



Annual Meetings of the World Bank and IMF

- The Indian Delegation to the Annual Meetings of the IMF & World Bank on October 11-13, 2008 in Washington, DC was led by Dr. D. Subbarao, Governor, Reserve Bank of India and included Mr. Ashok Chawla, Secretary, Department of Economic Affairs, Ministry of Finance.

- Shri P. Chidambaram, Finance Minister, in his written statement to the International Monetary and Financial Committee acknowledged that the global financial crisis had impacted the world growth scenario and that the crisis holds important lessons for Emerging Market Economies which they should factor in as they move forward on financial sector reform. He also said that concerted policy efforts to minimize the operation of speculative factors in food and fuel price increases and financialisation of commodities is essential. He suggested that the International Monetary Fund should refocus and strengthen its traditional surveillance and lending functions. He said that the Fund must develop appropriate lending instruments incorporating features that would appeal to different types of member countries. [More](#)

- In his written statement to the Development Committee, the Finance Minister said that food and fuel price crisis has rightly been placed at the top of the agenda and complemented World Bank for setting up a \$1.2 billion Global Food Crisis Response Facility for short and long term assistance to countries adversely impacted by the crisis. He stated that the planned increase in Overseas Development Assistance for 2008 is not sufficient to cover the fiscal costs to countries arising from the price shocks and that advanced countries should focus on not only renewing their aid commitment but actually fulfilling them. He said that the basis of international cooperation in climate change lies in the UNFCCC principle of "common but differentiated responsibility and respective capability." On the issue of Voice Reform, he stated that efforts on realignment of shareholding must lead to substantial and effective enhancement of the individual as well as collective voice of Developing and Transition Countries (DTCs) and strongly supported the consensus on an additional board seat for Sub Saharan Africa. [More](#)

Policy Developments

- The Reserve Bank of India has taken a series of measures to ensure adequate liquidity in the financial system. It announced a reduction of the Cash Reserve Ratio (CRR) for scheduled banks by 50 basis points to 8.5 per cent of net demand and time liabilities (NDTL) with effect from the fortnight beginning October 11, 2008 on October 6, 2008. The measure was undertaken with a view to injecting liquidity into domestic financial markets so as to alleviate the pressures brought on by the deterioration in the global financial environment. RBI decided to further reduce the CRR by 250 basis points to 6.50 per cent of NDTL with effect from the fortnight beginning October 11, 2008. As a result of this reduction in the CRR, an amount of about Rs 100,000 crore (approx \$ 20 billion) would be released into the system. Under the Agricultural Debt Waiver and Debt Relief Scheme, Government of India had agreed to provide to commercial banks, regional Rural Banks (RRBs) and co-operative credit institutions a sum of Rs.25,000 crore (approx \$5.2 billion) as the first instalment. At the request of the Government, RBI has agreed to provide the sum to the lending institutions immediately. Banks will be allowed to borrow funds from their overseas branches and correspondent banks up to a limit of 50 per cent of their unimpaired Tier I capital as at the close of the previous quarter or USD 10 million, whichever is higher, as against the existing limit of 25 per cent. The interest rate ceilings on Non Resident Deposits have also been increased. [More](#)

- The Government of India has decided to expand the definition of infrastructure for the purpose of External Commercial Borrowings (ECB) to include mining, exploration and refinery sector. This will allow companies in the mining, exploration and refinery sector to bring in up to \$500 million in ECB. The earlier limit was \$50 million. [More](#)

- The Securities and Exchange Board of India (SEBI) has decided to remove restrictions on issue of participatory notes (P-Notes) by foreign institutional investors (FIIs) with immediate effect. FIIs can now issue P-Notes against securities, including derivatives, as underlying assets. Offshore Derivative Instruments popularly known as P-Notes are issued by FIIs to

foreign individuals who do not want to participate in the Indian securities market directly. SEBI has also decided to enhance the stakes owned in recognized bourses by six categories of shareholders from the existing 5% to 15%. These categories are public financial institutions, stock exchanges, depositories, clearing corporations, banks and insurance companies. [More](#)

- The Government of India has decided to reduce the second generation (2G) license fees by 20-33% for telecom companies whose services cover over 95% of the residential areas in a state. The new rates will be applicable from April 2009. [More](#)

- Reserve Bank of India has decided to allow mutual funds to raise funds against Certificate of Deposits (CDs). RBI allows banks and financial institutions to raise funds by issuing CDs to various entities including mutual funds for a period ranging from seven days to three years. The relaxation would be subject to the SEBI (Mutual funds) regulations. [More](#)

- Reserve Bank of India has decided to relax norms for mobile banking and raised caps on fund transfers and mobile based payments. It has also released final operative guidelines for mobile banking in India. [More](#)

Economic News

- India is expected to grow at 6.9% in 2009 compared to world GDP growth of 3% in 2009 according to the International Monetary Fund's latest *World Economic Outlook*, which says that higher growth in India may contribute to stronger growth and revival of the global economy during the current downslide. [More](#)

- The total deal value of Mergers and Acquisitions by Indian companies, both in India and abroad stood at \$26 billion in the first nine months of 2008 according to the consultancy firm, Indusview Advisors. [More](#)

- The total amount of domestic loans disbursed by Indian banks touched approx \$528.8 billion and total deposits stood at \$715.96 billion as on September 26, 2008 according to latest data from Reserve Bank of India. Despite tight credit conditions, Indian banks have lent approx \$26.91 billion in the second quarter of 2008-09. [More](#)

- Indian biotechnology sector is projected to be a \$5 billion industry by 2010 according to a report by Confederation of Indian Industry and the consultancy

firm, KPMG. According to the report, India is ranked among the top 12 biotech destinations in the world and is the third biggest in Asia-Pacific in terms of number of biotech companies. [More](#)

- India's broadband usage is set to improve sharply with as many as 27.5 million WiMAX users expected by 2012 making it a \$13 billion market, according to projections made by WiMAX Forum, an industry body. The WiMAX technology allows subscribers to access high speed internet on wireless devices such as mobile handsets and laptops and will also enable consumers to make telephone calls using the internet protocol. [More](#)

- India expects 950 million jobs to be created in the tourism sector by 2010 with an estimated 1.6 billion international tourists expected to visit India by 2020. [More](#)

Corporate News

- India's Tata Consultancy Services (TCS) has acquired Citigroup Global Services Limited (CGSL), the Business Process Outsourcing arm of Citigroup in India for \$505 million. This is expected to ensure that TCS has an assured business of \$2.5 billion from Citigroup over a nine and a half year period. [More](#)

- Infrastructure Development Finance Corporation (IDFC) has raised \$855 million which would form a part of \$2 billion equity of the \$5 billion India Infrastructure initiative launched in February 2007. [More](#)

- US-based Verizon Business intends to expand its presence in India to support the direct delivery of advanced telecommunications services to multinational companies with operations in India. Verizon has a 74:26 joint venture with Videocon to offer long distance communication services to the enterprise segment in India. [More](#)

- US-based Ford Motor Company plans to go ahead with its proposed \$500 million investment in India despite the global slowdown and slowing car demand in India. The company plans to introduce its small car in India by 2010. [More](#)