

IV. MONETARY AND LIQUIDITY CONDITIONS

Reflecting the calibrated monetary exit, the magnitude of the surplus liquidity in the system moderated gradually. In June 2010, however, there was a severe tightness in liquidity caused by the increase in Government's surplus balances with the Reserve Bank due to sharply higher mobilisation under 3G and BWA spectrum auctions. The liquidity situation was effectively managed by the Reserve Bank, which helped avoid spillover to overall term structure of the interest rate. During the first quarter of 2010-11, credit growth to the private sector picked up further reflecting strong recovery as also payments towards 3G and BWA spectrum. Broad money growth, however, was lower due to slowdown in the growth of deposits.

IV.1 The Reserve Bank has been normalising the monetary policy instruments, *i.e.*, the policy rates and the cash reserve ratio (CRR), since the fourth quarter of 2009-10, through a process of calibrated exit from the accommodative monetary policy stance that it had adopted in response to the global crisis. The CRR hikes effected since February 2010 helped in reducing the excess liquidity in the system. The comfortable liquidity situation turned into a deficit fairly rapidly by end-May 2010 due to an increase in currency with the public and build-up of government cash balances.

IV.2 Non-food credit growth of scheduled commercial banks (SCBs) showed acceleration

and by the first quarter of 2010-11 crossed the indicative growth trajectory of 20.0 per cent for the year, as set out in the Monetary Policy Statement for 2010-11. Besides strong economic activity, credit raised by telecom companies to pay for the 3G and broadband wireless access (BWA) spectrum contributed to the high rate of credit growth observed during the quarter. Money supply (M_3) growth, however, was below the indicative trajectory of 17.0 per cent, set out in April 2010. The deceleration was largely on account of the slowdown in the growth rate of aggregate deposits with banks (Table IV.1).

Table IV.1: Monetary Indicators

Item	Outstanding as on July 2, 2010	(Amount in Rupees crore)			
		Variation (year-on-year)			
		2009-10		2010-11	
		Amount	Per cent	Amount	Per cent
1	2	3	4	5	6
I. Reserve Money* (Reserve Money adjusted for CRR changes)	11,73,831	-6,963	-0.7 (15.9)	2,28,880	24.2 (18.5)
II. Broad Money (M_3)	57,82,141	8,56,523	20.6	7,69,448	15.3
III. Aggregate Deposits of SCBs	46,32,703	7,26,938	22.0	6,01,737	14.9
IV. Non-food Credit of SCBs	33,47,939	3,83,015	16.3	6,10,046	22.3

*: Data pertain to July 16, 2010.

Note: Data are provisional.

Liquidity Management

IV.3 The liquidity conditions changed significantly during the first quarter of 2010-11. The gradual moderation in the volume of surplus liquidity in the system since February 2010 reflected the calibrated normalisation of the monetary policy by the Reserve Bank. Accordingly, the liquidity adjustment facility (LAF) remained in the absorption mode, though the reverse repo volumes declined gradually (Chart IV.1). From end-May 2010, there was a sudden and sharp tightening of liquidity, which was reflected in the reversal of LAF to injection mode. The liquidity tightness was caused by the large increase in government's cash balances with the Reserve Bank, reflecting proceeds from 3G/BWA spectrum auctions, besides the first instalment of advance tax payments.

IV.4 In terms of specific aspects of the evolution of liquidity conditions, the scale of surplus liquidity in the system increased initially at the commencement of the financial

year 2010-11 on account of higher government expenditure. The average daily absorption under the LAF increased to Rs.57,150 crore in April 2010 from Rs.37,640 crore in March 2010. With the recovery of the economy firmly in place, the Reserve Bank moved in a calibrated manner in the direction of normalising its policy instruments. To anchor inflation and to prevent further build up of inflationary pressure, the Reserve Bank increased the repo and reverse repo rates as well as the CRR by 25 basis points each in April 2010 in the Annual Monetary Policy for 2010-11 (Table IV.2). The surplus liquidity in the domestic market gradually declined thereafter. The Reserve Bank auctioned cash management bills in May 2010 (which matured in mid-June 2010) to meet the temporary cash flow mismatches of the government. The liquidity conditions, however, changed to injection mode from May 31, 2010 due to sharp increase in government balances with the Reserve Bank, on account of higher than anticipated mobilisation under 3G/BWA spectrum auctions.

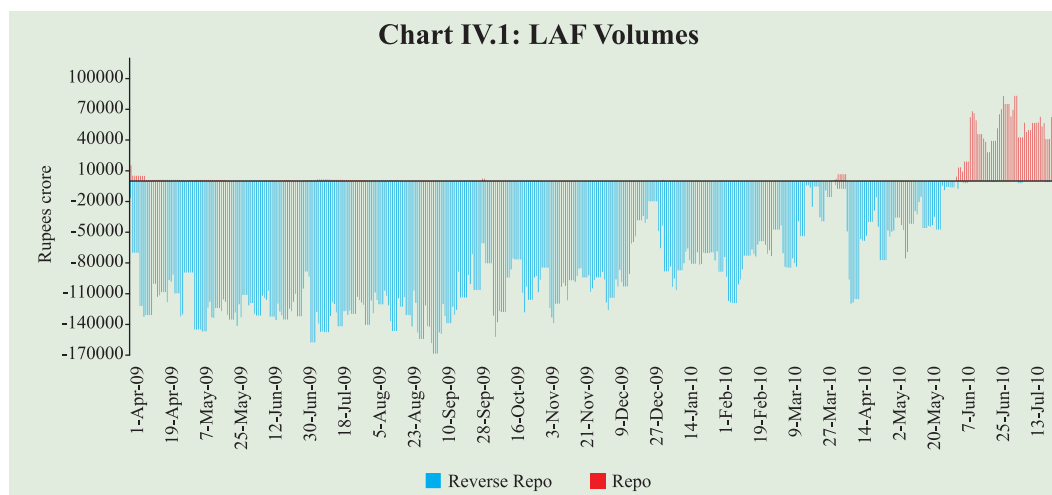


Table IV.2: Movements in Key Policy Rates in India

(Per cent)			
Effective since	Reverse Repo Rate	Repo Rate	Cash Reserve Ratio
1	2	3	4
April 26, 2008	6.00	7.75	7.75 (+0.25)
May 10, 2008	6.00	7.75	8.00 (+0.25)
May 24, 2008	6.00	7.75	8.25 (+0.25)
June 12, 2008	6.00	8.00 (+0.25)	8.25
June 25, 2008	6.00	8.50 (+0.50)	8.25
July 5, 2008	6.00	8.50	8.50 (+0.25)
July 19, 2008	6.00	8.50	8.75 (+0.25)
July 30, 2008	6.00	9.00 (+0.50)	8.75
August 30, 2008	6.00	9.00	9.00 (+0.25)
October 11, 2008	6.00	9.00	6.50 (-2.50)
October 20, 2008	6.00	8.00 (-1.00)	6.50
October 25, 2008	6.00	8.00	6.00 (-0.50)
November 3, 2008	6.00	7.50 (-0.50)	6.00
November 8, 2008	6.00	7.50	5.50 (-0.50)
December 8, 2008	5.00 (-1.00)	6.50 (-1.00)	5.50
January 5, 2009	4.00 (-1.00)	5.50 (-1.00)	5.50
January 17, 2009	4.00	5.50	5.00 (-0.50)
March 4, 2009	3.50 (-0.50)	5.00 (-0.50)	5.00
April 21, 2009	3.25 (-0.25)	4.75 (-0.25)	5.00
February 13, 2010	3.25	4.75	5.50 (+0.50)
February 27, 2010	3.25	4.75	5.75 (+0.25)
March 19, 2010	3.50 (+0.25)	5.00(+0.25)	5.75
April 20, 2010	3.75 (+0.25)	5.25 (+0.25)	5.75
April 24, 2010	3.75	5.25	6.00 (+0.25)
July 2, 2010	4.0 (+0.25)	5.50 (+0.25)	6.00

Note: 1. Reverse repo indicates absorption of liquidity and repo indicates injection of liquidity.
2. Figures in parentheses indicate change in policy rates in per cent.

IV.5 In anticipation of temporary tightening of liquidity conditions, the Reserve Bank introduced measures allowing SCBs to avail additional liquidity support under the LAF to the extent of up to 0.5 per cent of their NDTL and also access to second LAF on a daily basis for the period May 28-July 2, 2010. The average daily injection under the LAF during June 2010 was around Rs.47,000 crore in contrast to the average daily absorption of around Rs.33,000 crore in May 2010. Consequently, the call rate moved up significantly, resulting in an effective

tightening at the short end of the yield curve. The call rate, however, remained around the ceiling of the LAF corridor set by the repo rate.

IV.6 Overall, increase in currency with the public and centre's surplus balances with the Reserve Bank, both representing withdrawal of liquidity from the system, were the key drivers of autonomous liquidity in Q1 of 2010-11 (Table IV.3). Due to the increase in CRR, there was an additional withdrawal of liquidity, over and above the autonomous impact. The liquidity situation was managed primarily through LAF by injecting liquidity through repo operations (Table IV.4).

IV.7 Excess SLR investments of SCBs amounted to Rs.1,87,705 crore, as on July 2, 2010, compared with Rs.2,85,491 crore a year ago. Adjusted for LAF collateral securities on an outstanding basis, given the repo mode of the LAF, SCBs' maintenance of SLR was 29.6 per cent of NDTL, an excess of 4.6 percentage points over the prescribed SLR (Chart IV.2). The banking system has used a part of the excess SLR securities to access liquidity from the Reserve Bank through repo, and the large availability of excess SLR securities should help in avoiding spillover of tight temporary liquidity conditions to the term structure of the interest rate. Debt buy-back conducted in June 2010 and cancellation of Treasury Bill auctions in June and July 2010, also helped to an extent in alleviating the liquidity pressure.

IV.8 On July 2, 2010, the repo and reverse repo rates were further raised by 25 basis points each to 5.5 per cent and 4.0 per cent, respectively, on account of developments on the inflation front, given that the upside bias to growth projection that was highlighted in the Annual Monetary Policy had materialised. The liquidity management measures,

Monetary and Liquidity Conditions

Table IV.3: Reserve Bank's Liquidity Management Operations

Item	(Rupees crore)				
	2009-10				2010-11
	Q1	Q2	Q3	Q4	Q1
1	2	3	4	5	6
A. Drivers of Liquidity (1+2+3+4)	-45,110	-44,514	-66,785	55,055	-1,05,206
1. RBI's net purchase from authorised dealers	-15,874	2,523	436	910	816
2. Currency with the public	-18,690	-9,020	-43,224	-31,650	-58,385
3.a. Centre's surplus balances with RBI	3,382	-67,938	-22,663	85,257	-58,249
3.b. WMA and OD	0	0	0	0	0
4. Others (residual)	-13,928	29,921	-1,334	538	10,612
B. Management of Liquidity (4+5+6+7)	-21,674	62,376	89,870	1,618	67,255
4. Liquidity impact of LAF	-1,30,020	25,390	86,330	18,795	75,785
5. Liquidity impact of OMO* (net)	43,159	32,869	3,540	2,787	1,550
6. Liquidity impact of MSS	65,187	4,117	0	16,036	2,420
7. First round impact of CRR change	0	0	0	-36,000	-12,500
C. Bank Reserves # (A+B)	-66,784	17,863	23,085	56,673	-37,951

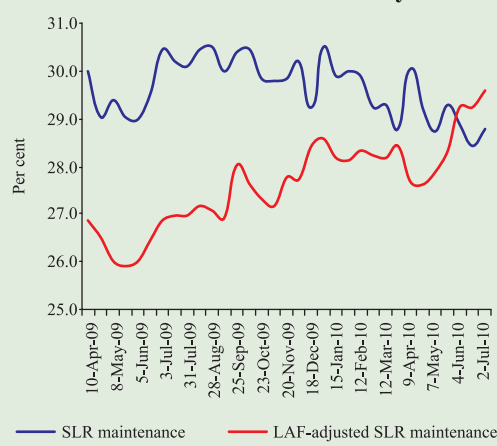
(+) : Injection of liquidity into the banking system. (-): Absorption of liquidity from the banking system.
 * : Includes oil bonds but excludes purchases of government securities on behalf of State Governments.
 # : Includes vault cash with banks and adjusted for first round liquidity impact due to CRR change.
Note: Data pertain to March 31 for Q4 and last Friday for all other quarters.

Table IV.4: Liquidity Position

Outstanding as on Last Friday	(Rupees crore)		
	LAF	MSS	Centre's Surplus@
	2	3	4
2009			
April	1,08,430	70,216	-40,412
May	1,10,685	39,890	-6,114
June	1,31,505	22,890	12,837
July	1,39,690	21,063	26,440
August	1,53,795	18,773	45,127
September	1,06,115	18,773	80,775
October	84,450	18,773	69,391
November	94,070	18,773	58,460
December	19,785	18,773	1,03,438
2010			
January	88,290	7,737	54,111
February	47,430	7,737	33,834
March*	990	2,737	18,182
April	35,720	2,737	-28,868
May	6,215	317	-7,531
June	-74,795	317	76,431

@ : Excludes minimum cash balances with the Reserve Bank in case of surplus.
 * : Data pertain to March 31.
Note: 1. Negative sign in column 2 indicates injection of liquidity through LAF.
 2. The second LAF was conducted only on reporting Fridays since May 8, 2009. Since May 28, 2010, the second LAF is being conducted on a daily basis.

Chart IV.2: SLR Maintenance by Banks



introduced earlier on an *ad hoc* basis were also extended up to July 16, 2010. It was clarified that the temporary measures to ease the liquidity pressures were consistent with the overall calibrated monetary exit, which aimed at containing inflation and anchoring inflation expectations without hurting growth. On an assessment of the prevailing overall liquidity conditions and with a view to providing

flexibility to SCBs and primary dealers in their liquidity management, the Reserve Bank further extended the second LAF on a daily basis till July 30, 2010. The deficit liquidity conditions have continued in July 2010 so far, and the average daily injection of liquidity during the first three weeks of the month was around Rs.53,000 crore.

Reserve Money

IV.9 In 2009-10, the acceleration in the growth rate of reserve money was primarily on account of increase in bankers' deposits with the Reserve Bank on the components side of reserve money, due to cumulative increase in CRR by 75 basis points during the year. On

the sources side, the increase in Reserve Bank's credit to the centre was a major factor, which reflected the liquidity management operations of the Reserve Bank (*i.e.*, MSS unwinding and de-sequestering, open market purchases and LAF operations) to facilitate smooth completion of the large government borrowing programme for 2009-10, while ensuring adequate financing for productive activities and containing inflationary pressures.

IV.10 During the first quarter of 2010-11, the main component of increase in reserve money was currency in circulation (Table IV.5). The higher growth in currency was mainly on account of the increase in demand associated with the strong rebound in economic activities

Table IV.5: Reserve Money - Variations

Item	(Rupees crore)				
	2009-10				2010-11
	Q1	Q2	Q3	Q4	Q1
1	2	3	4	5	6
Reserve Money	-38,926	16,216	51,816	1,38,583	15,685
Components (1+2+3)					
1. Currency in Circulation	29,692	1,081	45,442	32,181	64,785
2. Bankers' Deposits with RBI	-72,664	20,680	5,456	1,07,552	-49,042
3. Other Deposits with RBI	4,046	-5,545	918	-1,150	-59
Sources (1+2+3+4-5)					
1. RBI's Net Credit to Government <i>of which to Centre</i>	-11,145	-14,953	51,428	1,24,676	15,796
2. RBI's Credit to Banks and Commercial Sector	-11,497	-14,968	51,597	1,24,688	15,807
3. Net Foreign Assets of RBI	-9,623	-3,747	-5,926	-2,384	851
4. Government's Currency Liabilities to the Public	-16,750	50,120	-15,108	-66,428	14,613
5. Net Non-Monetary Liabilities of RBI	254	302	309	351	238
	1,662	15,506	-21,113	-82,369	15,814
Memo:					
LAF - Repo (+) / Reverse Repo (-)	-1,32,800	28,170	67,765	37,360	39,375
Net Open Market Sales *	-42,001	-31,591	-1,894	17	-8
Centre's Surplus	-13,156	77,713	17,519	-80,112	37,405
MSS Balances	-65,187	-4,117	0	-16,036	-2,420
*: Excludes Treasury Bills.					
Note: 1. The sum of the memo items will not add up to the net Reserve Bank credit to the Centre as LAF and OMO transactions are at face value and also due to margin adjustment for LAF operations.					
2. Data based on March 31 for Q4 and last reporting Friday for all other quarters.					
3. Data are provisional.					
4. Centre's surplus includes Government's investment balance and cash balance with the Reserve Bank.					

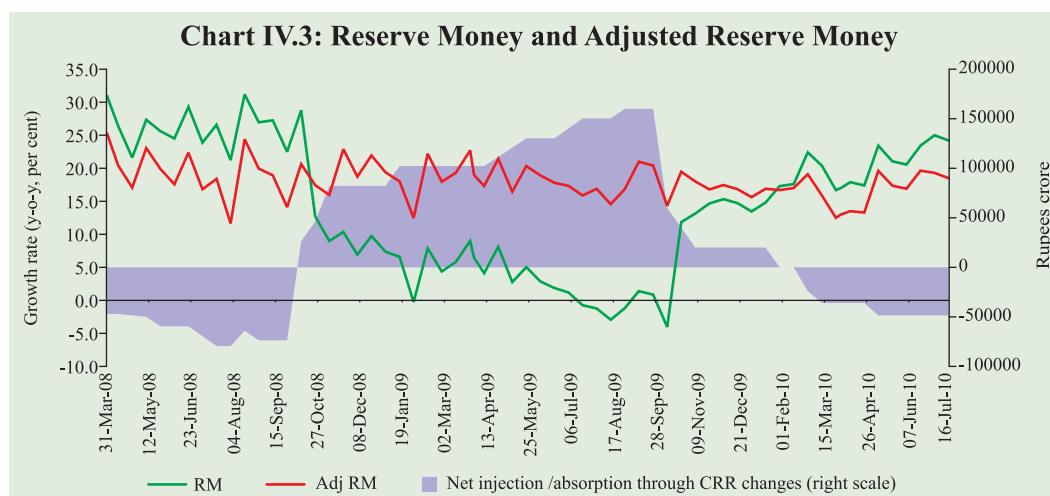
as well as the spurt in inflation. On the sources side, the increase in reserve money was led by increase in Reserve Bank's credit to the centre, primarily reflecting the repo operations in the market¹, and unwinding of balances under the MSS. This was partially offset by the increase in government's cash balances with the Reserve Bank. The net foreign exchange assets of the Reserve Bank also increased during the quarter.

IV.11 Since bankers' deposits with the Reserve Bank, a key determinant of reserve money on the components side, change in response to variations in CRR effected by the Reserve Bank as a part of its monetary policy actions, it is useful to analyse the behaviour of base money adjusted for the CRR changes. The adjusted reserve money increased by 18.5 per cent (y-o-y) as on July 16, 2010, reflecting the impact of increase in currency in circulation (on the components side) and

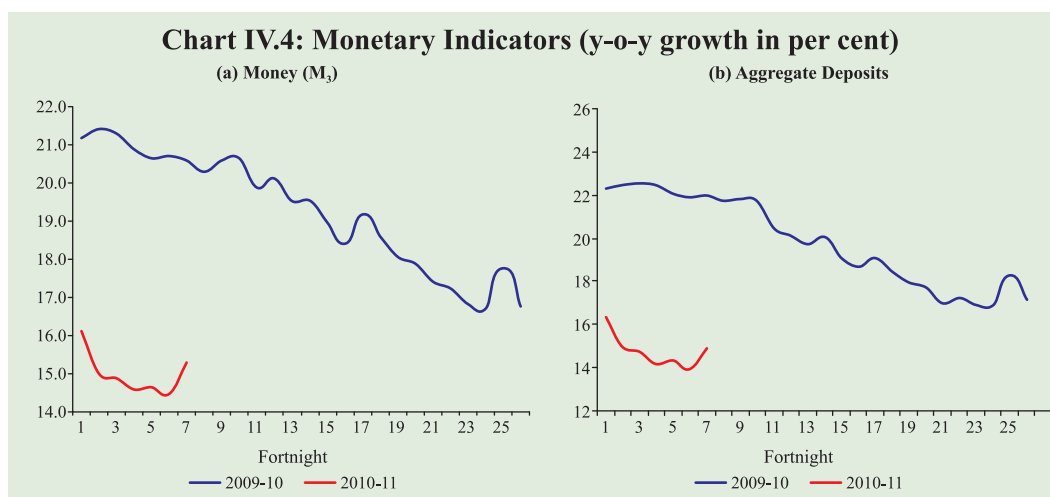
Reserve Bank credit to the government (on the sources side) (Chart IV.3).

Money Supply

IV.12 The deceleration in the growth of M_3 continued up to mid-June 2010 (Chart IV.4 a). This was on account of the deceleration of its major component, *i.e.*, aggregate deposits (Table IV.6 and Chart IV.4 b). The moderation in the growth of time deposits was particularly sharp, which was partly a response to the low deposit rates, given high inflation. During the fortnight ended July 2, 2010, aggregate deposits registered a fortnightly increase of about Rs.1,15,000 crore; it is likely that the increased off-take of credit has begun to be reflected in deposit growth. There has been an increased inflow into small savings schemes since August 2009 as returns on investments in small savings have been higher than on time



¹ The Reserve Bank's credit to the Centre is affected by LAF operations, OMO, MSS balances and Government's cash surplus with the Reserve Bank. Increase in repo/OMO purchases and decline in reverse repo/MSS balances/Government's surplus balances with Reserve Bank lead to increase in net Reserve Bank credit to the Centre, and *vice versa*.



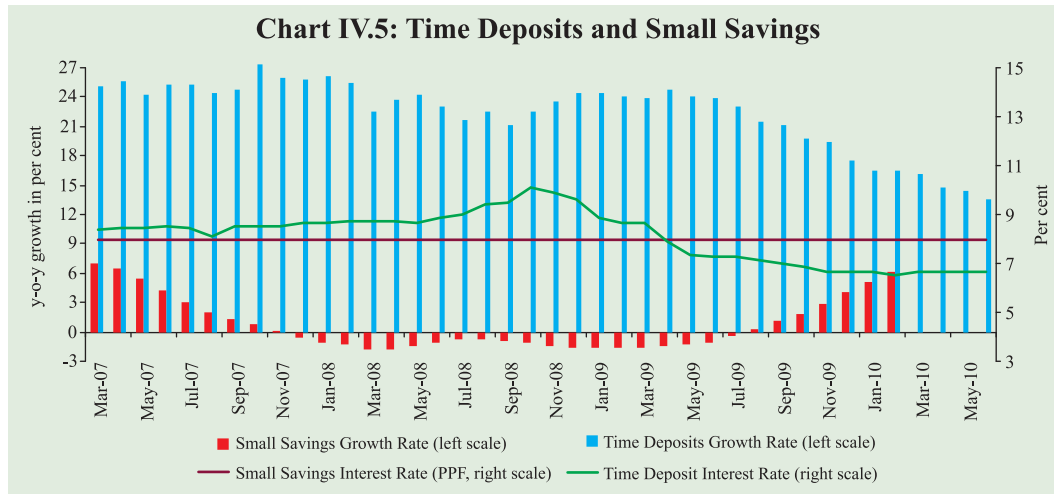
deposits with banks since the beginning of 2009-10 (Chart IV.5). Total incremental inflows into small savings are, however, a small fraction of monthly increases in time deposits, notwithstanding the deceleration in the growth of time deposits.

IV.13 As regards sources of M₃, the increase in money supply during the quarter came mainly from banking system's credit to the commercial sector. There has been sustained acceleration in growth of non-food credit extended by SCBs since the last

Table IV.6: Monetary Aggregates - Variations

Item	(Rupees crore)				
	2009-10				2010-11
	Q1	Q2	Q3	Q4	Q1
1	2	3	4	5	6
M₃ (1+2+3 = 4+5+6+7-8)	1,63,787	1,61,970	1,24,777	3,54,416	77,314
Components					
1 Currency with the Public	24,913	2,797	45,086	29,787	64,381
2 Aggregate Deposits with Banks	1,34,829	1,64,717	78,773	3,25,778	12,992
2.1 Demand Deposits with Banks	-40,911	66,320	-26,343	1,34,985	-88,146
2.2 Time Deposits with Banks	1,75,739	98,397	1,05,116	1,90,793	1,01,138
3 'Other' Deposits with RBI	4,046	-5,545	918	-1,150	-59
Sources					
4 Net Bank Credit to Government	1,20,816	71,703	35,598	1,61,646	41,051
4.1 RBI's Net Credit to Government	-11,145	-14,953	51,428	1,24,676	15,796
4.2 Other Banks' Credit to Government	1,31,961	86,656	-15,830	36,970	25,255
5 Bank Credit to the Commercial Sector	-7,232	1,07,136	68,093	3,09,890	65,642
6 Net Foreign Assets of Banking Sector	-37,923	47,908	-20,701	-59,998	14,613
7 Government's Currency Liabilities to the Public	254	302	309	351	238
8 Net Non-Monetary Liabilities of the Banking Sector	-87,872	65,079	-41,478	57,472	44,231

Note: Data are provisional.



quarter of 2009-10 (Chart IV.6 a). Telecom operators raised credit to pay for the 3G/BWA spectrums, which partly contributed to the stronger growth in credit. With tepid deposit mobilisation (barring the fortnight ending on July 2, 2010), the incremental non-food credit deposit ratio of SCBs moved up to over 100 per cent (Chart IV.6 b). On outstanding basis though, the non-food credit to deposit ratio was 72.3 per cent on July 2, 2010.

IV.14 Given the deceleration in deposits and acceleration in the growth of non-food credit, there has been a deceleration in banks' investment in government securities since November 2009, which is the time when growth in non-food credit turned around (Chart IV.7).

IV.15 The revival in credit demand was reflected in the lending figures for all bank groups, with foreign banks and private sector banks in particular, showing significant

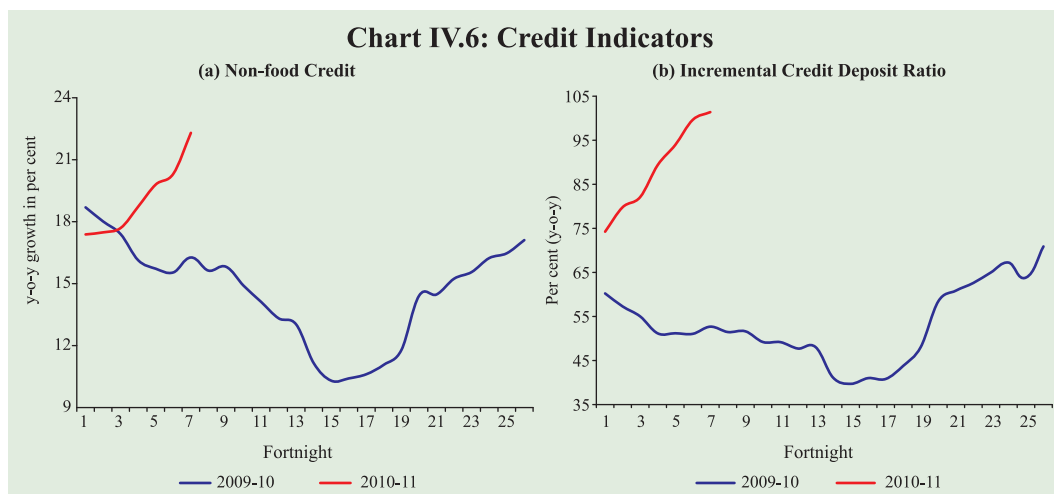
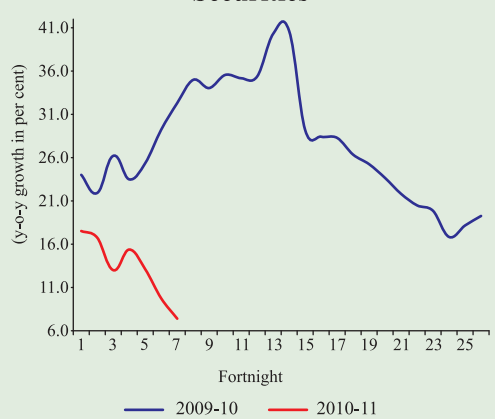


Chart IV.7: Investment in Government Securities

improvement in their y-o-y credit growth compared to last year (Table IV.7). Credit growth from the public sector banks continued to be the highest and also most stable.

IV.16 Disaggregated data on sectoral deployment of gross bank credit show improvement in credit growth (y-o-y) to industry, though the flow is yet not broad-based (Table IV.8). Industry absorbed 57.9 per cent of incremental non-food credit

(y-o-y) in May 2010 as compared with 47.4 per cent in the corresponding month of the previous year. This expansion was led by infrastructure, textiles, food processing, paper and paper products, petroleum, coal products and nuclear fuels, chemicals and chemical products, and vehicles, vehicle parts and transport equipments. The share of incremental non-food credit to micro and small enterprises (industry as well as services), however, declined to 11.9 per cent in May 2010 as compared with 16.0 per cent in May 2009. Within services sector, credit to real estate decelerated sharply, reflecting definitional change to the concept of “lending to real estate sector” effected in September 2009.

IV.17 Banking system accounted for roughly 65 per cent of the total flow of financing to the commercial sector during the first quarter of 2010-11, even as the flow from non-bank sources also increased significantly over the corresponding period of the previous year. Besides bank credit, issuance of IPOs, credit from housing finance companies, external commercial

Table IV.7: Credit Flow from Scheduled Commercial Banks

Item	Outstanding as on July 2, 2010	Variation (Y-on-Y)			
		As on July 3, 2009		As on July 2, 2010	
		Amount	Per cent	Amount	Per cent
1	2	3	4	5	6
1. Public Sector Banks	25,26,007	3,71,522	22.0	4,62,443	22.4
2. Foreign Banks	1,79,111	-12,257	-7.2	20,307	12.8
3. Private Banks	6,17,033	18,716	3.8	1,10,019	21.7
4. All Scheduled Commercial Banks*	34,02,390	3,89,967	16.2	6,06,823	21.7

*: including Regional Rural Banks.
Note: Data are provisional.

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Table IV.8: Deployment of Gross Bank Credit by Major Sectors

Sector	Outstanding as on May 21, 2010	(Amount in Rupees crore)			
		Variation (year-on-year)			
		May 22, 2009		May 21, 2010	
		Amount	Per cent	Amount	Per cent
1	2	3	4	5	6
Non-Food Gross Bank Credit (1 to 4)	30,21,481	3,83,512	17.6	4,63,235	18.1
1. Agriculture and Allied Activities	3,99,494	65,345	24.7	69,362	21.0
2. Industry	13,08,721	1,81,932	21.2	2,68,274	25.8
3. Personal Loans	5,89,003	24,489	4.6	36,032	6.5
Housing	3,05,325	15,095	5.7	26,870	9.6
Advances against Fixed Deposits	47,032	3,718	8.8	1,093	2.4
Credit Card Outstanding	19,579	382	1.4	-7,398	-27.4
Education	36,961	7,342	34.4	8,267	28.8
Consumer Durables	8,138	-1,651	-17.1	140	1.8
4. Services	7,24,263	1,11,746	21.4	89,568	14.1
Transport Operators	52,170	8,721	24.7	8,202	18.7
Professional Services	49,549	9,537	29.9	8,070	19.5
Trade	1,60,985	19,852	16.2	18,695	13.1
Real Estate Loans	95,659	33,499	54.9	1,115	1.2
Non-Banking Financial Companies	1,11,037	22,529	31.3	16,534	17.5
<i>Memo</i>					
Priority Sector	10,65,619	1,46,173	19.1	1,52,429	16.7
Small Enterprises	3,72,867	61,551	24.0	55,129	17.4
Industry	13,08,721	1,81,932	21.2	2,68,274	25.8
Food Processing	67,938	2,903	5.7	14,543	27.2
Textiles	1,20,643	7,790	8.3	18,937	18.6
Paper and Paper Products	19,536	1,936	14.0	3,774	23.9
Petroleum, Coal Products and Nuclear Fuels	63,080	3,552	7.5	12,240	24.1
Chemicals and Chemical Products	79,864	5,250	8.0	9,216	13.0
Rubber, Plastic and their Products	16,570	2,284	20.6	3,169	23.7
Iron and Steel	1,29,169	23,522	29.8	26,814	26.2
Other Metal and Metal Products	35,470	5,406	21.5	4,951	16.2
Engineering	73,821	12,709	24.2	8,561	13.1
Vehicles, Vehicle Parts and Transport Equipments	37,544	2,958	9.9	4,570	13.9
Gems and Jewellery	31,651	3,016	12.1	3,809	13.7
Construction	43,876	11,671	44.7	6,123	16.2
Infrastructure	3,96,544	71,384	35.1	1,21,829	44.3
Note: 1. Data are provisional and relate to select banks.					
2. The deceleration in credit to real estate reflects largely the definitional change to the concept of lending to real estate sector effected in September 2009.					

borrowings and ADRs/GDRs were the other important sources of finance for the commercial sector (Table IV.9).

IV.18 Reflecting the strong growth momentum and sharp acceleration in investment demand, credit to the private

Table IV.9: Flow of Financial Resources to the Commercial Sector

Item	(Rupees crore)			
	April-March		April-June	
	2008-09	2009-10	2009-10	2010-11
1	2	3	4	5
A. Adjusted Non-food Bank Credit	4,21,091	4,80,258	2,529	1,62,373
i) Non-food Credit	4,11,824	4,66,960	8,555	1,51,640\$
<i>of which</i> petroleum and fertiliser credit	31,159	8,491	-18,796	-8,274#
ii) Non-SLR Investment by SCBs	9,267	13,298	-6,026	10,733\$
B. Flow from Non-banks (B1+B2)	4,61,702	5,97,263	58,946	87,837
B1. Domestic Sources	2,79,908	3,81,431	38,659	54,091
1. Public issues by non-financial entities	14,205	31,956	236	5,187
2. Gross private placements by non-financial entities	77,856	1,41,964	N.A.	N.A.
3. Net issuance of CPs subscribed to by non-banks	4,936	25,835	27,134	29,178 *
4. Net credit by housing finance companies	25,876	24,226	-892	4,028 #
5. Total gross accommodation by the four RBI regulated AIFIs - NABARD, NHB, SIDBI & EXIM Bank	31,408	33,871	-4,339	-3,097 #
6. Systemically important non-deposit taking NBFCs (net of bank credit)	42,277	60,663	8,004	14,859 #
7. LIC's gross investment in corporate debt, infrastructure and social sector	83,350	62,916	8,517	3,936 #
B2. Foreign Sources	1,81,794	2,15,832	20,287	33,746
1. External Commercial Borrowings / FCCBs	31,350	14,356	-1,805	9,091
2. ADR/GDR Issues excluding banks and financial institutions	4,788	15,124	215	4,832
3. Short-term credit from abroad	-12,972	35,170	N.A.	N.A.
4. FDI to India	1,58,628	1,51,182	21,877	19,823 #
C. Total Flow of Resources (A+B)	8,82,793	10,77,521	61,475	2,50,210
Memo Item:				
<i>Net resource mobilisation by Mutual Funds through Debt (non-Gilt) Schemes</i>	-32,168	96,578	80,149	8,335

\$: Up to July 2, 2010. #: April-May, 2010. *: Up to June 15, 2010.
N. A.: Not Available.

sector recovered significantly. Flow of resources from non-banks also increased to meet the financing needs of the private sector. Broad money growth remained below the trajectory envisaged by the Monetary Policy Statement for 2010-11, largely due to the deceleration in the growth of aggregate deposits up to mid-June 2010. There has been a turnaround in the growth of both broad money and deposits, which though coincided

with a period of pick-up in credit to telecom companies and the switchover to the base rate. The tightness in liquidity conditions would ease, but the calibrated normalisation of monetary policy may not lead to return of the persistent easy liquidity conditions that prevailed last year. Banks, therefore, have to step-up mobilisation of deposits to meet the demand for credit from both the private sector and the government.