expenditure on debt services is separately shown and is not classified either as Development or Non-Development Expenditure.

* The figures in bracket indicate the numbers of the relevant Budget heads.

20. Development Expenditure is broadly defined to include all items of expenditure that are designed directly to promote economic development and social welfare. In this publication, while building up the estimates of development expenditure on Revenue Account, expenditure on budget heads under groups Social Services and; Economic Services, excluding Secretariat-Social Service (2251) and Secretariat economic services (3451), is treated as development expenditure. Transfers to developmental funds spent on development activities provided through Budget head under fiscal services are treated as development expenditure and are classified here under appropriate group headings. Budget heads included under Social Services and Economic Services are given below.
21. Social Services:- Under this sector the expenditure in the following sub-sectors are covered. They are (i) Public Works (2059), (ii) Education, Sports, Art and Culture (2202 to 2205), (iii) Health and Family Welfare (2210 and 2211), (iv) Water Supply, Sanitation, Housing and Urban Development (2215 to 2217), (v) Information and Broadcasting (2220 to 2221), (vi) Welfare of Scheduled Castes, Scheduled Tribes and other Backward Classes (2225), (vii) Labour and Labour Welfare (2230), (viii) Social Welfare and Nutrition (2235, 2236 and 2245) and (ix) Other Social Services (2252).
22. Economic Services:- Under Economic Services are included activities and services meant for economic development. These are divided into following sub-sectors (i) Agriculture and Allied Activities (2401 to 2435), (ii) Rural Development (2501, 2505, 2506 and 2515), (iii) Special Areas Programmes (2575), (iv) Irrigation and Flood Control (2701, 2702, 2705 and 2711), (v) Energy (2801 and 2810), (vi) Industry and Minerals (2851 to 2853, 2875 and 2885), (vii) Transport (3001, 3051 to 3056 and 3075), (viii) Communications (3275), (ix) Science, Technology and Environment (3402 to 3435) and (x) General Economic Services excluding Secretariat Economic Services (3452, 3454, 3456 and 3475).
23. Non-Development Expenditure:- This includes expenditure appearing under general services except expenditure on Public Works (2059). It includes expenditure pertaining to the general services rendered by the Government such as preservation of law and order, defence of the country and the maintenance of the general organs of the Government. Following sub-sectors are included.
24. Organs of State:- This includes Budget heads: State Legislature (2011), Governor (2012), Council of Ministers (2013), Administration of Justice (2014) and Elections (2015).
25. Fiscal Services:- This includes tax collection expenditure classified by nature of Tax, viz., (i) collection of taxes on income and expenditure (2020), (ii) collection of taxes on property and capital transactions e.g. land revenue, stamps and registration and collection of other taxes on property and capital transactions (Budget heads 2029, 2030 and 2035 respectively) and (iii) collection of taxes on commodities and services e.g. State excise (2039), Sales tax (2040), Taxes on vehicles (2041) and other taxes and duties on commodities and services (2045). Transfers to developmental funds are excluded and expenditure under other fiscal services (2047) is included.
26. Administrative Services:- This includes Budget heads 2051 to 2058 and 2070 dealing with law and other general services rendered by Government and include public service commissions, Secretariat – General Services, District administration, Treasury and accounts administration, Police, Jails, Supplies and disposals, Stationery and Printing and other administrative services.
27. Pensions and Miscellaneous General Services:- This includes Pensions and other

retirement benefits (2071) and Miscellaneous general services (2075).

28. Other Non-Development Expenditure:- This includes expenses on Secretariat social services (2251), Secretariat economic services (3451), Compensation and assignments to local bodies and panchayati institutions (3604) and Materials and equipment (3606).

29. Debt Services:- Under this item, expenses of interest charges on different loans and other miscellaneous charges connected with the management of loans, contributions to

sinking funds and "Other appropriations" etc. are included. Expenditure under Budget head 2048 and 2049 is included here. This expenditure is not treated as development or non-development expenditure but shown separately.

30. For Capital Expenditure outside the Revenue Account, expenditure on all items except on the following heads is classified as development expenditure. The heads that are excluded are: Appropriation to the contingency fund (7999) and Capital outlay on printing and stationery (4058) and Other administrative services (4070).

9. ESTIMATION OF SEASONAL FACTORS

9.1. Introduction

Economic time series are generally found to exhibit regular, intra-year seasonal movements around its annual trend path. Such repetitive seasonal variations can result from climatic conditions, production cycle characteristics, seasonal nature of economic activity, festivals, vacation practices, etc. While the seasonal variations occur regularly, yet they may vary in magnitude from year to year. From the policy perspective, information on seasonal factors of an economic variable is useful as it enables the policy maker to differentiate between the seasonal changes and long-run changes in a variable and thereby design appropriate policy responses. An article regarding monthly seasonal factors for selected economic and financial time series of the Indian economy is being regularly published in the RBI Bulletin from 1980 onwards. This article presents the monthly seasonal factors of selected economic/financial time series classified into major five groups, namely,

- A. Monetary and Banking Indicators;
- B. Wholesale Price Index (WPI);
- C. Consumer Price Index for Industrial workers (CPI-IW);
- D. Index of Industrial Production (IIP);
- E. External Trade.

The seasonal factors are being estimated using the X-12 auto-regressive integrated moving average (ARIMA) methodology. X-12 ARIMA is the software for seasonal adjustment developed by the US Census Bureau. It is an enhanced version

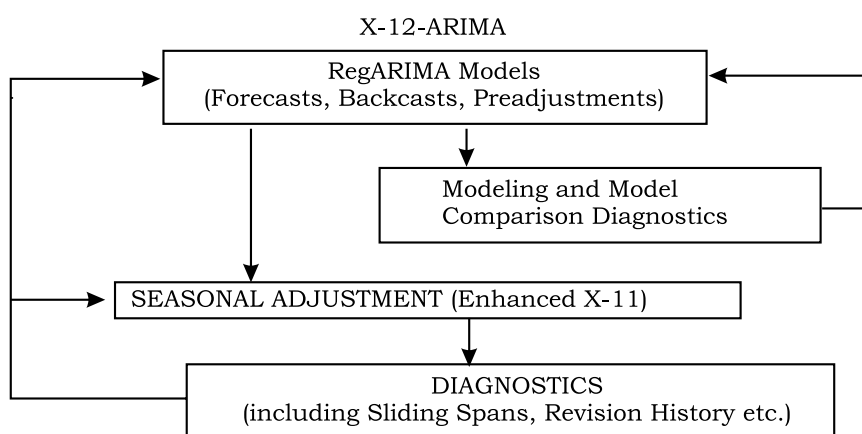
of the X-11 Variant of the Census Method II seasonal adjustment programme. The procedure makes multiplicative/additive adjustments of a time series and creates an output data set containing the adjusted time series and intermediate calculations.

The main source of these new tools is the extensive set of time series model building facilities built into the programme for fitting the regARIMA models. These are regression models with ARIMA (Autoregressive Integrated Moving Average) errors. More precisely, they are models in which the mean function of the time series (or its lags) is described by a linear combination of regressors, and the covariance structure of the series is that of an ARIMA process. If no regressors are used, indicating that the mean is assumed to be zero, the regARIMA model reduces to an ARIMA model. There are regressors for modeling certain kinds of disruption in the series, or sudden changes in level, whose effects need to be removed from the data before the methodology can adequately estimate seasonal adjustments. The regARIMA-modeling module of X-12-ARIMA was adopted from the regARIMA programme developed by the Time Series Staff of Census Bureau's Statistical Research Division.

9.2. Methodology

The X-12-ARIMA is developed following the operation-flow diagram of Figure 9.1. This posits a regARIMA (linear regression model with ARIMA time series errors) modeling subprogram that can

Figure 9.1: Flow Diagram for Seasonal Adjustment with X-12-ARIMA

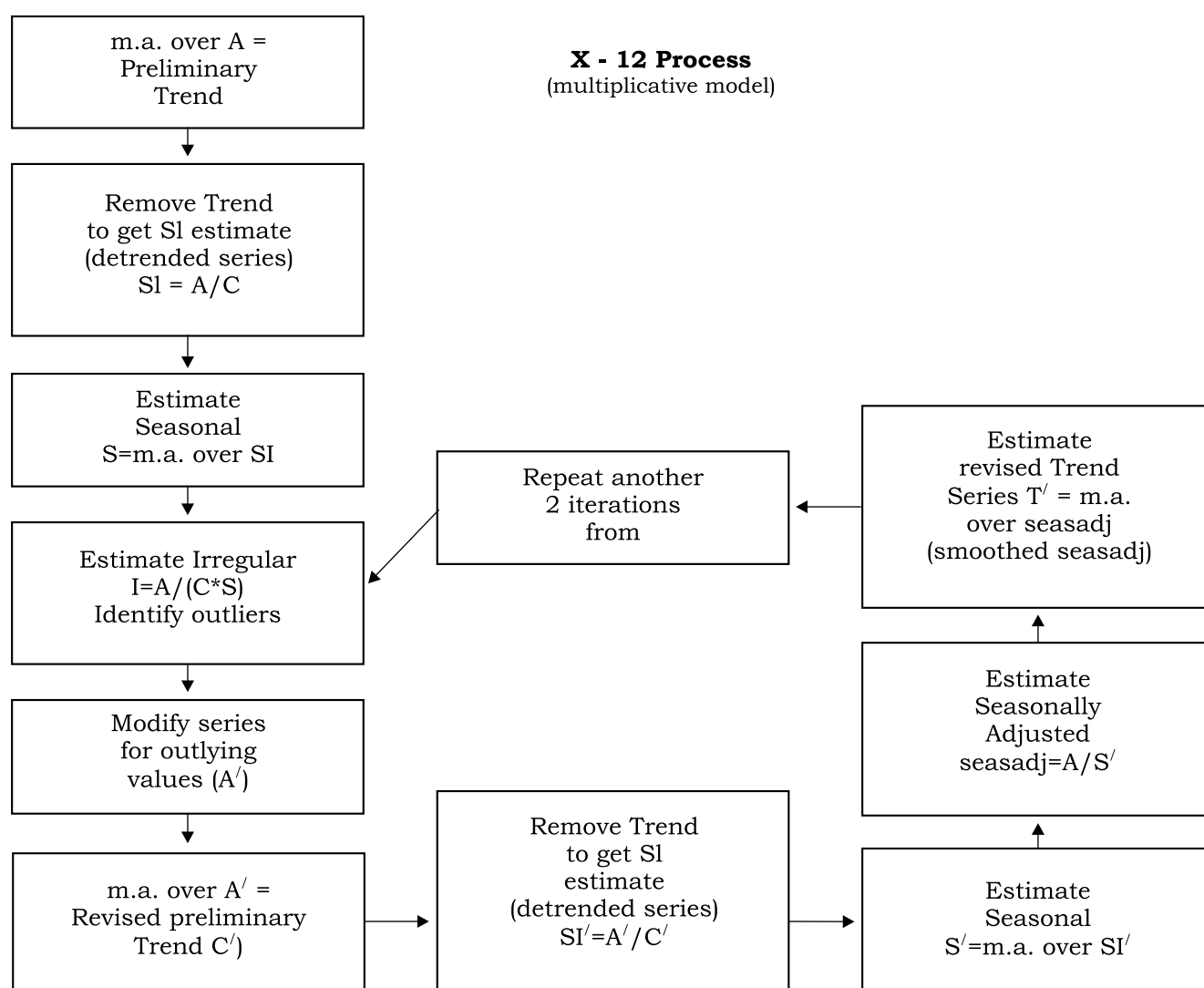


provide forecasts, backcasts, and prior adjustments for various effects before the seasonal adjustment subprogram in the central box is invoked. The final box in Figure 9.1 represents a set of post-adjustment diagnostic routines that can be used to obtain indicators of the effectiveness of both the modeling and the seasonal adjustment options chosen. The modeling module of X-12-ARIMA is designed for regARIMA model building with seasonal economic time series. To this end, several categories of predefined regression variables are available in X-12-ARIMA (for further details user may refer to the manual available at '<http://www.census.gov/srd/www/x12a/>'). User-defined regression variables can also

be easily read in and included in models. For a multiplicative model, Figure 9.2 describes X-12 process for computing seasonal factors.

X-12-ARIMA uses the standard $(p\ d\ q)\ (P\ D\ Q)_s$ notation for seasonal ARIMA models. The $(p\ d\ q)$ refers to the orders of the nonseasonal autoregressive (AR), differencing, and moving average (MA) operators, respectively. The $(P\ D\ Q)_s$ refers to the seasonal autoregressive, differencing, and moving average orders. The s subscript denotes the seasonal period, e.g., $s = 12$ for monthly data, or 4 for quarterly data. Great flexibility is allowed in the specification of the ARIMA structures: any number of AR,

Figure 9.2: Flow Diagram for Seasonal Adjustment X-12 Process in Multiplicative models



MA, and differencing operators may be used; missing lags are allowed in AR and MA operators; and AR and MA parameters can be fixed at user-specified values. The specification of a regARIMA model requires specification both of regression variables to be included in the model and also the type of ARIMA model for regression errors (i.e., the orders $(p\ d\ q)$ ($P\ D\ Q$)). Specification of the regression variables depends on user knowledge about the series being modelled.

For the user who wishes to fit customised time series models, X-12-ARIMA provides capabilities for the three modeling stages of *identification*, *estimation*, and *diagnostic checking*. *Identification* of the ARIMA model for the regression errors follows well-established procedures based on examination of various sample autocorrelation and partial autocorrelation functions produced by X-12-ARIMA. Once a regARIMA model has been specified, X-12-ARIMA will *estimate* its parameters by maximum likelihood using an iterative generalised least squares (IGLS) algorithm. *Diagnostic checking* involves estimation of residuals from the fitted model for signs of model inadequacy.

The major improvements in X-12 ARIMA are new modeling capabilities using regARIMA models, sliding spans diagnostic procedure, ability to produce revisions history of a given seasonal adjustment, several new outlier detection options for the irregular component of the seasonal adjustment, etc. RegARIMA is a linear regression model with ARIMA that can provide forecasts and prior adjustments for various effects. X-12 ARIMA uses regARIMA models to preadjust a series by removing effects such as outliers, etc., before the seasonal adjustment program is invoked.

9.3. RegARIMA

Let B denote the backshift operator, $By_t = y_{t-1}$. X-12-ARIMA can estimate regARIMA models of order $(p\ d\ q)(P\ D\ Q)$ for y_t . These are models of the form

$$\phi_p(B)\Phi_P(B^s)(1-B)^d(1-B^s)^D(y_t - \sum_{i=1}^r \beta_i x_{it}) = \theta_q(B)\Theta_Q(B^s)a_t \quad (1)$$

where ' s ' is the length of the seasonal period, $s = 4$ or 12 . The polynomials $\phi_p(z)$, $\Phi_P(z)$, $\theta_q(z)$, $\Theta_Q(z)$ with degrees p ; P ; q ; and Q respectively have constant terms equal to one. These polynomials are constrained so that the zeroes of $\theta_q(z)$ and

$\Theta_Q(z)$ have magnitudes greater than or equal to one, so that the zeroes of $\phi_p(z)$ and $\Phi_P(z)$ have magnitudes greater than one. Because ' a_t ' is assumed to be a sequence of independent variables with mean '0' and constant variance σ_a^2 , it follows from these constraints that

$$w_t = (1-B)^d(1-B^s)^D(y_t - \sum_{i=1}^r \beta_i x_{it}) \quad (2)$$

is a covariance stationary time series that satisfies the difference equation

$$\phi_p(B)\Phi_P(B^s)w_t = \theta_q(B)\Theta_Q(B^s)a_t. \quad (3)$$

Consequently, we can re-express the model (3) for y_t as,

$$(1-B)^d(1-B^s)^D y_t = \sum_{i=1}^r \beta_i \{(1-B)^d(1-B^s)^D x_{it}\} + w_t \quad (4)$$

This is a regression model with stationary ARMA errors w_t for suitably differenced y_t . Its regressors result from applying the same differencing operations to the x_{it} . The model (6), together with an assumption that the innovations at in the model for w_t are i.i.d $N(0, \sigma^2)$, determine the likelihood function that is maximized to estimate the regression coefficients β_i , σ^2 , and the coefficients of $\phi_p(B)$, $\Phi_P(B^s)$, $\theta_q(B)$, and $\Theta_Q(B^s)$. The default likelihood in X-12-ARIMA is the fully exact Gaussian likelihood.

In model estimation, any of the ARMA coefficients can be held at fixed values, such as zero. The program produces asymptotic standard errors, correlations, and t-statistics for the estimated coefficients as well as confidence intervals for forecasts.

Following are the different types of regressors used in RegARIMA:

- 1) *Constant term* (for stationary variable i.e., if the ARIMA model does not use differencing) represents the mean of the (stationary) series provided there are no other regression variables in the model.
- 2) *Trend term* captures the deterministic trend present in the data. The polynomial trend term reduces to a constant term after differencing.
- 3) *Fixed seasonal regressors* can be in one of the following category:
 - a) 11 contrasts in the 12 indicator variables.

- b) 11 variables taken from the Fourier series representation of a fixed monthly pattern.
- 4) X-12 ARIMA provides four other types of regression variables to deal with abrupt changes in the level of a series of a temporary or permanent nature: *additive outliers (AOs)*, *level shifts (LSs)*, *temporary changes (TCs)* and *ramps*. AOs affect only one observation in the whole series and hence this effect is removed by a dummy variable, which takes '0' at break and '1' for other period. LSs increases or decreases all observations from a certain time point onward by some constant amount, this LS effect is removed by introducing a dummy variable which takes value '-1' for all the time point up-to the break point and '0' for all the time points afterwards. TCs allow for an abrupt increase or decrease in the level of the series that returns to its previous level exponentially, this effect is captured by a variable which takes value '0' for all observation before the change point and α_i ($0 < \alpha < 1$) thereafter. Ramps allow for a linear increase or decrease in the level of the series over a specified time interval (say $t_0 - t_1$). Ramps are smoothed out by introducing a variable which take, three values '-1' for time $t < t_0$, $(t - t_0) / ((t_1 - t_0) - 1)$ for $t_0 < t < t_1$, and '0' after the time point $t > t_1$. In the default procedure, appropriate AO and LS regressors are fit at (almost) all time points of the series (or of a chosen subspan), and their corresponding *t-statistics* are compared against specified critical values. Such large critical values are appropriate because of the large number of regressors to which individual significance tests are applied.

9.3. Diagnostic Checking

Diagnostic checking of a reg- ARIMA model is performed through various analyses of the residuals from model estimation, the objective being to check if the true residuals appear to be white noise – i.i.d. $N(0, \sigma^2)$. (Note: Normality of the a_t 's is not needed for large sample estimation and inference results; it is most important for validity of prediction intervals produced in forecasting). The check spec is used to produce various diagnostics statistics using the residuals from the fitted model. To check for autocorrelation, X-12-ARIMA can produce ACFs and PACFs of the

residuals (with standard errors), along with Ljung and Box (1978) summary Q-statistics. X-12-ARIMA can also produce basic descriptive statistics of the residuals and a histogram of the standardised residuals.

An important aspect of diagnostic checking of time series models is outlier detection. The outlier spec of X-12-ARIMA provides the automatic detection of additive outliers (AOs), temporary change outliers (TCs) and level shifts (LSs). X-12-ARIMA's approach of outliers detection involves computing *t-statistics* for significance of each outlier type at each time point, searching through these *t-statistics* for significant outlier(s), and adding the corresponding AO, LS, or TC regression variable(s) to the model.

A seasonal adjustment that leaves detectable residual seasonal and calendar effects in the adjusted series is usually regarded as unsatisfactory. Even if no residual effects are detected, the adjustment will be unsatisfactory if the adjusted values (or important derivative statistics, such as the percent changes from one month to the next) undergo large revisions when they are recalculated as future time series values become available. Frequent, substantial revisions cause data-users to lose confidence in the usefulness of adjusted data. Indeed, such instabilities in the adjustments should cause the producers of adjustments to question their meaning. Unstable adjustments can be the unavoidable result of the presence of highly variable seasonal or trend movements in the series being adjusted. X-12-ARIMA includes two types of stability diagnostics, sliding spans and revision histories.

The sliding spans diagnostics display, and provide summary statistics for, the different outcomes obtained by running the program up to four overlapping subspans of the series. For each month that is common to at least two of the subspans, these diagnostics analyze the difference between the largest and smallest adjustments of the month's datum obtained from the different spans. They also analyze the largest and smallest estimates of month-to-month changes and of other statistics of interest. They improve upon, or complement in important ways, earlier diagnostics for (i) determining if a series is being adjusted adequately, (ii) for deciding between direct and indirect adjustments of an aggregate series, and (iii) for confirming option

choices such as the length chosen for the seasonal filter or showing that other option choices must be tried.

The second type of stability diagnostic in X-12-ARIMA considers the revisions associated with continuous seasonal adjustment over a period of years. The basic revision calculated by the program is the difference between the earliest adjustment of a month's datum obtained when that month is the final month in the series and a later adjustment based on all future data available at the time of the diagnostic analysis. Similar revisions are obtained for month-to-month changes, trend estimates, and trend changes. Sets of these revisions, calculated over a consecutive set of time points within the series, are called revisions histories.

9.4. Forecasting

For a given reg ARIMA model with parameters estimated by the X-12-ARIMA programme, the forecast spec will use the model to compute point forecasts, and associated forecast standard errors and prediction intervals. The point forecasts are Minimum Mean Squared Errors (MMSE) linear predictions of future y_t 's based on the present and past y_t 's assuming that,

- i) the regARIMA model form is correct,
- ii) the correct regression variables have been included,
- iii) no additive outlier or level shifts will occur in the forecast period,
- iv) the specified ARIMA orders are correct, and
- v) the parameter values used (typically estimated parameters) are equal to the true values.

These are standardised assumptions, though obviously unrealistic in practical applications. What is more realistically hoped is that the regARIMA model will be a close enough approximation to the true, unknown model for the results to be approximately valid. Two sets of forecasts errors are produced. One assumes that all parameters are known. The other allows for additional forecast error that comes for estimating the regression parameters, while still assuming that the AR and MA parameters are known.

If the series is transformed, the forecasting results are first obtained in the transformed scale, and

then transformed back to the original scale. For example, if one specifies a model of form (1) for $y_t = \log(Y_t)$, where Y_t is the original time series, then y_t is forecasted first, and the resulting point forecasts and prediction interval limits are exponentiated to produce point and interval forecasts in the original (Y_t) scale. The resulting point forecasts are MMSE for $y_t = \log(Y_t)$, but not for Y_t , under the standard assumptions mentioned above. If any prior adjustments are made, these will also be inverted in the process of transforming the point forecasts and prediction interval limits back to the original scale.

If there are any user-defined regression variables in the model, X-12-ARIMA requires that the user supply data for these variables for the forecast period. For the predefined regression variables in X-12-ARIMA, the programme will generate the future values required. If user-defined prior adjustment factors are specified, values for these should also be supplied for the forecast period.

9.5. Limitations

Some of the limitations of X-12-ARIMA procedure are listed below:

1. Observations (data) from a time series to be modeled and / or seasonally adjusted using X-12-ARIMA should be quantitative, as opposed to binary or categorical.
2. Observations must be equally spaced in time, and missing values are not allowed.
3. X-12-ARIMA handles only univariate time series models, i.e., it does not estimate relationships between different time series.
4. The set of automatically identified outliers can change if the regressor set or ARIMA model type is changed.
5. Regressors with *t*-statistic values just below the critical values can have their *t*-statistics increase above the critical values as new data are added to the series over time. Conversely, regressors can drop out of the set of identified outliers as new data are added. The printed output of X-12-ARIMA's automatic-outlier-identification option lists months whose AO or LS regressors are close to the critical values. This is done to enable the user to consider in advance whether to include such regressors in subsequent runs of the program.

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