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Monetary Policy Statement for the year 2013-14
by Duvvuri Subbarao, Governor, Reserve Bank of India

Macroeconomic and Monetary Developments in 2012-13

*Monetary Policy Statement 2013-14**

Introduction

The Annual Policy for 2013-14 is formulated in an environment of incipient signs of stabilisation in the global economy and prospects of a turnaround, *albeit* modest, in the domestic economy.

2. In the advanced economies (AEs), near-term risks have receded, aided by improving financial conditions and supportive macroeconomic policies. But this improvement is yet to fully transmit to economic activity which remains sluggish. Policy implementation risks and uncertainty about outcomes continue to threaten the prospects of a sustained recovery. Emerging and developing economies (EDEs) are in the process of a multi-speed recovery. However, weak external demand and domestic bottlenecks continue to restrain investment in some of the major emerging economies. Inflation risks appear contained, reflecting negative output gaps and the recent softening of international crude and food prices.

3. Domestically, growth slowed much more than anticipated, with both manufacturing and services activity hamstrung by supply bottlenecks and sluggish external demand. Most lead indicators suggest a slow recovery through 2013-14. Inflation eased significantly in Q4 of 2012-13 although upside pressures remain, both at wholesale and retail levels, stemming from elevated food inflation and ongoing administered fuel price revisions. The main risks to the outlook are the still high twin deficits accentuated by the vulnerability to sudden stop and reversal of capital flows, inhibited investment sentiment and tightening supply constraints, particularly in the food and infrastructure sectors.

4. This Statement, set in the above global and domestic context, should be read and understood together with the detailed review in *Macroeconomic and Monetary Developments* released yesterday by the Reserve Bank.

5. This Statement is organised in two parts. Part A covers Monetary Policy and is divided into four Sections: Section I provides an overview of global and domestic macroeconomic developments; Section II sets out the outlook and projections for growth, inflation and monetary aggregates; Section III explains the stance of monetary policy; and Section IV specifies the monetary measures. Part B covers developmental and regulatory policies and is organised into five sections: Financial Stability (Section I); Financial Markets (Section II); Credit Delivery and Financial Inclusion (Section III); Regulatory and Supervisory Measures (Section IV) and Institutional Developments (Section V).

Part A. Monetary Policy

I. The State of the Economy

Global Economy

6. Global economic activity remains subdued amidst signs of diverging growth paths across major economies. In the US, a slow recovery is taking hold, driven by improvements in the housing sector and employment conditions. However, the pace of recovery remains vulnerable to the adverse impact of the budget sequestration which will gradually gain pace in the months ahead. Japan's economy stopped contracting in Q4 of 2012. There has been some improvement in consumer confidence on account of monetary and fiscal stimulus along with a pick-up in external demand on the back of a weakening yen. In the euro area, recessionary conditions, characterised by deterioration in industrial production, weak exports and low domestic demand, continued into Q1 of 2013. High unemployment, fiscal drag and hesitant progress on financial sector repair have eroded consumer confidence.

* Announced by Dr. Duvvuri Subbarao, Governor, Reserve Bank of India on May 3, 2013 in Mumbai.

7. Growth in several EDEs rebounded from the moderation in 2012 as domestic demand rose on a turnaround in the inventory cycle and some pick-up in investment. Among BRICS countries, growth accelerated in Brazil and South Africa, while it persisted below trend in China, Russia and India.

8. Inflation has remained benign in the AEs in the absence of demand pressures, and inflation expectations remain well-anchored. The EDEs, on the other hand, present a mixed picture. While inflation has picked up in Brazil, Russia and Turkey, it has eased in China, Korea, Thailand and Chile.

9. Reflecting a pessimistic demand outlook, crude oil prices eased in March-April 2013 from the elevated levels prevailing through 2012. Non-energy commodity prices have been easing through Q1 of 2013 on softening metal prices and decline in food prices.

Domestic Economy

10. With output expansion of only 4.5 per cent in Q3 of 2012-13, the lowest in 15 quarters, cumulative GDP growth for the period April-December 2012 declined to 5.0 per cent from 6.6 per cent a year ago. This was mainly due to the protracted weakness in industrial activity aggravated by domestic supply bottlenecks, and slowdown in the services sector reflecting weak external demand. The Central Statistics Office (CSO)'s advance estimate of GDP growth for 2012-13 of 5.0 per cent implies that the economy would have expanded by 4.7 per cent in Q4.

11. The growth of industrial production slid to 0.6 per cent in February 2013 from 2.4 per cent a month ago, mainly due to contraction in mining and electricity generation and slowing growth in manufacturing. Consequently, on a cumulative basis, growth in industrial production decelerated to 0.9 per cent during 2012-13 (April-February) from 3.5 per cent in the corresponding period of the previous year. The Reserve Bank's order books, inventories and capacity utilisation survey (OBICUS) suggests that capacity utilisation remained flat. *Rabi* production, particularly of pulses, is expected to be better than a year ago. However, it may not fully offset the decline in *kharif* output. Consequently, the second advance estimates of crop production *(kharif* and *rabi)* for 2012-13 indicate a decline of 3.5 per cent in relation to the final estimates of the previous year. The composite purchasing managers' index (PMI), which encompasses manufacturing and services, fell to a 17-month low in March 2013. Thus, most recent indicators suggest that growth in Q4 of 2012-13 would have remained low.

12. On the demand side, the persisting decline in capital goods production during April 2012 – February 2013 reflects depressed investment conditions. The moderation in corporate sales and weakening consumer confidence suggest that the slowdown could be spreading to consumption spending.

13. Headline inflation, as measured by the wholesale price index (WPI), moderated to an average of 7.3 per cent in 2012-13 from 8.9 per cent in the previous year. The easing was particularly significant in Q4 of 2012-13, with the year-end inflation recording at 6.0 per cent. Notwithstanding the moderation in overall inflation, elevated food price inflation was a source of upside pressure through the year owing to the unusual spike in vegetable prices in April 2012 followed by rise in cereal prices on account of the delayed monsoon and the sharp increase in the minimum support price (MSP) for paddy. Fuel inflation averaged in double digits during 2012-13, largely reflecting upward revisions in administered prices and the pass-through of high international crude prices to freely priced items. Non-food manufactured products inflation ruled above the comfort level in the first half of 2012-13 but declined in the second half to come down to 3.5 per cent by March, reflecting easing of input price pressures and erosion of pricing power.

14. Largely driven by food inflation, retail inflation, as measured by the new combined (rural and urban) consumer price index (CPI) (Base: 2010=100), averaged

10.2 per cent during 2012-13. Even after excluding food and fuel groups, CPI inflation remained sticky, averaging 8.7 per cent. Other CPIs also posted double digit inflation.

15. Significantly, inflation expectations polled by the Reserve Bank's urban households' survey, showed slight moderation in Q4 of 2012-13, even as they remained in double digits, reflecting high food prices. Wage inflation in rural areas, which rose by an average of close to 20 per cent over the period April 2009 to October 2012, declined modestly to 17.4 per cent in January 2013. House price inflation, as measured by the Reserve Bank's quarterly house price index, continued to rise on a y-o-y basis.

16. An analysis of corporate performance during Q3 of 2012-13, based on a common sample of 2,473 non-government non-financial companies, indicates that growth of sales as well as profits decelerated significantly. Early results of corporate performance in Q4 indicate continuing moderation in sales though profit margins increased slightly.

17. Money supply (M_3) growth was around 14.0 per cent during Q1 of 2012-13 but decelerated thereafter to 11.2 per cent by end-December as time deposit growth slowed down. There was some pick up in deposit mobilisation in Q4, taking deposit growth to 14.3 per cent by end-March. Consequently, M_3 growth reached 13.3 per cent by end-March 2013, slightly above the revised indicative trajectory of 13.0 per cent.

18. Non-food credit growth decelerated from 18.2 per cent at the beginning of 2012-13 and remained close to 16.0 per cent for the major part of the year. By March 2013, non-food credit growth dropped to 14.0 per cent, lower than the indicative projection of 16.0 per cent, reflecting some risk aversion and muted demand. While the Reserve Bank's credit conditions survey showed easing of overall credit conditions, there was some tightening for sectors such as metals, construction, infrastructure, commercial real estate, chemicals and finance in Q4 of 2012-13.

19. The total flow of resources to the commercial sector from banks, non-banks and external sources was higher at ₹12.8 trillion in 2012-13 as compared with ₹11.6 trillion in the previous year. This increase was accounted for by higher non-SLR investment by scheduled commercial banks (SCBs), increase in credit flow from NBFCs, gross private placement and public issues by non-financial entities, and higher recourse to short-term credit from abroad and external commercial borrowings.

20. In consonance with the cuts in the policy repo rate and the cash reserve ratio (CRR) during 2012-13, the modal term deposit rate declined by 11 basis points (bps) and the modal base rate by 50 bps. While the decline in the term deposit rate occurred mostly during the first half, the modal base rate softened by 50 bps to 10.25 per cent in two steps of 25 bps each during Q1 and Q4 of 2012-13. During Q4, 39 banks reduced their base rates in the range of 5-75 bps. The weighted average lending rate of banks declined by 36 bps to 12.17 per cent during 2012-13 (up to February).

21. Liquidity remained under pressure throughout the year because of persistently high government cash balances with the Reserve Bank and elevated incremental credit to deposit ratio for much of the year. The net average liquidity injection under the daily liquidity adjustment facility (LAF), at ₹730 billion during the first half of the year, increased significantly to ₹1,012 billion during the second half. In order to alleviate liquidity pressures, the Reserve Bank lowered the CRR of SCBs cumulatively by 75 bps on three occasions and the statutory liquidity ratio (SLR) by 100 bps during the year. Additionally, the Reserve Bank injected liquidity to the tune of ₹1,546 billion through open market operation (OMO) purchase auctions. The net injection of liquidity under the LAF, which peaked at ₹1,808 billion on March 28, 2013 reflecting the year-end demand, reversed sharply to ₹842 billion by end-April 2013.

22. The revised estimates (RE) of central government finances for 2012-13 show that the gross fiscal deficit-

GDP ratio at 5.2 per cent was around the budgeted level and within the target set out in the revised roadmap. Budget estimates (BE) for 2013-14 place the gross fiscal deficit-GDP ratio at 4.8 per cent. The envisaged correction is expected to be achieved through a reduction of 0.6 percentage points in the revenue deficit-GDP ratio.

23. On the back of the policy rate reduction and the announcement of a slew of reform measures by the Government and a firm commitment to fiscal consolidation, the 10-year benchmark yield eased from 8.79 per cent on April 3, 2012 to 7.79 per cent on April 30, 2013.

24. The current account deficit (CAD) came in at an all-time high of 6.7 per cent of GDP in Q3 of 2012-13. There are indications that it may have narrowed in Q4. The narrowing was largely on account of the trade deficit declining, with exports returning to positive growth after contracting in the first three quarters and non-oil non-gold imports and gold imports declining. Even as the CAD expanded, the surge in capital inflows in the second half of the year ensured that it could be fully financed.

II. Domestic Outlook and Projections

Growth

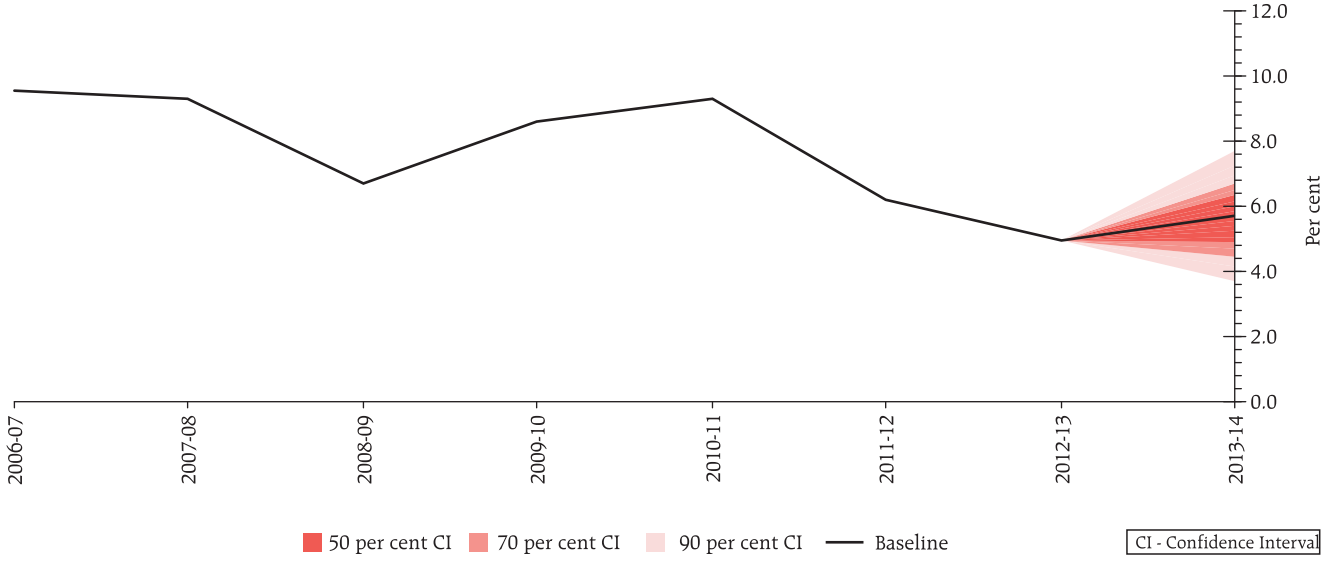
25. For GDP growth during 2012-13, the CSO's advance estimate of 5.0 per cent is lower than the Reserve Bank's baseline projection of 5.5 per cent set out in the Third Quarter Review (TQR) of January 2013, reflecting slower than expected growth in both industry and services.

26. During 2013-14, economic activity is expected to show only a modest improvement over last year, with a pick-up likely only in the second half of the year. Conditional upon a normal monsoon, agricultural growth could return to trend levels. The outlook for industrial activity remains subdued, with the pipeline of new investment drying up and existing projects stalled by bottlenecks and implementation gaps. With global growth unlikely to improve significantly from 2012, growth in services and exports may remain sluggish. Accordingly, the baseline GDP growth for 2013-14 is projected at 5.7 per cent (Chart 1).

Inflation

27. By March 2013, WPI inflation at 6.0 per cent turned out to be lower than the Reserve Bank's indicative

Chart 1: Projection of GDP Growth (y-o-y) for 2013-14



projection of 6.8 per cent, mainly due to a sharp deceleration in non-food manufactured products inflation in the second half of the year. The global inflation outlook for the current year appears more benign compared to last year on expectations of some softening of crude oil and food prices. Accordingly, imported inflation is likely to be lower provided the exchange rate remains broadly stable. Indicators of corporate performance, industrial outlook and PMIs are pointing to a declining pricing power. On the other hand, food inflation is likely to be a source of upside pressure because of persisting supply imbalances. Also, the timing and magnitude of administered price revisions, particularly of electricity and coal, will impact the evolution of the trajectory of inflation in 2013-14.

28. Keeping in view the domestic demand-supply balance, the outlook for global commodity prices and the forecast of a normal monsoon, WPI inflation is expected to be range-bound around 5.5 per cent during 2013-14, with some edging down in the first half on account of past policy actions, although there could be some increase in the second half, largely reflecting base effects (Chart 2).

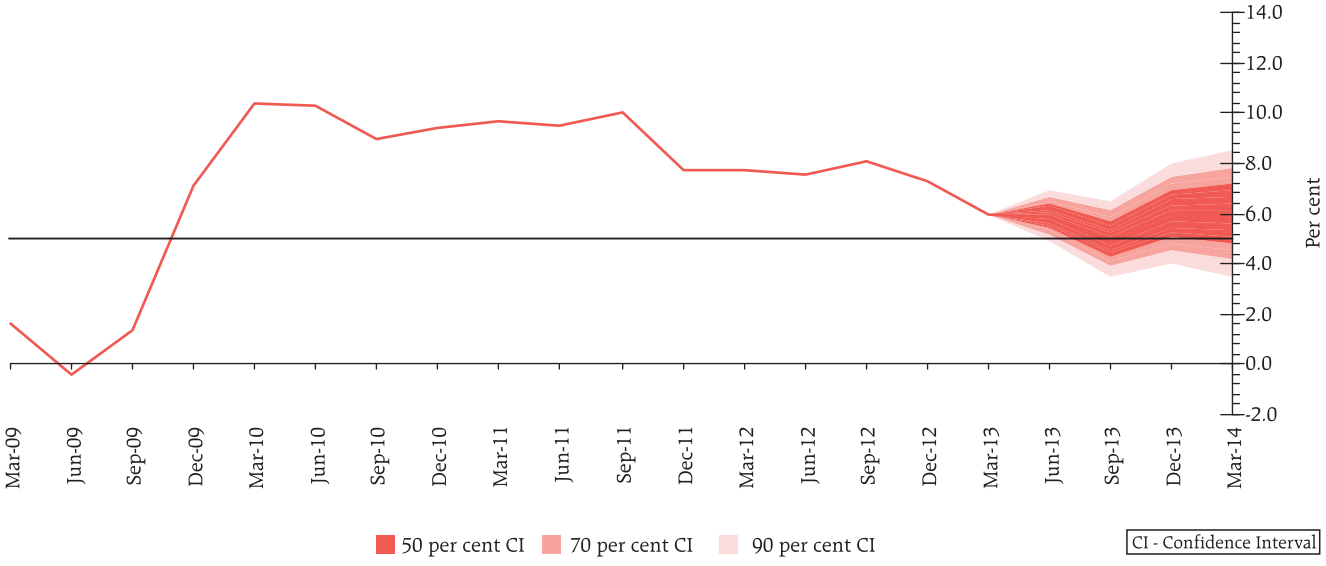
29. It is critical to consolidate and build upon the recent gains in containing inflation. Accordingly, the Reserve Bank will endeavour to condition the evolution of inflation to a level of 5.0 per cent by March 2014, using all instruments at its command.

30. It is important to re-emphasise that although the most recent episode of high and persistent inflation played out over the past three years, during the 2000s as a whole, inflation averaged around 5.4 and 5.8 per cent, in terms of WPI and CPI, respectively, down from its earlier trend rate of about 7.5 per cent. Given this record and the empirical evidence on the threshold level of inflation that is conducive for sustained growth, the objective is to contain headline WPI inflation at around 5.0 per cent in the short-term, and 3.0 per cent over the medium-term, consistent with India's broader integration into the global economy.

Monetary Aggregates

31. Consistent with the above growth projections and the Reserve Bank's inflation tolerance threshold, M_3 growth for 2013-14 is projected at 13.0 per cent for policy purposes. Consequently, aggregate deposits of SCBs are projected to grow by 14.0 per cent. Keeping in

Chart 2: Projection of WPI Inflation (y-o-y) for 2013-14



view the resource requirements of the private sector, the growth in non-food credit of SCBs is projected at 15.0 per cent. As always, these numbers are indicative projections and not targets. The conduct of monetary policy would be guided by the evolution of monetary aggregates along these indicative trajectories.

Risk Factors

32. The macroeconomic outlook for 2013-14 is subject to a number of risks as indicated below.

i) By far the biggest risk to the economy stems from the CAD which, last year, was historically the highest and well above the sustainable level of 2.5 per cent of GDP as estimated by the Reserve Bank. Admittedly, the fiscal deficit is programmed to decline, but even factoring that in, it is still high. Large fiscal deficits can potentially spill over into the CAD and undermine its sustainability even further. A large CAD, appreciably above the sustainable level year after year, will put pressure on servicing of external liabilities.

ii) Even as the large CAD is a risk by itself, its financing exposes the economy to the risk of sudden stop and reversal of capital flows. Although the CAD could be financed last year because of easy liquidity conditions in the global system, the global liquidity situation could quickly alter for EDEs, including India, for two reasons. First, the outlook for AEs remains uncertain, and even if there may be no event shocks, there could well be process shocks which could result in capital outflows from EDEs. Second, with quantitative easing (QE), AE central banks are in uncharted territory with considerable uncertainty about the trajectory of recovery and the calibration of QE. Should global liquidity conditions rapidly tighten, India could potentially face a problem of sudden stop and reversal of capital flows jeopardising our macro-financial stability.

iii) Sustained revival of growth is not possible without a revival of investment. But investment sentiment remains inhibited owing to subdued business confidence and dented business profitability. Both borrowers and lenders have become risk averse. Borrowers have become risk averse because of governance concerns, delays in approvals and tighter credit conditions. For lenders, risk aversion stems from the erosion of asset quality, deteriorating cash flow situation of borrowers eroding their credit worthiness and heightened risk premiums.

iv) Looking ahead, the effectiveness of monetary policy in bringing down inflation pressures and anchoring inflation expectations could be undermined by supply constraints in the economy, particularly in the food and infrastructure sectors. Food price pressures, upward revisions in the MSPs and rapid wage increases are leading to a wage-price spiral. Without policy efforts to unlock the tightening supply constraints and bring enduring improvements in productivity and competitiveness, growth could weaken even further and inflationary strains could re-emerge.

III. The Policy Stance

33. The Reserve Bank began exiting from the crisis driven expansionary policy in October 2009. Between January 2010 and October 2011, the Reserve Bank cumulatively raised the CRR by 100 bps and the policy repo rate 13 times by a total of 375 bps, with the monetary policy stance biased towards containing inflation and anchoring inflation expectations.

34. In view of slowdown in growth, especially investment activity, and some moderation in inflation, the Reserve Bank paused in December 2011. It indicated that no further tightening might be required and that future actions would be towards lowering the rates. In January 2012, the Reserve Bank signaled a shift in the policy stance towards addressing increasing risks to growth by reversing the tightening cycle. The CRR was reduced cumulatively by 125 bps during January-March

2012 to prepare liquidity conditions for a front-loaded 50 bps reduction in the policy repo rate in April.

35. Through much of 2012-13, the Reserve Bank persevered with efforts to ease credit and liquidity conditions through a 100 bps reduction in the SLR in August 2012, a cumulative 75 bps reduction in the CRR and 50 bps reduction in the repo rate during September 2012-March 2013.

36. Cumulatively, during the full year 2012-13, the policy repo rate was reduced by 100 basis points, the SLR by 100 bps and the CRR by 75 basis points, supported by liquidity injections through OMOs of the order of ₹1.5 trillion. After reducing the policy repo rate by 25 bps in its Mid-Quarter Review (MQR) of March 2013, the Reserve Bank noted that in view of the policy easing already effected, the sluggish ebbing of inflation and widening CAD, the headroom for further monetary easing was quite limited.

37. Against the backdrop of global and domestic macroeconomic conditions, outlook and risks, the policy stance for 2013-14 has been guided by the following considerations:

38. First, growth has decelerated continuously and steeply, more than halving from 9.2 per cent in Q4 of 2010-11 to 4.5 per cent in Q3 of 2012-13. The Reserve Bank's current assessment is that activity will remain subdued during the first half of this year with a modest pick-up, subject to appropriate conditions ensuing, in the second half of 2013-14.

39. Second, although headline WPI inflation has eased by March 2013 to come close to the Reserve Bank's tolerance threshold, it is important to note that food price pressures persist and supply constraints are endemic, which could lead to a generalisation of inflation and strains on the balance of payments.

40. Against this backdrop, the stance of monetary policy is intended to:

- continue to address the accentuated risks to growth;
- guard against the risks of inflation pressures re-emerging and adversely impacting inflation expectations, even as corrections in administered prices release suppressed inflation; and
- appropriately manage liquidity to ensure adequate credit flow to the productive sectors of the economy.

IV. Monetary Measures

41. On the basis of the current assessment and in line with policy stance outlined in Section III, the Reserve Bank announces the following policy measures.

Repo Rate

42. It has been decided to:

- reduce the policy repo rate under the liquidity adjustment facility (LAF) by 25 basis points from 7.5 per cent to 7.25 per cent with immediate effect.

Reverse Repo Rate

43. The reverse repo rate under the LAF, determined with a spread of 100 basis points below the repo rate, stands adjusted to 6.25 per cent with immediate effect.

Marginal Standing Facility Rate

44. The Marginal Standing Facility (MSF) rate, determined with a spread of 100 basis points above the repo rate, stands adjusted to 8.25 per cent with immediate effect.

Bank Rate

45. The Bank Rate stands adjusted to 8.25 per cent with immediate effect.

Cash Reserve Ratio

46. The cash reserve ratio (CRR) of scheduled banks has been retained at 4.0 per cent of their net demand and time liabilities (NDTL).

Guidance

47. The policy action undertaken in this review carries forward the measures put in place since January 2012 towards supporting growth in the face of gradual

moderation of headline inflation. Recent monetary policy action, by itself, cannot revive growth. It needs to be supplemented by efforts towards easing the supply bottlenecks, improving governance and stepping up public investment, alongside continuing commitment to fiscal consolidation. With upside risks to inflation still significant in the near term in view of sectoral demand supply imbalances, ongoing correction in administered prices and pressures stemming from MSP increases, monetary policy cannot afford to lower its guard against the possibility of resurgence of inflation pressures. Monetary policy will also have to remain alert to the risks on account of the CAD and its financing, which could warrant a swift reversal of the policy stance. Overall, the balance of risks stemming from the Reserve Bank's assessment of the growth-inflation dynamic yields little space for further monetary easing. The Reserve Bank will endeavour to actively manage liquidity to reinforce monetary transmission, consistent with the growth-inflation balance.

Mid-Quarter Review of Monetary Policy 2013-14

48. The next mid-quarter review of Monetary Policy for 2013-14 will be announced through a press release on Monday, June 17, 2013.

First Quarter Review of Monetary Policy 2013-14

49. The First Quarter Review of Monetary Policy for 2013-14 is scheduled on Tuesday, July 30, 2013.

Part B. Developmental and Regulatory Policies

50. This part of the Statement reviews the progress on various developmental and regulatory policy measures announced by the Reserve Bank in recent policy statements and also sets out fresh measures.

51. Near-term risks to global financial stability are retreating as the probability associated with tail events has reduced, rekindling risk appetite as reflected in sharp rallies in financial markets. In AEs, funding conditions have improved, but credit conditions remain stressed on concerns about debt overhangs and the persisting fragility of balance sheets. For EDEs, potential spillovers from unconventional policies in AEs remain significant, especially mispricing of credit risk, a rise in liquidity risk, and excessive capital flows entailing increased debt and foreign exchange exposure in response to low borrowing costs. In addition to safeguarding domestic financial stability, these economies also face the challenge of creating conducive financing conditions for accelerating growth with stability.

52. Internationally, efforts towards strengthening the global financial regulatory architecture remain incomplete and delayed, increasing vulnerability and uncertainty. Decisive and well-coordinated actions are needed to progress resolutely on restructuring weak segments of the financial system, building up capital and liquidity buffers and forward looking provisioning, developing a robust framework for systemically important entities, enhancing disclosures to improve market discipline, establishing effective resolution regimes including cross-border resolution agreements, extending the regulatory perimeter to unregulated entities, and convergence of accounting norms.

53. In this challenging and uncertain international environment, ongoing structural reforms seek to make the Indian banking system more efficient, resilient, and socially more relevant. The emphasis has been on strengthening balance sheets and governance frameworks in a non-disruptive manner, sequenced into fortifying and refining the prudential framework in line with Basel III, but adapted to country-specific requirements. A key area of focus has been managing systemic risks in the time dimension through countercyclical policies employing time varying sectoral risk weights and provisioning as also cross-sectionally in terms of interconnectedness and common exposures. The triad of financial inclusion, financial literacy and consumer protection have been recognised as intertwining threads in the pursuit of financial stability.

As regards non-bank financial entities, the initial focus on depositor protection has broadened into a more comprehensive framework aimed at mitigating systemic risks. The development of financial markets, products and processes continues to be pursued within the broader context of financial stability, balancing innovations with the containment of excesses in tune with the maturing of the financial system and the needs of the real economy.

54. Against this backdrop, the Statement on Developmental and Regulatory Policies for 2013-14 assesses the progress made on past policy announcements and sets out the policy initiatives in key areas which include strengthening of financial market infrastructure; improving credit flow to productive sectors, including agriculture; implementation of a dynamic provisioning regime for banks; designing of a framework for monitoring liquidity risk; finalisation of guidelines for licensing of new banks in the private sector; reviewing the banking structure in India; regulation of wealth management activities; customer service initiatives; expansion of payment system infrastructure and mitigation of concentration risk in the system; streamlining the system of distribution of banknotes and coins; and improving the mechanism for detection and reporting of counterfeit banknotes.

I. Financial Stability

Assessment of Financial Stability

55. The sixth Financial Stability Report (FSR), released in December 2012, observed that the overall macroeconomic risks in the Indian financial system had increased since the assessment made in June 2012. Apart from risks to global growth and financial stability, domestic factors such as decline in growth coupled with relatively high inflation, fall in domestic saving, and particularly household financial saving, were found to have increased risks to macroeconomic stability. In addition, the high CAD along with weakening external sector parameters, the stressed fiscal situation, and increasing corporate leverage, especially external commercial borrowings with unhedged exposures were identified as other challenges to macroeconomic stability. For the banking sector, concerns relating to tight liquidity conditions and deteriorating asset quality remain, though the sector has remained resilient to credit, market, and liquidity risks and capable of withstanding macroeconomic shocks, given the comfortable capital to risk-weighted assets ratio (CRAR) for the system as a whole. The inter-linkages among diverse sectors of the financial system were, however, found to be strong with risk of contagion in case of a failure of an institution in the core remaining high. Mutual funds and insurance companies were identified as a potential source of liquidity contagion, being lenders in the financial system.

Sub-Committee of the Financial Stability and Development Council – Recent Initiatives

56. Under the aegis of the Sub-Committee of the Financial Stability and Development Council (FSDC), a Memorandum of Understanding (MoU) was signed by the financial sector regulators (Reserve Bank of India, Securities and Exchange Board of India, Insurance Regulatory and Development Authority and Pension Fund Regulatory and Development Authority) on March 8, 2013 with a view to forging greater cooperation in the field of supervision. The MoU envisages cooperation in the field of consolidated supervision and monitoring of financial groups identified as financial conglomerates.

57. The Sub-Committee of the FSDC approved the National Strategy for Financial Education (NSFE). The NSFE entails provision of financial education for all Indians so as to understand the need and use of saving, the advantages of using the formal financial sector and various options to convert saving into investment, protection through insurance and a realistic recognition of the attributes of these options. The NSFE has been revised, incorporating the feedback received from public consultations and from a global peer review.

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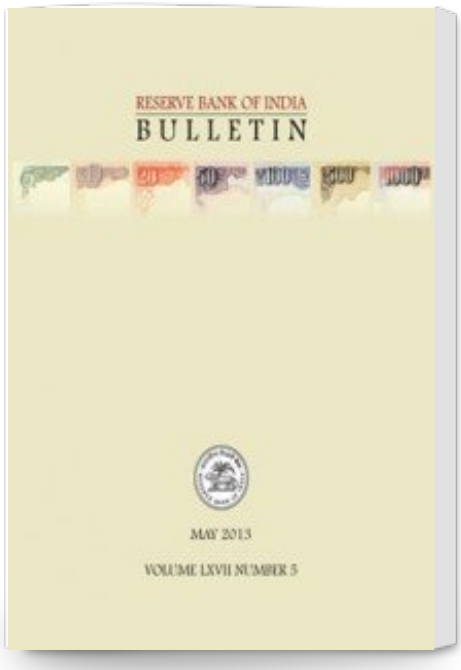

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