Statistics:

Lending rates:

Bank Rate - 6 per cent
Repo Rate - 7.25 per cent
Reverse Repo Rate - 6.25 per cent
Statutory Liquidity Ratio - 24 per cent
Cash Reserve Ratio - 6 per cent
Base Rate - 7.60 per cent - 8.50 per cent
Savings Bank Rate - 3.5 per cent
Deposit Rate - 7.00-8.00 per cent

Bank-group wise shares in deposits and credit

1. Nationalised Banks, as a group, accounted for 51.2 per cent of the aggregate deposits.
2. State Bank of India and its Associates accounted for 22.5 per cent.
3. The share of New Private Sector Banks, Old Private Sector Banks, Foreign Banks and Regional Rural Banks in aggregate deposits was 13.5 per cent, 4.5 per cent, 5.2 per cent and 3.1 per cent, respectively.

4. In the case of gross bank credit, Nationalised Banks held 50.9 per cent of the total bank credit, followed by State Bank of India and its Associates with 23.1 per cent and New Private Sector Banks with 13.7 per cent shares. Foreign Banks, Old Private Sector Banks and Regional Rural Banks had relatively lower shares in the total bank credit at 5.2 per cent, 4.5 per cent and 2.5 per cent, respectively.

Current account deficit

1. Current account deficit (CAD) in 2010-11 is likely to be around 2.5 per cent of GDP, having moderated in Q3 of 2010-11 with significant acceleration in exports.
2. While concerns on CAD have receded, the spike in oil prices poses the risk of CAD widening in 2011-12.
3. The decline in FDI, volatility in portfolio flows and rising debt flows pose risk to CAD sustainability, though pressures on financing CAD have eased.
4. The impact of **Middle East and North Africa** (MENA) unrest can be significant while that of Japan's natural disaster will be marginal. The affected economies' share in India's trade is not large. However, oil constitutes about one-third of India's total imports. Further, there may be some transitory impact on investment flows from Japan.

NBFC sector

The RBI recently constituted a working group under the Chairmanship of **Usha Thorat**, Director, Centre for Advanced Financial Research and Learning to examine a range of emerging issues pertaining to regula-tion of the NBFCs sector, including their governance and supervision.

Undervalued Yuan

China's policy to keep its currency, the Renminbi or Yuan, artificially undervalued will give it a huge economic advantage and is likely to adversely impact India's trade; this was revealed by a research paper published recently by the Reserve Bank of India. In the paper, 'The Implications of Renminbi Revaluation on India's Trade', the RBI maintains that an artificially undervalued currency will give China a distinct advantage in the export market. The paper was written by S. Arunachalaramanan and Ramesh Golait, with the specific aim to measure the likely effects a revaluation of the Renminbi would have on India's terms of trade. It needs to be noted that the value of the Renminbi relative to other global currencies has been an area of intense debate in the relations between China and other trading partners from emerging and developed countries. In the Indian context, the note China has become a major trading partner with India in the last decade, with whom it would be directly and indirectly impacted by a revaluation of Renminbi, particularly the imports of India. In this context, it is here highlighted that one of the factors favouring China is the cost advantage of its exports (imports for India) influenced by various domestic factors. Factor like production-oriented firms/industries subsidies does support China Model. The cost of production as well as productivity of labour also becomes an added advantage in its export promotion. India had a trade deficit of USD 19.2 billion with China in 2009-10 and to improve the situation the country need to diversify its imports, particularly electronic and machinery goods, and start securing them from other countries. The current exchange rate policy of China gives its exporters a distinct advantage over other nations have to deal with currency volatility because the policies of China are export oriented, pro-FDI and it keeps it exchange rate undervalued. With the further under-valuation of Yuan, the emerging economies which have allowed their currencies to float will have to fact distinct issues in their management of balance of payment.

World Bank shareholder

India has become the 7th largest shareholder in the World Bank. India would also be able to get additional $7-10 billion in the coming years from the World Bank as member nations decided to increase total capital base that would allow the agency to lend an additional$ 86 billion. The World Bank and International Monetary Fund (IMF) concluded their annual spring meeting with an overall shift of 3 per cent vote share to developing countries bringing their total vote share to 47 per cent. While voting power of countries like India, China, Brazil, Indonesia, Mexico and Turkey has increased, that of some of the major European and other countries that have traditionally dominated international finance like UK, France, Germany, the Nordic and Benelux countries, Japan, Australia and Canada, has gone down. As a result, India's voting power increased from 2.77 per cent to 2.91 per cent while China whose rights increased from 2.77 per cent to 4.42 per cent was the biggest benefactor. The shift places India at the seventh biggest place after the United States (15.85 per cent), Japan (6.84 per cent), China, Germany (4 per cent), France (3.75 per cent) and the United Kingdom (3.75 per cent).

Capital Infusion in Banks

The Cabinet has given approval for additional capital infusion of Rs. 6000 crore in 10 public sector banks with an objective to raise its holding to a minimum 58 percentage in all state run banks. The government had already announced infusion of Rs. 15000 crore in the last budget to ensure that the capital adequacy ratio of all the public sector banks increases to 7 per cent. The increase will give banks additional room to raise funds from capital market without depending on the government.

German Bank

India has finally decided to use euro to pay for Iranian crude oil but will route the payment through a German bank (Hamburg-based Europäisch-Iranische Handelsbank AG (EIH Bank) instead of its central bank. This ends a long standing stalemate since the banks like State Bank of India (SBI) had refused to facilitate payments for Iranian oil after RBI on December 23 clamped down on the main conduit used by the Indian companies to pay for the Persian Gulf nation imports, which make up for over 12 per cent of the nation's oil needs. Earlier, refiners in India used the ACU, which settles payments in dollars and euros, to pay for oil purchases from Iran. ACU, based in the Iranian capital of Tehran, settles trade transactions between Bangladesh, Bhutan, India, Iran, Nepal, Pakistan, Maldives, Myanmar and Sri Lanka. Till 2008, payments to Iran under the ACU mechanism were done in the US dollars, but after the United States imposed sanctions against the Middle East country over its suspected nuclear weapons programme, the currency was switched to the euro. United Nations' sanctions do not forbid buying Iranian oil and recently the European Central Bank (ECB) asked the RBI to provide certificates that the euro is being used to import products that are not on the US sanctions list. In India the MRPL is the biggest importer of Iranian crude oil in the country, sourcing about 4 million barrels every month, which amounts to 7.1 million tonnes every year.

Islamic Bank in Kerala

The Kerala government has taken a huge step towards creating an Islamic bank which will comply with Shariah rules. The Kerala High Court has dismissed a petition that said an Islamic bank violates the principle of secularism as laid out in India's constitution. The petition had been filed by former Law Minister Subramanian Swamy. Shariah rules prohibit charging interest for loans and emphasise on the sharing of profits and losses. So, rather than earning interest on deposits, customers get a share of the overall profit. The Kerala State Industrial Development Corporation will hold 11 per cent stake in the bank. The bank plans to raise an initial capital of 500 crore rupees from NRIs and will avoid all interest-linked business activities. It will provide interest-free loans for those looking to start new businesses and small-scale ventures. It will also invest in the infrastructure sector. The activities of the bank will be supervised by a Shariah Supervisory Board which will include Islamic scholars.

RIDF

The Rural Infrastructure Development Fund (RIDF) continues to sanction and disburse funds to State Governments. The Rural Infrastructure Development Fund (RIDF) is operated by NABARD with funds raised from the scheduled commercial banks (public sector banks and private sector) which are unable to meet their targets for priority sector and/or agriculture lending. The annual allocation of funds announced in the Union Budget has gradually increased from Rs 2,000 crore in 1995–96 (RIDF I) to Rs 14,000 crore in 2009-10 (RIDF XV). The aggregate allocations have reached Rs 1,00,000 crore. Further, a separate window has been created under the RIDF with a corpus of Rs 4,000 crore, with annual replenishment, for partly funding the rural roads and bridges components of the Bharat Nirman Programme from 2006–07 to 2008-09. This amount was raised to Rs 4,500 crore in 2009-10. In 2011-12 Budget, under RIDF VI, the amount of RIDF was Rs.16,000 crore. In 2011-12 Budget, raise the corpus of RIDF XVII to Rs18,000 crore in 2011-12 from Rs16,000 crore in the current year. The additional allocation would be dedicated to creation of warehousing facilities.