

---

## UNIT 23 TRADE AND FINANCE

---

### Structure

- 23.0 Objectives
- 23.1 Introduction
- 23.2 Trade
  - 23.2.1 Merchandise Trade
  - 23.2.2 Services Trade
- 23.3 Finance
  - 23.3.1 Public Finances
  - 23.3.2 Currency, Coinage, Money and Banking
  - 23.3.3 Financial Markets
- 23.4 Let Us Sum Up
- 23.5 Exercises
- 23.6 Some Useful Books
- 23.7 Answers or Hints to Check Your Progress Exercises

---

### 23.0 OBJECTIVES

---

After going through this Unit, you will be able to:

- describe the kind of data available in India in the area of trade and finance;
- state the various sources of data on trade and finance;
- explain the reasons for divergence between merchandise trade deficit/surplus data provided by DGCI&S and RBI's BOP data; and
- discuss which agencies are involved in compilation of data on trade and finance.

---

### 23.1 INTRODUCTION

---

Trade is the means of building up an enduring relationship between countries and the means available to any country for accessing goods and services not available locally for various reasons like the lack of technical know-how. It is also the means of earning foreign exchange through exports so that such foreign exchange could be utilized to finance essential imports and to seek the much-needed technical know-how from outside the country for the development of industrial and technical infrastructure to strengthen its production capabilities. Trade pacts or agreements between countries or groups of countries constitute one way of developing and expanding trade, as these provide easier and tariff-free access to goods from member countries. While efforts towards such an objective will be of help in expanding our trade, globalization and the emergence of World Trade Organization (WTO) have only sharpened the need to ensure efficiency in the production of goods and services to compete in international markets to improve our share of world merchandise trade and trade in services. Trade is also closely tied up with our development objectives. Trade deficit or surplus, made up of deficit/surplus in merchandise trade and trade in services, contributes to current account deficit

or surplus. Data on trade in merchandise and services would enable us to appreciate the trends and structure of trade and identify areas of strength and those with promise but need sustained attention.

While trade and finance have been closely bound up with each other ever since the time money replaced barter as the means of exchange, finance is the lifeline of all activities – economic, social and administrative activities. It flows from the public as taxes to Government, as savings to banking and financial institutions and as share capital or bonds or debentures to the entrepreneur. It then gets used for a variety of developmental and non-developmental activities through Government and other agencies and flows back to members of the public as incomes in various ways, as factor incomes. It would therefore, be of interest to know how funds get mobilized for various purposes and get used. This Unit looks at the kind of data available that could enable us to analyse this mobilization process and the flows of funds to different areas of activity. Let us begin to discuss the data on trade.

---

## 23.2 TRADE

---

### 23.2.1 Merchandise Trade

The Directorate General of Commercial Intelligence and Statistics (DGCI&S) collects and compiles statistics on imports and exports. It releases these data at regular intervals through their **publications** and through **CDs**. It prepares “**Quick Estimates**” on aggregate data of exports and imports and principal commodities within two weeks of the reference month and releases these in the monthly press release. It publishes

- 1) A monthly brochure “**Foreign Trade Statistics of India (Principal Commodities and Countries)**” containing provisional data issued to meet the urgent needs of the Ministry of Commerce, other government organizations, Commodity Boards (CBs), Export Promotion Councils (EPCs) and research organizations. It contains commodity-wise, country-wise and port-wise foreign trade information;
- 2) “**Monthly Statistics of Foreign Trade of India, Volume I (Exports including re-exports) & Volume II (Imports)**” containing detailed data on foreign trade at the 8-digit level codes of the ITS (HTS) (see below);
- 3) **Quarterly publications :**
  - a) **Statistics of the Foreign Trade of India by Countries – Vol I (Exports including re-exports) and**
  - b) **Statistics of the Foreign Trade of India by Countries – Vol II (Imports)**
- 4) **Annual publications:**
  - a) **Statistics of the Customs and Excise Revenue Collections of the Indian Union,**
  - b) **Statistics of the Inland Coasting Trade Consignment of India,**
  - c) **Inter-State Movements/ Flows of Goods by Rail, River and Air,**
  - d) **Statistics of Foreign and coastal Cargo Movements of India,**
  - e) **Selected Statistics of the Foreign Trade of India;**

- 5) The **DGCI&S website (www.dgciskol.nic.in)** has two parts, one consists of static pages and the dynamic pages. The first contains the history and the activities of DGCI&S and summary data on principal commodities, and countries and is updated regularly. The dynamic pages are mainly for on-line data dissemination and provide access on free and payment basis. This contains at least 24 months final foreign trade data at 8-digit commodity and principal commodity level and updated regularly; and
- 6) **The Priced Information Service System (PISS)** provides information to private parties, EPCs, CBs, Foreign Embassies etc., on payment basis @ Re. 1/- per unit record of information. It does not give the whole basket of 8-digit commodity-country data for any particular period for reasons of 'copyright' provision of the DGCI&S. It however, provides aggregate and detailed data to **Centre for Monitoring Indian Economy (CMIE), Mumbai** for an efficient trade intelligence service.
- 7) It also has a web-based data dissemination system for online data transaction through advance payment. The export and import trade data are available countrywise and economic regionwise. The detailed data on India's foreign trade in merchandise are made available after completion of the third month from a particular month. Here the commodities referred to in these data stand for the ones specified in the ITC(HS) against 8-digit codes which have been developed by the DGCI&S by sub-dividing the 6-digit codes of Harmonised System as internationally standardised. If you want to get data online, you can visit [http://www.dgciskol.nic.in/new\\_registration.asp](http://www.dgciskol.nic.in/new_registration.asp) and see the terms, conditions and procedures.

The DGCI&S data are also presented as time series data in the **Reserve Bank of India Handbook of Statistics on the Indian Economy**. As mentioned above the **CMIE** is another source – **their volume on Foreign Trade and BoP**. The **EPWRF** (see its website – google search with **EPWRF** will enable you to access it) also publishes time series data on foreign trade – it is one of the 35 sets of special statistics on which it publishes long time series data along with information on conceptual and methodological issues.

Foreign trade data published by DGCI&S relates to merchandise trade through all recognized seaports, airports, land customs stations and inland container depots located all over India. Data on exports include re-exports and relate to the free on board (f.o.b.) values and imports relate to cost, insurance and freight (C.I.F.) values. Exports and imports are based on a general system of recording. According to this, exports relate to Indian merchandise and re-export relates to foreign merchandise previously imported into India. Imports relate to foreign merchandise, whether these are intended for consumption in India, bonding or re-exportation.

The commodities comprising merchandise imports and exports are classified according to a standard classification. The trade classification in vogue in India between April, 1977 and March, 1987 was the Indian Trade Classification, Revision 2 (ITC – Rev. 2) – one that was based on the Standard International Trade Classification Revision 2 (SITC – Rev.2). A new system of commodity classification, known as Indian Trade Classification (based on the Harmonized Commodity Description and Coding System), or ITC(HS), has been adopted since April, 1987. ITC (HS) is an extended version of the International Classification System called "Harmonized Commodity Description and Coding

System” evolved by the World Customs Organization, Brussels<sup>1</sup>. These changes in the trade classification of commodities mean that time series data on export and import relating to some commodities may not be strictly comparable. Another element of non-comparability of time series data arises from changes in the definition of countries and/or groups. For example, data for Russia prior to 1993-94 relate to erstwhile USSR, with the exception of 1992-93, the data for which relate to the Commonwealth of Independent States (CIS) representing a group of 15 countries<sup>2</sup>. Similarly, Indian trade with Germany relates to Federal Republic of Germany (FRG) till 1989-90 and to the unified Germany thereafter. There are also changes in the membership of groups like the European Union, and Oil and Petroleum Exporting Countries (OPEC) from time to time.

What would we like to know about foreign trade? The volume of trade, that is, the volume of exports and imports, the size of export earnings, the expenditure on imports, the size of exports relative to imports, earning from exports compared to expenses incurred on imports since exports earn foreign exchange while imports imply outflow of foreign exchange. We should like to know about the trends in these variables. Besides looking at the trends in the quantum and value of imports and exports, it is important to analyse the growth in foreign trade both in terms of value and volume, since both are subject to changes over time. Exports and imports are made up of a large number of commodities and fluctuations in the export and imports of individual commodities contribute to overall fluctuations in the volume and value of exports and imports. We, therefore, need a **composite indicator of the trends in trade**. The index number of foreign trade of a country is a useful indicator of the temporal fluctuations in exports and imports of the country in the term of **value, quantum and unit price and** so on. Similarly, measures of the terms of trade could be derived from such indices relating to imports and exports.

The index number of foreign trade is computed and presented as Unit Value Index (UVI) and Quantum Index (QI). These are defined as follows:

$$UVI = [\sum P_1 Q_t] / [\sum P_0 Q_t] \dots\dots\dots (1)$$

$$QI = [\sum P_0 Q_t] / [\sum P_0 Q_0] \dots\dots\dots (2)$$

where  $P_1$  is the unit value of an item in the current period and  $Q_t$  is the quantity of the same item in the current period,  $P_0$  and  $Q_0$  are the unit value and the quantity respectively of the same item during the base period and  $\Sigma$  is the summation over all commodities. These indices have been computed with 1979-80 as the base year.

Three types of Terms of Trade are computed from these indices:

- 1) Gross Terms of Trade (GTT) =  $100 \times [(QI \text{ of imports}) / (QI \text{ of exports})]$
- 2) Net Terms of Trade (NTT) =  $100 \times [(UVI \text{ of exports}) / (UVI \text{ of imports})]$
- 3) Income Terms of Trade (ITT) =  $[NTT \times QI \text{ of exports}] / 100$   
 $= [UVI(\text{exports}) \times QI(\text{exports})] / [UVI(\text{imports})]$ .

The existing index numbers have the base year 1979-80. Changes in the ITC since April, 1987 and the recasting of the basket of commodities to suit the new

<sup>1</sup> This organization was previously known as Customs Cooperation Council.

<sup>2</sup> These were Armenia, Azerbaijan, Belarus, Estonia, Georgia, Kazakhstan, Kyrgyz republic, Latvia, Lithuania, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan.

classification system, the base year 1979-80 has become too old to serve the purpose of temporal comparability and the new ITC adopted in April, 1987. The DGCI&S, therefore, decided to construct new index numbers with the **base year 1998-99**. It also decided to bring out global monthly indices and for selected countries. The preparation of these index numbers is in progress.

What kinds of data are available on foreign trade? Time series on the following data are published in the **RBI Handbook of Statistics of the Indian Economy 2013-14, under the sub-heading “Trade and Balance of Payments”**:

- a) India’s foreign trade (in US \$ and Indian Rupees) from 1975-76 to 2013-14, The exports and imports have been shown as total and in two groups, namely, oil and non-oil. The “Trade Balance”, i.e., exports – imports is also given for each of these three groups. A negative figure meaning exports are less than imports. You can observe from this Table that India had a positive non-oil trade balance, albeit sporadically, till 2003-04. However, after that, trade balance for both oil and non-oil has become negative.
- b) Exports (in US\$ and Indian Rupees) of principal commodities, from 1998-99 to 2013-14<sup>3</sup>;
- c) Imports (in US\$ and Indian Rupees) of Principal Commodities<sup>4</sup>, from 1998-99 to 2013-14;
- d) Exports (in US\$ and Indian Rupees) of selected commodities to principal countries;
- e) Direction of Foreign Trade (in US\$ and Indian Rupees) showing exports and imports for each year by trade areas, groups of countries and countries; and within each group of countries or trade area, data are presented only for selected countries<sup>5</sup>;
- f) Year-wise indices, both UVI and QI, for imports and exports from 1976-77 to 2007-08 (base 1978-79 = 100) and 1999-2000 to 2013-14 (base 1999-2000 = 100) the three terms of trade measures; GTT, NTT and ITT;

<sup>3</sup> Commodities were classified into 4 groups (including total), namely, primary products, manufactured goods, petroleum products and others; sub-divided further in into 11 sub-groups and 44 items: A. Agriculture and allied Products (15 items), 2. Ores and Minerals (3 items), 3. Leather and manufactures, 4. Chemicals and related products (4 items), 5. Engineering goods (6 items), 6. Textile and textile products (11 items), 7. Gems and jewelry, 8. Handicrafts, excluding handmade carpet; 9. Other Manufactured Goods; 10. Petroleum products; and 11. Others.

<sup>4</sup> The classification of imports consisted of three broad groups, I Bulk Imports, II Non-bulk Imports and III Total Imports; Bulk Imports were further divided into three groups, namely, A. Petroleum, Crude and Products; B. Bulk Bulk Consumption Goods (consisting of 4 sub-items); C. Other Bulk Items (9 sub-items); Non-bulk Import were A. Capital Goods (8 sub-items), mainly export related items ( 4 sub-items) and Others (9 sub-items).

<sup>5</sup> The trade areas for which data are presented are: I OECD countries, II OPEC, III Eastern Europe, IV Developing Countries, V Others (Unspecified). Each of these trade areas is further divided into country-group and within each group figures are given only for some selected countries. Trade area I is divided into A. European Union (within which data for 6 selected countries are given). B. North America (2 selected countries). C. Asia & Oceania (2 selected countries) and D. Other OECD Countries (1 selected country). II and III have no further grouping of countries within them but figures for 6 selected countries under II and for 2 selected countries under III are presented. Trade area IV is divided into A. Asia, B. Africa and C. Latin America Countries. A gets further grouped into (a) SAARC (figures for all countries are given under this), (b) Other Asian Developing Countries (figures for 6 selected countries are given). Figures for 7 selected countries under Africa are given and for Latin America no further break up by countries are given.

- g) Index numbers of Exports – QI and UVI for 9 commodity groups<sup>6</sup> from 2005-06 onwards (base 1999-2000 = 100).
- h) Index numbers of Imports - QI and UVI for 9 commodity groups<sup>7</sup> from 2005-06 onwards (base 1999-2000 = 100) Similar type of data on imports.
- i) India's overall Balance of Payment (in US \$ and Indian Rupees) under: A current account, B capital account, C. errors and omissions, D. overall balance and E. Monetary movements from 2008-09 onwards.
- j) Invisibles by category of transactions (in US \$ and Indian Rupees) from 1994-95 onwards.
- k) Exchange rate of Indian Rupee vis-à-vis US \$, UK £, DM/€ and Japanese ¥ from 1975 onwards (calendar year – annual average, financial year – annual average and end year rates).
- l) Real Effective Exchange Rate (REER) and Net Effective Exchange Rate (NEER) of Indian Rupee 36-country bilateral weights) with base 2004-05 from calendar year 2005 onwards.
- m) Indices of REER and NEER.
- n) External assistance in the form of loans and grants from 1985-86 onwards (in US \$ and Indian Rupees), authorization, utilization and debt service payments.
- o) NRI deposits outstanding (in US \$ and Indian Rupees) from 1996 onwards in different types of accounts like NR (E)RA, FCNR(A), FCNR(B), NR(NR)RD, NRO, FC (B&O)D, FC(O)N and total. It has increased from US \$17.446 billion in 1996 to US \$103.844 in 2014.
- p) Foreign investment inflows (in US \$ and Indian Rupees) namely, gross investments, repatriation/ disinvestment, FDI by India, net foreign direct investment, net portfolio investment from 2000-01 onwards.
- q) Foreign exchange reserves (in US\$ and Indian Rupees) from 1956-57 onwards.
- r) India's external debt (in US \$ and Indian Rupees) from 1996 onwards<sup>8</sup>, which, inter alia, provides concessional debt as percentage of total debt, short term debt as % to total debt, debt stock-GDP ratio (%) and debt service ratio (%).

<sup>6</sup> The commodity groups are: I Food and live animals (6 sub-groups), II. Beverages and Tobacco, III. Crude materials, inedible, except fuel (4 sub-groups), IV. Mineral fuels, lubricants and related materials (3 sub-groups), V. Animal and vegetable oil, fats and waxes, VI. Chemicals and related products (6 sub-groups), VII. Manufactured goods classified chiefly by material (5 sub-groups), VIII. Machinery and transport equipment (9 sub-groups) and IX. Misc. manufactured articles (4 sub-groups). In a few cases, indices for specific commodities under a sub-group are also given.

<sup>7</sup> The commodity groups are: I Food and live animals (5 sub-groups), II. Beverages and Tobacco (2 sub-groups), III. Crude materials, inedible, except fuel (7 sub-groups), IV. Mineral fuels, lubricants and related materials (3 sub-groups), V. Animal and vegetable oil, fats and waxes, VI. Chemicals and related products (8 sub-groups), VII. Manufactured goods classified chiefly by material (7 sub-groups), VIII. Machinery and transport equipment (9 sub-groups) and IX. Misc. manufactured articles (3 sub-groups). In a few cases, indices for specific commodities under a sub-group are also given.

<sup>8</sup> The debts are classified into I. Multilateral, II. Bilateral, III. International Monetary Fund, IV. Trade credit, V. Commercial borrowing, VI. NRI & FC (B&O) deposits, VII. Rupee debt, VIII. Total long-term debt, IX. Short-term debt and X. Gross total debt. Most of the groups have sub-groups A. Government borrowing, and B. Non-Government borrowing, further disaggregated into concessional and non-concessional borrowing.

Some of these data are from the DGCI&S and the rest are from the **Balance of Payments (BoP)** data of the RBI. The **BoP** data reported by RBI show the value of merchandise imports on the debit side and that of exports on the credit side. It also shows trade balance – a trade deficit or a trade surplus – depending upon whether the difference ‘export - imports’ is negative or positive. These are all shown in the balance payment format as part of current account, which also shows another entity ‘invisibles’. However, there is a divergence in trade deficit/surplus in merchandise trade shown by **DGCI&S data** and that shown by **RBI’s BoP data**. This discrepancy between the two sources also affects data on current account deficit (CAD) or surplus (CDS), since current account deficit/surplus is the total of trade deficit/surplus and net invisibles (inflow of invisibles net of outflow in the category ‘invisibles’<sup>9</sup>) For example, the **Economic Advisory Council to the Prime Minister noted, in its Report on Balance of Payments (BoP)** submitted to the Prime Minister recently, that the divergence between the two sources of data on trade was growing<sup>10</sup>. It noted that trade deficit is projected for the year 2005-06 at 5.2 per cent of GDP on the basis of trade data from DGCI&S, while it is 7.7 per cent according to RBI’s BoP data – a difference of the size of 2.5 per cent of GDP. CAD based on trade data of DGCI&S is only 0.3 per cent of GDP while it is 2.9 per cent of GDP if the estimate of CAD is based on trade data from BoP. The reasons for the divergence in the data between the two sources are, as noted by the Council:

- DGCI&S tracks physical imports and exports while BoP data tracks payment transactions relating to merchandise trade;
- DGCI&S data do not capture Government imports, which are exempted from customs duty. Defence imports fall into this category; and
- DGCI&S data do not capture imports that do not cross customs boundary (for example, oil rigs and some aircrafts) while they are still paid for and get captured in BoP data.

### 23.2.2 Services Trade

Besides export and import of merchandise, a number of services, like transportation services, travel services, software, Information technology-Enabled Services (ITES), business services and professional services are exported and imported. These are captured by “non-factor services” included in the entry “Invisibles” in the **Tables on India’s Overall BoP and on Key Components of India’s BoP in the RBI Handbook**. The handbook has also a table (Table 140 in RBI’s Handbook of 2013-14) that gives the distribution of ‘invisibles’ by transactions – credit, debit and net, under the Current Account, giving separately for a) Services: Travel, Transportation, Insurance, G.n.i.e, Miscellaneous (software services, business services, financial services and communication services); b) Transfers: Official, Private; c) Income: investment income, compensation of employees.

#### Check Your Progress 1

- 1) What kind of Trade Data is compiled by DGCI&S?

.....  
 .....

<sup>9</sup> See under the section on Finance later in this Unit.

<sup>10</sup> News report in the Hindu dated February, 23, 2006 Chennai edition – Business page.

2) What is the existing base year for constructing unit value Index and quantum index by DGCI&S?

.....  
.....  
.....  
.....  
.....  
.....

3) What are the reasons for divergence between two sources of trade data?

.....  
.....  
.....  
.....  
.....  
.....

4) List the various transactions covered in the 'net invisibles'.

.....  
.....  
.....  
.....  
.....  
.....

---

### 23.3 FINANCE

---

The finance sector consists of public finances, the central bank or the Reserve Bank of India, the scheduled banks, urban and rural cooperative banks and related institutions. The financial market consists of the stock exchanges dealing with scripts like shares, bonds and other debt instrument, the primary and secondary markets, the foreign exchange market, the treasury bills market and the securities market where financial institutions, mutual funds, foreign institutional investors, market intermediaries, the market regulator the Securities Exchange Board of India (SEBI), the banking sector and the RBI all play important roles. It also has the insurance (life and general) and pension funds as well as their respective regulators, i.e., the Insurance Regulatory and Development Authority (IRDA) and the Pension Funds Regulatory and Development Authority (PFRDA). It has the holding companies, which invest in various subsidiaries and controls its operations through its stocks<sup>11</sup>. There is also the unorganized sector made up of financial operators like individual money-lenders and pawn shops, insurance agents, unregistered stock brokers/

---

<sup>11</sup> One example of a Holding Company is Tata Sons, whose subsidiaries include TISCO, TCS, Tata Motors, Tata Housing, etc.

sub-brokers, etc. In the System of National Accounts, 2008 (SNA 2008)<sup>12</sup>, the financial sector has been sub-divided into nine sub-sectors, depending on its type of business.

### 23.3.1 Public Finances

What would we like to know about public finances? We would like to know how they are managed. What are the sources of such finances and how and on what are they spent? Does the Government restrict its expenditure within its means or does it spend beyond the resources available to it? Does it, in the process, borrow heavily to finance its expenditure? **The Budget documents** of the Central and State Governments, the pre-Budget **Economic Survey** of the ministry of finance and the Reserve Bank of India (**RBI Handbook of Statistics on the Indian Economy 2005** and the **Monthly Bulletin of the RBI** provide a variety of data on public finances. The National Accounts Statistics of the CSO, MoSPI also provides the output, GVA, gross savings, etc. of the financial sector and its various sub-sectors. **EPWRF website** will also help to access data in a time series format on public finances. The Economic Survey, for instance, gives an overall summary of the budgetary transactions of the Central and State governments and Union Territory Administrators. This includes the internal and extra-budgetary resources of the public sector undertakings for their plans. It indicates the total outlay, the current revenues, the gap between the two, the manner in which the gap is financed by net internal and external capital receipts and finally, the overall budgetary deficit. It gives the break-up of the outlay into developmental and non-developmental outlays and the components of the latter, the components of current revenues- tax revenue and non-tax revenue – and sub-components of these and the components of internal and external capital receipts. The **RBI Handbook 2013-14** presents the following time series data in respect of public finances.

#### a) Central Government Finances

- i) Key deficit indicators<sup>13</sup> of the Central Government – gross fiscal deficit, gross primary deficit, net primary deficit, revenue deficit, primary revenue deficit, drawdown of cash balances, net RBI credit from 1975-76 onwards;
- ii) Major components of Central Govt. Receipts – tax revenue (direct and indirect taxes and their components) non-tax revenue (one of its important components is interest receipts) and capital receipts;

<sup>12</sup> Discussed in Unit 20 in the discussion on National Accounts Statistics.

<sup>13</sup> **GFD** = total expenditure including loans (net of recovery) – revenue receipts (including external grants and non-debt capital receipts); **NFD** = GFD – net lending of the Central Govt; **GPD** = GFD – interest payment; **NPD** = net interest payments; **RD** = revenue receipts – revenue expenditure; **PRD** = RD – interest payment; **BD (Conventional Deficit)** = all expenditure (revenue and capital) – all receipts (revenue and capital); with the discontinuation of *ad hoc* treasury bills and 91-day treasury bills, the concept of conventional budget deficit has lost its relevance since 1/4/97. The figures shown against BD from 1997-98, therefore, represent draw down of cash balances from RBI; **Net RBI Credit to Govt.** = the sum of variations in the RBI's holdings of (i) Central Govt. dated securities, (ii) treasury bills, (iii) Rupee coins, and (iv) loans and advances from RBI to the Central Govt. since 1/4/97 adjusted for changes in the Central Govt.'s cash balances with the RBI in the case of the Centre.

- iii) Major<sup>14</sup> heads of capital receipts of the Central Government – market borrowings, small savings, provident funds<sup>15</sup>, special deposits, recoveries of loans, disinvestments receipts<sup>16</sup>, external loans (net);
  - iv) Major heads of Central Govt. expenditure – revenue expenditure and its important components (defence, interest payments and subsidies), capital expenditure including loans and advances and defence expenditure; also the breakup of expenditure into developmental and non-developmental heads and the shares of economic services and social services in developmental expenditure;
  - v) Centre's gross fiscal deficit and its financing – GFD receipts, GFD expenditure, Gross Fiscal Deficit, financing of GFD through external financing and internal financing (market borrowings, other borrowings, draw down of cash balances);
  - vi) Gross capital formation from budgetary resources of the Central Government – fixed assets, work stores, increase in stocks of foodgrains & fertilisers, gross financial assistance for capital formation to State Governments, Non-Departmental Commercial Undertakings (NDCUs)<sup>17</sup> and others;
  - vii) Public sector Plan outlay, its sectoral profile and the manner in which it is financed – from sources like own resources, domestic market borrowings and net capital inflow from abroad;
  - viii) Financing of Public Sector Plan – balance from current revenue, contribution of public enterprises, borrowings (including long and medium term borrowings), small savings, deficit financing, net capital inflow from abroad, central assistance and others.
- b) **Finances of the State Governments**
- i) Key deficit indicators of the State Governments – fiscal deficit, gross primary deficit, revenue deficit, primary revenue deficit, overall deficit, net RBI credit to States (annual variation) from 1975-76 onwards;
  - ii) Pattern of receipts of the State Government – total Revenue receipts: tax receipts (like sales tax and State excise duties), the share of Central taxes like income tax and union excise duties; and non-tax receipts like interest receipts, grants from the Centre, total capital receipts;
  - iii) Pattern of major capital receipts of the State Government – loans from centre, recovery of loans and advances, market loans, State provident fund (net), special securities issued to NSSF;
  - iv) Expenditure pattern – revenue and capital expenditure; capital outlay, loans and advances by State Government, developmental expenditure and the shares of economic services and social services in it and non-developmental expenditure and the shares of interest payments, administrative services and pension and miscellaneous general services;

<sup>14</sup> Adjusted for changes in classification effected in 1974-75 and 1987-88.

<sup>15</sup> Only Govt. provident funds, as the Public Provident Fund (PPF) is part of small savings since 1998-99.

<sup>16</sup> These are not to be treated as budgetary receipts as these are to be credited to a separate fund.

<sup>17</sup> NDCU means the Central and State Public Sector Units

- v) States' Gross Fiscal Deficit and its financing – loans from Central Government, market borrowings, special securities issued to NSSF and others,
  - vi) Outstanding liabilities of the State Governments.
- c) **Combined Finances of Central and State Governments**
- i) Combined deficit;
  - ii) Receipts and Disbursements;
  - iii) Direct and Indirect tax revenues;
  - iv) Developmental and non-developmental expenditure;
  - v) Market borrowings;
  - vi) Interest rates on dated securities (Range and weighted averages) of Central and State Government;
  - vii) Outstanding liabilities;
  - viii) Ownership of Central and State Govt Securities – 11 categories like RBI, scheduled commercial banks, cooperative banks, primary dealers, insurance companies, financial institutions, mutual funds, provident funds, corporates, foreign institutional investors and others;

d) **Transactions with the Rest of the World**

We have enumerated the kind of data available on Central and State Government finances. But these relate mainly to domestic finances and transactions. What about our transactions with the rest of the world? We have looked at one of these, namely, trade in merchandise and services in the section on trade. There are a number of other areas in which India interacts with the rest of the world. Foreign exchange flows into the country as a result of exports from India, external assistance/aid/loans/borrowings, returns from Indian investments abroad, remittance and deposits from Non-Resident Indians (NRI) and foreign investment (foreign direct investment – FDI – and portfolio investment) in India. Foreign exchange reserves are used up for purposes like financing imports, retiring foreign debts and investment abroad. What is the net result of these transactions on the foreign exchange reserves? What are the trends in these flows and their components? What is the size of the current account imbalance relative to GDP and its composition? If it is a deficit is it investment-driven? What is the size of foreign exchange reserves relative to macro-aggregates like GDP, the size of imports and the size of the short-term external debt<sup>18</sup>?

<sup>18</sup> One can measure the size of the forex reserves as equivalent to so many weeks or months of imports. Alternatively, one can relate it to financial stability. The Guidotti-Greenspan Rule sets a standard for this. According to this rule, reserves should equal one year's short-term debt. Yet another way of examining the size of the reserves is to look at it in terms of its opportunity cost. The reserves earn a zero real return measured in domestic terms. If on the other hand, these are invested either domestically in infrastructure or in a fully diversified long-term way in global markets, substantial incremental benefits would accrue to the domestic economy. [see the *Hindu*, April 3, 2006, page 17 "Intriguing Pattern of Global Capital Flows" excerpts from the L.K. Jha Memorial Lecture delivered recently (March 24, 2006) in Mumbai by Prof. Lawrence Summers. President of Harvard University and former Secretary of the Treasury in the Clinton Administration, at the invitation of the RBI.] The full text of the lecture may also be published in the *RBI Monthly Bulletin*. The lecture discusses the implications of the rising forex reserves of the developing countries and the opportunities and challenges that these present.

**The RBI Handbook 2013-14** gives time series data (which are often in US\$ as well as in Indian Rupees) on a number of these parameters:

- i) India's overall BoP showing current account and capital account and key components of these like trade balance, invisible<sup>19</sup>, types of foreign investment, net external assistance, net commercial borrowing, rupee debt service and net NRI deposits. It also shows monetary movements in terms of increase/decrease in forex/reserves, IMF and SDR allocation,
- ii) Exchange rate of Indian Rupee vis-à-vis US \$, UK £, DM/€ and Japanese ¥ from 1975 onwards (calendar year – annual average, financial year – annual average and end year rates),
- iii) Real Effective Exchange Rate (REER) and Nominal Effective Exchange Rate (NEER) of Indian Rupee based on 36 country bilateral weights with base 2004-05 from calendar year 2005 onwards,
- iv) Indices of REER and NEER,
- v) External assistance in the form of loans and grants from 1985-86 onwards (in US \$ and Indian Rupees), authorization, utilization and debt service payments,
- vi) NRI deposits outstanding (in US \$ and Indian Rupees) from 1996 onwards in different types of accounts like NR (E)RA, FCNR(A), FCNR(B), NR(NR)RD, NRO, FC (B&O)D, FC(O)N and total. It has increased from US \$17.446 billion in 1996 to US \$103.844 in 2014,
- vii) Foreign investment inflows (in US \$ and Indian Rupees) namely, gross investments, repatriation/ disinvestment, FDI by India, net foreign direct investment, net portfolio investment from 2000-01 onwards,
- viii) Foreign exchange reserves (in US \$ and Indian Rupees) from 1956-57 onwards,
- ix) India's external debt (in US \$ and Indian Rupees) from 1996 onwards<sup>20</sup>, which, inter alia, provides concessional debt as percentage of total debt, short term debt as % to total debt, debt stock-GDP ratio (%) and debt service ratio (%).

FDI has assumed importance in the context of the country's efforts to meet the increasing need for investment capital for its expanding economy. Data on FDI are important. These are available from August, 1991 onwards. FDI data collected by **RBI** and the **Department of Industrial Policy & Promotion (DIPP)** in the Ministry of Commerce & Industry before 2000 related only to equity capital. The coverage of the data has since then has been expanded so that these are in accordance with the best international practices. FDI data collected by RBI now cover (a) equity capital, (b) reinvested earnings (retained earnings of FDI companies); and (c) other capital (inter-corporate debt transaction between related entities). FDI data from 2000-01 onwards are, therefore, not comparable with data of earlier years. The Department of

<sup>19</sup> The component transactions that make up 'invisible' have been enumerated in the section on Trade – Services.

<sup>20</sup> The debts are classified into I. Multilateral, II. Bilateral, III. International Monetary Fund, IV. Trade credit, V. Commercial borrowing, VI. NRI & FC (B&O) deposits, VII. Rupee debt, VIII. Total long-term debt, IX. Short-term debt and X. Gross total debt. Most of the groups have sub-groups A. Government borrowing, and B. Non-Government borrowing, further disaggregated into concessional and non-concessional borrowing.

Industrial Policy and Promotion of the Ministry of Commerce and Industries publishes monthly data on FDI inflow in India<sup>21</sup>. It presents time series data on the break-up of FDI flows by

- 1) Cumulative FDI inflows (equity inflows + reinvested earnings + other capital) from 2000 – 2014,
- 2) Cumulative amount of FDI equity inflows (excluding amount remitted through RBI's + NRI schemes),
- 3) FDI inflows during the financial year till that month,
- 4) FDI equity inflows (month-wise) during that financial year and that calendar year,
- 5) Share of top investing countries FDI equity inflows,
- 6) Sectors attracting highest FDI equity inflows, showing 10 different areas, like service sector, construction development, telecommunication, computer software and hardware, drugs and pharmaceuticals, automobile industry, chemicals (other than fertilisers), power, metallurgical industries, hotel and tourism,
- 7) Statement of RBI's regional offices (with State covered) received FDI equity inflows,
- 8) Country-wise FDI equity inflows from April 2000 onwards (from 140 countries, FIIs, NRI),
- 9) Sector-wise FDI equity inflows from April 2000 onwards (showing 63 industrial sectors).

**The RBI handbook 2013-14 and the SEBI Handbook of Statistics of Indian Securities Market<sup>22</sup>** present time series on FII. The SEBI handbook, gives

- i) Foreign Investment Inflows,
- ii) Trends in FII to portfolio investment,
- iii) Trends in resource mobilization by mutual funds,
- iv) International Securities Market (market capitalization, no. of listed companies, value of shares traded, no. of trading days,
- v) International Fixed Income Market (no. of bonds listed, value. of bonds listed, value of bonds traded),
- vi) International Derivatives market (stock options, stock futures, stock index options, stock index futures).

FDI data can also be accessed in the **RBI website [www.rbi.org.in](http://www.rbi.org.in)**.

<sup>21</sup> You can visit the site [http://dipp.gov.in/English/Publications/FDI\\_Statistics/FDI\\_Statistics.aspx#MainContent](http://dipp.gov.in/English/Publications/FDI_Statistics/FDI_Statistics.aspx#MainContent) to get the monthly FDI inflow.

<sup>22</sup> <http://www.sebi.gov.in/sebiweb/home/list/4/32/0/0/Handbook%20of%20Statistics>

### Check Your Progress 2

- 1) Name the documents that provide different kinds of data on public finances.  
.....  
.....  
.....  
.....  
.....
- 2) What is the difference between Gross Fiscal Deficit (GFD) and Net Fiscal Deficit (NFD)?  
.....  
.....  
.....  
.....  
.....
- 3) Identify the transactions other than trade in merchandise that India has with the rest of world.  
.....  
.....  
.....  
.....  
.....

### 23.3.2 Currency, Coinage, Money and Banking

Economic transactions need a medium of exchange. We have come a long way from the days of barter and come to the use of money and equivalent financial instruments as the medium of exchange. Banks function as important financial intermediaries not only in this process but also in matters of resource mobilization and the deployment of such resources. The central bank of the country (the RBI in India) regulates the functioning of banking system. In addition, it issues currency notes and takes steps to regulate the money supply in the economy in order to achieve the objectives of ensuring adequate credit to development activities and at the same time to maintain stability in prices. We should, therefore, be interested in data on money supply or the stock of money and its structure and the factors that bring about changes in these, the kind of aggregate that need monitoring, the transactions in the banking system in pursuance of the nation's development objectives, the flow of credit to different activities, indicators of the health and efficiency of banks which are the custodians of the savings of the public. We should also be interested in data on prices as price level affects the purchasing power of money and indices of

prices appropriate for the purpose/group in question – consumer prices for producers and different groups of consumers.

Most of these of data are compiled by the RBI on the basis of its records and those of NABARD and returns that it receives from banks and can be found in **RBI Bulletins and RBI handbook**. The wholesale Price Index (WPI) is compiled by the Economic Advisor's Officer in the Ministry of Industry, the Consumer Price Index for Industrial Workers (CPI – IW) and CPI for Agricultural Labour (CPI - AL) by the Labour Bureau, Shimla, Ministry of Labour and CPI for rural and urban (CPI – Rural, CPI-Urban and CPI Rural+Urban) by the CSO. All these are published by the agencies concerned and also presented in the RBI and CSO publications mentioned above. The **Consumer Price Index released on 12<sup>th</sup> of each month by the CSO** also provides retail prices of selected commodities/services, separately for the rural and urban areas in India. Two other reports of the Reserve Bank of India published every year – the **Report on Currency and Finance** and the **Report on Trends in Banking** provide a wealth of information of use to analyse. The RBI also maintains an online database in searchable format, where one can select the parameters for which one need to use the data. You can also right click on the selected page, copy the data necessary for your analysis and paste it on a blank excel workbook to carry out your own analysis<sup>23</sup>. The **EPWRF website** also provides data on Banking, Money and Finance.

The **RBI Handbook 2013-14** presents time series data on

- i) Liabilities and assets of the RBI, 1980 onwards. The liabilities are deposits from Central Government, State Governments, Scheduled Commercial Banks, Scheduled State Co-operative Banks, Non-Scheduled Co-operative Banks, other Banks and others. The assets are notes and coins, balances held abroad, loans and advances to Central and State Govts. banks and other agencies, bills purchased and discounted, investments and other assets;
- ii) Components of money stock, namely, Reserve Money ( $M_0$ ) made up of currency in circulation, other deposits with RBI and bankers' deposits with RBI, currency with the public (= currency in circulation – cash with bank), Narrow Money ( $M_1$ ) consisting of currency with the public, other deposits with RBI and demand deposits and Broad Money ( $M_3$ ) comprising Narrow Money and time deposits;
- iii) Sources of money stock consisting of net RBI credit to Central Government, net RBI credit to State Government, other banks' investments in Government securities, RBI credit to commercial sector, Other banks' credit to commercial sector, net foreign exchange assets of the RBI, net foreign exchange assets of other banks, Government's currency liabilities to public, net non-monetary liabilities of RBI, net non-monetary liabilities of other banks, RBI's gross claims on banks;
- iv) Average monetary aggregates, like currency with the public, demand deposits, time deposits, other deposits with the RBI, reserve money, narrow money, broad money, net bank credit to Government, bank credit to governmental sector, net foreign exchange assets of the banking sector,

<sup>23</sup> See the link <http://dbie.rbi.org.in/DBIE/dbie.rbi?site=home>

Government's currency liabilities to the public, banking sector's net non-monetary liabilities;

- v) Major monetary policy rates and reserve requirements: bank rate, LAF (REPO, reverse REPO, and MSF) rates, CRR and SLR;
- vi) Monthly data series on the detailed composition of each of the components of the money stock (the "C" components) and the composition of individual sources of change in the money stock; also defining new monetary aggregates<sup>24</sup>  $NM_2$  and  $NM_3$ , these being respectively equal to " $M_1$  + short-term time deposits" and " $[NM_2 + \text{long-term deposits} + \text{call/term funding from Financial Institutions (FIs)}] = [\text{domestic credit} + \text{Government's currency liability to the public} + \text{net forex assets of the banking sector} - \text{capital account} - \text{other items (net)}]$ ];
- vii) Monthly data series on Liquidity Aggregates<sup>25</sup>, namely,  $L_1 = NM_3 + \text{Postal deposits}$ <sup>26</sup>;  $L_2 = L_1 + \text{liabilities}$ <sup>27</sup> of FIs;  $L_3 = L_2 + \text{public deposits with NBFCs}$ <sup>28</sup> ( $L_3$  is compiled on a quarterly basis);
- viii) Monthly average price of gold and silver in domestic (Mumbai) and foreign markets;
- ix) Selected Aggregates of Scheduled Commercial Banks (SCBs) like outstanding demand and time deposits, investment in Govt. and other securities, bank credit (food and non-food), cash in hand and balance with the RBI.
- x) Deployment of non-food credit to priority sector and its sub-sectors (like agriculture, small scale industries), industry and its groups, whole sale trade and export credit; and short and long term direct and indirect institutional credit to agriculture and allied activities and to farmers by size of holdings;
- xi) Consolidated balance sheets of SCBs; Gross and net Non-Performing Assets (NPAs) of SCBs by bank groups<sup>29</sup>; Distribution of SCBs and different sub-group of SCBs by Capital to Risk-weighted Assets Ratio (CRAR);<sup>30</sup> and
- xii) Important banking indicators of Regional Rural Banks (RRBs), State Cooperative Banks, Primary Agricultural Coop. Societies (PACS), State Coop. Agricultural and Rural Development Banks and Primary Coop. (A&RD) Banks;

---

<sup>24</sup> See footnote 19.

<sup>25</sup> The methodology for compiling liquidity aggregates is available in the "New Monetary and Liquidity Aggregates" in the RBI Bulletin of November, 2000. The acronyms  $NM_2$  and  $NM_3$  are used to distinguish the new monetary aggregates from the existing monetary aggregates.

<sup>26</sup> Post office SB deposits + PO time deposits + PO recurring deposits + other deposits + PO Cumulative Time Deposits.

<sup>27</sup> Term money borrowings + CDs + term deposits.

<sup>28</sup> Non-Banking Financial Companies. Estimates of public deposits are generated on the basis of a sample study of more than 1000 NBFCs with public deposits of Rs. 20 crores or more.

<sup>29</sup> 1) public sector banks, 2) old private sector banks, 3) new private sector banks, and 4) foreign banks in India.

<sup>30</sup> The detailed instructions issued by the RBI on CAR (Capital Adequacy Ratio) or CRAR can be seen at [http://rbi.org.in/scripts/BS\\_ViewMasCirculardetails.aspx?Id=8133&Mode=0](http://rbi.org.in/scripts/BS_ViewMasCirculardetails.aspx?Id=8133&Mode=0). SCBs had to comply with a minimum CRAR of 8 per cent up to the end of March, 1999 and 9 per cent from the end of March, 2000. The sub-group 1 in the footnote 25 is split into two sub-groups – SBI group and nationalized banks.

### 23.3.2 Financial Markets

What would we like to know about the financial market and its functioning? We should like to know about the ways in which financial resources can be accessed and at what cost. What are the prevailing interest rates payable for funds to meet short-term or long-term requirements? How do new ventures access the large amount of resources that are needed for the new ventures? How do term lending institutions access funds required for their operations? What are the sources of funds?

The RBI, which regulates banking operations and the operations of the NBFCs and FIs and the Securities Exchange Board of India (SEBI), which regulates the capital market, and the Department of Company Affairs that administers the Companies Act, are the major sources of data on financial markets. The **RBI Handbook of Statistics of the India Economy – 2013-14**<sup>31</sup> and the **Handbook of statistics on the Indian Securities Market - 2014**<sup>32</sup> published by SEBI contain comprehensive data on the financial market. The two together provide annual time series data on several aspects of the financial market:

- i) The structure of interest rates – call/notice money rates, commercial bank rate, lending rates of banks, prime lending rates (PLR) of term lending institutions like IDBI, dividend and yields of the units of UTI, annual gross redemption yields of Govt. Securities and average annual price and yield rate of Central Govt. securities (SGL transactions);
- ii) Financial assistance sanctioned and disbursed and financing of project cost of companies by FIs, loans sanctioned by HDFC and NABARD, and refinancing operations of National Housing Bank (NHB);
- iii) Aggregate deposits of NBFCs and Non-Banking Non-Financial Companies (NBNFCs)<sup>33</sup>;
- iv) Taxable and tax-free bonds issued by public sector undertakings – both public issue of bonds and privately placed bonds;
- v) Resource mobilization in the Private Placement Market – financial and non-financial institutions in the public and private sector;
- vi) Net resources mobilized by mutual funds (MFs) – MFs sponsored by banks, financial institutions (FIs), UTI and the private sector;
- vii) New capital issues (number and amount mobilized) by non-govt. public Ltd. Companies;

<sup>31</sup> Also available on the RBI website <http://www.rbi.org.in>. In fact, the entire Handbook is available on the website. The web version can be downloaded from the website. For some of the financial market data longer time series are provided in the CD ROM and web versions. The CD ROM now incorporates intelligent search features that allows for searches across tables, enabling users to select one or more of any data series for any selected time period from any table in the handbook in a user-friendly manner. The data can be downloaded in the form of a user-defined spreadsheet table that can be read by most standard econometric software.

<sup>32</sup> Copies can be had from Research Deptt., SEBI, World Trade Centre I, 29<sup>th</sup> floor, Cuffe Parade, Mumbai-400 005. This is also available on the website of SEBI – [www.sebi.gov.in](http://www.sebi.gov.in) and can be downloaded from the website.

<sup>33</sup> After the new regulatory framework for NBFCs came into force in 1998, the NBFCs and Residuary NBCs.

- viii) Absorption of private capital issues – the no. of issuing companies, the number of shares and amount subscribed by promoters etc., and Govt., FLs etc., and the number of shares and amount subscribed by public, other than underwriters and other groups;
- ix) Investments of LIC by sector and instrument and of UTI by instrument;
- x) Assets and liabilities of institutions like IDBI, NABARD, EXIM Bank, NHB and SIDBI;
- xi) Annual averages share price indices – BSE SENSEX (base 1978-79 =100), BSE National (base 1983-84 = 100) and RBI Index (base 1980-81 = 100) and Market Capitalisation<sup>34</sup>;
- xii) Market intermediaries like stock exchanges (cash and derivatives market), brokers, corporate brokers, sub-brokers, custodians, FIIs, depositories, merchant bankers, bankers to issues and underwriters registered with SEBI; and registered brokers by stock exchanges and by ownership categories – proprietary, partnership and corporate; (SEBI);
- xiii) Long-term capital raised during 1957-90 (pre-reform period) through shares, debt and loans; (SEBI);
- xiv) Annual and monthly data series on resources raised by the corporate sector through (i) equity issues and (ii) debt issues (public issues and private placement) and the share of private placement in total debt and total resource mobilization and the share of debt in total resource mobilization; (SEBI);
- xv) Pattern of funding for non-govt, non-financial public limited companies – I. Internal sources [(i) reserves and surplus, and (ii) depreciation], and II. External sources [(paid up capital through new issues and premium), borrowings (debentures, from loans and from FIs) and trade dues and other current liabilities]; (SEBI);
- xvi) Annual and monthly series on resources mobilized, instrument wise, from the primary market – number and amount mobilized by category of issue (public issue and rights issue); by type of issues [by listed companies and initial Public Offerings (IPO)]; by equities at par and equities at a premium; cumulative convertible preference shares (CCPS); bonds; and others; (SEBI);
- xvii) Annual and monthly series of data on capital raised by (i) industrial (economic activity) classification (banks/FIs), industries like electronics, and engineering, entertainment, finance etc.; (ii) size of capital raised; (iii) sector (public and private); and (iv) region (north, east, south and west); (SEBI);
- xviii) Annual and monthly data series on the number and quantum of Euro Issues; (SEBI);

---

<sup>34</sup> The compilation of the RBI Index was discontinued from 1999-00. The compilation of market capitalization – all India was discontinued by BSE since 1999-00. The SEBI Handbook provides data on market capitalization – all India from 1999-00 as given in the publication of the National Stock Exchange (NSE).

- xix) Annual and monthly data series on transactions of MFs on the Stock Exchanges – gross purchases and sales and net purchase/sales in (a) equity, and (b) debt; (SEBI);
- xx) Trends on trading on stock exchanges – the number of shares traded and the number and value of shares delivered; (SEBI);
- xxi) Indicators of liquidity – Market capitalization – GDP ratio (BSE), market capitalization – GDP ratio (NSE), turnover ratio – BSE, traded value ratio – BSE, traded value ratio – NSE; (SEBI);
- xxii) Trends in foreign investment flows – direct and portfolio investment;<sup>35</sup> (SEBI);
- xxiii) Annual and monthly series on trends in FII investment – gross purchases and sales and net investment; (SEBI);
- xxiv) Comparative evaluation of Indices through Price to Earnings Ratio and Price to Book Ratio (these are monthly averages of closing values) for BSE SENSEX, BSE 100 Index, S&P CNX NIFTY, CNK NIFTY Junior; (SEBI); and
- xxv) Survey of investor households – a joint effort of SEBI and the National Council of Applied Economic Research – result giving an estimate of investor and non-investor households by type of investment, household by type of instruments invested in and so on.

**Check Your Progress 3**

- 1) Which document does contain the methodology for compiling liquidity aggregates?  
 .....  
 .....  
 .....  
 .....  
 .....
- 2) List the kind of time series data available in RBI Handbook 2013-14.  
 .....  
 .....  
 .....  
 .....  
 .....

---

<sup>35</sup> Figures from 1995-96 include acquisition of shares of Indian companies by non-residents under S/6 of FEMA, 1999. Those from 2000-01 have been revised with expanded coverage to approach international best practices and are, therefore, not comparable with earlier data.

- 3) Identify 3 different sub-sectors of financial market and name a few major sources of data for each of these sub-sectors of financial markets.

.....

.....

.....

.....

.....

.....

.....

---

### 23.4 LET US SUM UP

---

We have, in this Unit, surveyed the data available in the area of trade and finance. We noted that data on the volume of merchandise trade by commodities and countries, direction of trade, trade balance, quantity and unit value index numbers of imports and exports and indices depicting different measures of the terms of trade are available from the DGCI&S and are also presented as a time series in the **RBI Handbook 2013-14**, besides the **Handbook of Statistics of the SEBI**. Data on trade in services and on merchandise are available as part of BoP data of the RBI. There is a divergence between merchandise trade deficit/surplus data provided by DGCI&S and that shown by BoP data of RBI and the reasons for such a discrepancy are related to the manner in which the two sources collect the basic data.

Data are available in the RBI Handbook (long time series) on public finances such as receipts and expenditure of the Central and the State Governments, the manner in which these Governments mobilize resources through taxes and non-tax revenue borrowings, the patterns of their expenditure – developmental outlays, debt servicing, economic and social services and so on – and the various types of (fiscal) deficits that they run and the manner in which these are financed. Data on balance of payments, inflow of foreign investment, foreign aid/borrowings, assistance and the size of foreign debt are also available in the RBI Handbook. So are the data on the money stock, the different monetary aggregates like  $M_0$ ,  $M_1$  and  $M_3$ , and the new monetary aggregates  $NM_2$  and  $NM_3$  and “C” components of the money stock, the sources of change in the money stock and their “S” components and liquidity aggregates  $L_1$ ,  $L_2$  and  $L_3$ . The role of the banks and financial institutions in the mobilization of savings and the deployment of credit to different economic activities, their functional and operational efficiency in terms of indicators like NPA and CRAR can be examined well with the time series data available in the RBI Handbook and such an effort can be supplemented with information on profitability provided by the RBI’s Report on Trends in Banking. Similarly, the functioning of the financial market in terms of the structure of interest rates in different markets, resources mobilized through different modes like capital issues, private placement, equities with and without premium, preference shares and **CCPS**, total resources raised from the primary market, trends in trading in stock exchanges, share price indices and market capitalization, indicators of liquidity like traded value ratio and market capitalization to GDP ratio and measures of comparative evaluation of indices (BSE SENSEX, BSE 100 Index, etc.) like Price to Earnings Ratio and Price to Book Ratio, can be analysed adequately

with the data available on these aspects in the RBI **Handbook and the Handbook of Statistics**, published by SEBI. The RBI Handbook, especially with the special features incorporated in its website version, stand out as an invaluable source of data on finance and also trade.

---

## 23.5 EXERCISES

---

- 1) How can you analyse trend in foreign trade? Discuss the role of unit value index and quantum index in this regard.
- 2) Discuss the kind of time series data on money and banking compiled by RBI. How this data can be useful for research?
- 3) List the types of data on financial market compiled by SEBI. To what extent is it adequate to analyse the financial markets?

---

## 23.6 SOME USEFUL BOOKS

---

**Ministry of Finance, Govt. of India** : Economic Survey – 2005-06 and earlier years, Ministry of Finance, Govt. of India, New Delhi.

Budget Documents, Ministry of Finance, Govt. of India, New Delhi.

**Reserve Bank of India** : Report on Currency and Finance – 2005, RBI, Mumbai.

Report on Trends in Banking – 2005, RBI, Mumbai.

**World Trade Organization** : International Trade Statistics – 2005, WTO, Geneva.

Also accessible at [http://www.wto.org/english/res\\_e/statis\\_e.htm](http://www.wto.org/english/res_e/statis_e.htm)

---

## 23.7 ANSWERS OR HINTS TO CHECK YOUR PROGRESS EXERCISES

---

### Check Your Progress 1

- 1) See Sub-section 23.2.1
- 2) 1998-99.
- 3) See Sub-section 23.2.1
- 4) See Sub-section 23.2.2

### Check Your Progress 2

- 1) The budget documents of the central and the state governments, the pre-budget economic survey, RBI Indian Economy 2005, Monthly Bulletin of the RBI.
- 2) The excess of total expenditure including loans over revenue receipts – net lending of the central government.
- 3) See Sub-section 23.3.1 (sub head and ‘d’)

**Check Your Progress 3**

- 1) RBI Bulletin, Nov. 2000 under the title ‘New Monetary and Liquidity aggregates’.
- 2) See Sub-section 23.3.2
- 3) The RBI Handbook of Statistics of Indian Economy 2005 and the Handbook of Statistics on Indian Securities Market 2005 provide comprehensive data on the financial market.



**ignou**  
THE PEOPLE'S  
UNIVERSITY