Lion’s share of bank credit flows to Infrastructure in April 2015: Infrastructure accounted for 35 per cent of the industry wise flow of bank credit in India in April 2015, with outstanding credit standing to the tune of INR 9,325.72 billion. In comparison, the bottom 10 sectors including Vehicles, Cement, Petroleum, Rubber, Mining, Paper, Beverage, Leather, Wood Products and Glassware accounted for only 13 per cent of industry wise deployment of bank credit in the concerned period. It is worth highlighting that outstanding bank credit to the infrastructure sector, which stood at INR 243 billion in 1999-2000, has increased steadily to INR 7860.45 bn in 2012-13, a compounded annual growth rate (CAGR) of 43.41 per cent in the concerned period, against an overall CAGR of bank finance to all industries that stood at 20.38 per cent during the same period. This brings out the role of commercial banks in India in Infrastructure Financing. Bank exposure to infrastructure mostly comprises power and road projects. So it is important to ensure that infrastructure projects are not stalled due to regulatory clearances. Non-food credit of Scheduled Commercial Bank stood at INR 64,262.6 billion in March 2015 from INR 59,750.5 billion in April 2014, registering 7.5 per cent hike.

Reserve Bank of India issues revised guidelines regarding Priority sector loans: Domestic scheduled commercial banks and foreign banks, with 20 branches and above have been asked to achieve a target of 40 percent of Adjusted Net Bank Credit (ANBC) or credit equivalent amount of off-balance sheet exposure, whichever is higher. Henceforth, Medium Enterprises, Social Infrastructure and Renewable Energy will also form part of the priority sector, in addition to agriculture, Micro, Small and Medium Enterprises, Export Credit, Education, Housing, Weaker Sections etc. RBI data on “distribution of outstanding advances of public sector banks to priority sector and others’ for the March 2014 quarter reveal that Adjusted Net Bank Credit (ANBC) was highest for SBI and its associates, standing at INR 2083 billion, of which credit to micro and small enterprises stood at INR 1227 billion, direct agricultural advances at INR 1708 billion, educational loans were to the tune of INR 184 billion, housing loans amounted to INR 929 billion and Loans to Weaker Sections stood at INR 1375 billion respectively. In April 2015, the micro and small enterprises bagged the highest allocation under priority sector lending, which stood at around INR 8126 billion, closely followed by Agriculture & Allied Activities. MSME lending registered only 11 per cent hike as compared to May 2014, a gap of a year. In the concerned period priority sector credit inflow for the manufacturing units rose by 9 per cent only. The brings to the forefront the need for building up a financial ecosystem that can support the manufacturing and micro and small enterprises through equity financing.

Net foreign direct investment shows robust growth in 2014-15: Net Foreign Direct Investment rose from USD 21,564 million in 2013-14 to USD 34,873 million in 2014-15 and stood at USD 2706 million in March 2015. Net foreign direct investments are much more stable in nature, as compared to foreign portfolio investments. In fact, net FDI inflows touched 1.7% of gross domestic product (GDP) in the just-ended fiscal year, up from 1.1% of GDP the previous year. This reflects the lukewarm global investment scenario and rising investor confidence in India, which brings to the forefront the effect of policy reforms that India has embraced in a big way under the new political leadership. Higher FDI flows are good for India’s current account deficit and will also help to drive domestic investments.
industry solicits greater FDI inflow in manufacturing, towards making the sector competitive, and for boosting the value chain.

Market Update

- The country’s third largest state-owned lender, Bank of India will re-enter the investment banking space with the aim to tap more fee-based income. This is the second time the Mumbai-headquartered bank is getting into investment banking after 2001. Among public sector banks, only SBI Capital Market, an investment banking arm of India’s largest lender State Bank of India (SBI), has a significant presence in this vertical.

- The nation’s largest lender State Bank of India has reduced its base rate by 15 basis points after the RBI cut repo rate by 25 basis points. SBI reduced its base rate or minimum lending rate to 9.70 per cent from 9.85 per cent effective from June 8 this year.

- The Ruia brothers backed Essar Steel is now a bad asset with Bank of India. According to the bank officials, the auditors have observed that the entire Rs 500 crore exposure to Essar steel should be classified as NPA in the fourth quarter.

Regulatory Update

- Reserve Bank of India has cut repo rate by 25 bps. The RBI has decided to front-load the rate cut. While the RBI cut the repo rate from 7.5% to 7.25, it left all other policy tools like cash reserve requirement unchanged at 4% and Statutory Liquidity Ratio (SLR) at 21.5% respectively. Reserve Bank of India has asked the government to put in place a “contingency plan” to deal with the possibility of below normal monsoon and its impact on food grain prices.

- Beefing up the domestic demand is the key to growth, feels RBI. Portfolio and direct foreign investment flows were buoyant during 2014-15, with net foreign direct investment to India standing at $36.6 billion and net portfolio inflows at $41 billion respectively. Foreign exchange reserves were around $350 billion, providing a strong second line of defence to the macro-economic policies, in case external markets turned volatile.

Government Update

- Government banks will stay closed on 2nd and 4th Sat from July 2015. Bankers feel with a robust system of alternate banking channels like ATMs, points of sale and internet banking, customer services would not suffer.

- Finance Minister, Mr. Arun Jaitley has urged for greater use of plastic currency, even as he stressed that development of new facilities at Hoshangabad and Mysore would help in reducing the reliance on imports for printing of currency notes and would promote ‘Make In India’ initiative of the Modi government.
About ICC

Founded in 1925, Indian Chamber of Commerce (ICC) is the leading and only National Chamber of Commerce operating from Kolkata, and one of the most pro-active and forward-looking Chambers in the country today. Its membership spans some of the most prominent and major industrial groups in India. ICC is the founder member of FICCI, the apex body of business and industry in India. ICC's forte is its ability to anticipate the needs of the future, respond to challenges, and prepare the stakeholders in the economy to benefit from these changes and opportunities. Set up by a group of pioneering industrialists led by Mr G D Birla, the Indian Chamber of Commerce was closely associated with the Indian Freedom Movement, as the first organised voice of indigenous Indian Industry. Several of the distinguished industry leaders in India, such as Mr B M Birla, Sir Ardeshir Dalal, Sir Badridas Goenka, Mr S P Jain, Lala Karam Chand Thapar, Mr Russi Mody, Mr Ashok Jain, Mr Sanjiv Goenka, have led the ICC as its President. Currently, Mr. Roopen Roy is leading the Chamber as its President.

ICC is the only Chamber from India to win the first prize in World Chambers Competition in Quebec, Canada.

ICC's North-East Initiative has gained a new momentum and dynamism over the last few years, and the Chamber has been hugely successful in spreading awareness about the great economic potential of the North-East at national and international levels. Trade & Investment shows on North-East in countries like Singapore, Thailand and Vietnam have created new vistas of economic co-operation between the North-East of India and South-East Asia. ICC has a special focus upon India's trade & commerce relations with South & South-East Asian nations, in sync with India's 'Look East' Policy, and has played a key role in building synergies between India and her Asian neighbours like Singapore, Indonesia, Bangladesh, and Bhutan through Trade & Business Delegation Exchanges, and large Investment Summits.

ICC also has a very strong focus upon Economic Research & Policy issues – it regularly undertakes Macroeconomic Surveys/Studies, prepares State Investment Climate Reports and Sector Reports, provides necessary Policy Inputs & Budget Recommendations to Governments at State & Central levels.

The Indian Chamber of Commerce headquartered in Kolkata, over the last few years has truly emerged as a national Chamber of repute, with full-fledged State Offices in New Delhi, Guwahati, Bhubaneshwar, Patna, Ranchi and Mumbai functioning efficiently, and building meaningful synergies among Industry and Government by addressing strategic issues of national significance.

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