Monetary Management and Financial Intermediation

03

CHAPTER

Several reform initiatives were taken in the banking and insurance sector in 2014-15. These include allowing banks to raise capital from the market to meet capital adequacy norms by diluting the government's stake up to 52 per cent, launching of the Pradhan Mantri Jan Dhan Yojana to provide universal access to banking facilities with at least one basic banking account for every household, and notifying of an ordinance to enhance the foreign equity cap in the insurance sector. Equity markets continued to do well and a number of steps such as improvement in corporate governance norms and establishment of a foreign portfolio investor regulation framework were taken by the Securities and Exchange Board of India for better functioning of both primary and secondary markets.However, asset quality of banks showed some signs of stress during the year. Gross non-performing advances of scheduled commercial banks as a percentage of total advances showed an increase during the year. The year also saw a decline in the growth of bank credit.

Monetary Developments during 2014-15

3.2 The Reserve Bank of India (RBI) adopted the new Consumer Price Index (combined) as the measure of the nominal anchor (headline CPI) for policy communication. Policy rates were kept unchanged during the year till January 2015. In view of continuing easing of inflationary pressures, on 15 January 2015 the RBI reduced the policy repo rate under the liquidity adjustment facility (LAF) from 8.0 per cent to 7.75 per cent. Table 3.1 and Figure 3.1 show revisions and movements in policy rates from 2013 to 2015.

Table 3.1 : Revision in Policy Rates

Effective date	Bank rate/ MSF rate* (percent)	Repo rate (per-cent)	Reverse repo rate (per-cent)	CRR (per cent of NDTL)	SLR (per cent of NDTL)
19-03-2013	8.50	7.50	6.50	4.00 $	
03-05-2013	8.25	7.25	6.25		
15-07-2013	10.25				
20-09-2013	9.50	7.50	6.50		
07-10-2013	9.00				
29-10-2013	8.75	7.75	6.75		
28-01-2014	9.00	8.00	7.00		
14-06-2014					22.50
09-08-2014					22.00
15-01-2015	8.75	7.75	6.75		
7-02-2015					21.50

Source **: RBI.**

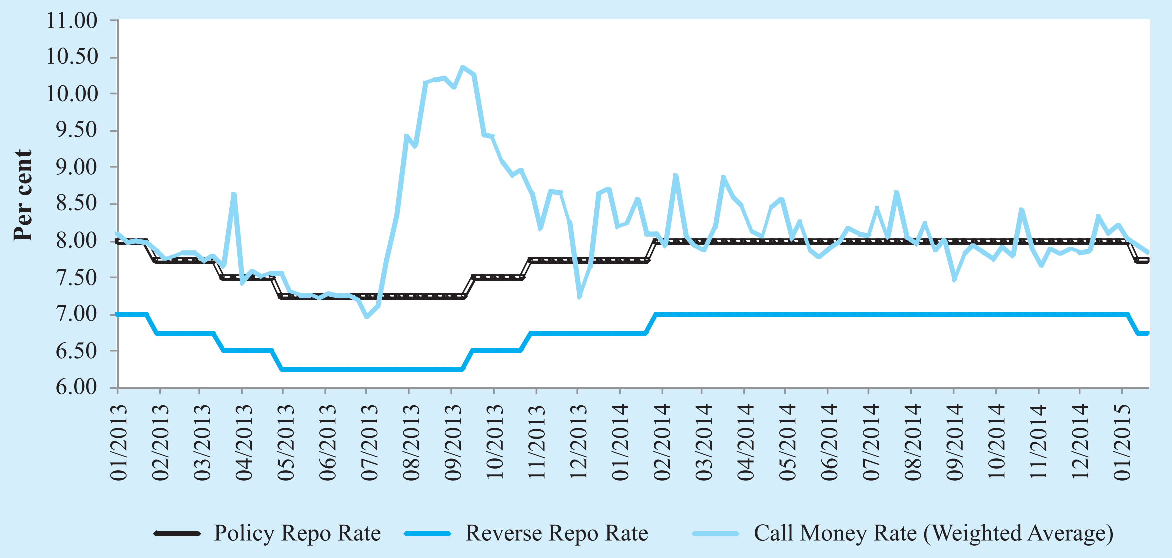
Notes **: * Bank rate was aligned to MSF rate w.e.f 13.2. 2012; $ w.e.f 09.02.2013.**

MSF is marginal standing facility; CRR is cash reserve ratio; SLR is statutory liquidity ratio; NDTL is net demand and time liability.

Trends in Monetary Aggregates

3.3 During 2014-15, both reserve money (M_0) and broad money (M_3) decelerated, compared to the previous year. The moderation in M_0 primarily reflects adjustments in bankers' deposits with the

Figure 3.1: Movement of Policy Rates



Source **: RBI**

RBI following larger year-end accretion in deposits. On the sources side, the increase in the net foreign exchange assets (NFA) of the RBI was mostly offset by the decrease in its net domestic assets (NDA), reflecting a lower net liquidity injection by the RBI in the absence of strong demand for liquidity (Table 3.4). The trends in currency in circulation reflected weaker economic activity (Table 3.2).

3.4 Deceleration in credit (Table 3.3) could be attributed to economic slowdown, availability of alternative sources of funds, deterioration in asset quality of banks, especially public-sector banks (PSB), and selling of stressed loans by a few banks to asset reconstruction companies. Net bank credit is also lower due to repayment of loans by entities that received payments by government departments and public enterprises, and lower borrowing by oil marketing companies.

Liquidity Management

3.5 With a view to ensuring flexibility, transparency and predictability in liquidity management operations, RBI revised its liquidity management framework with effect from 5 September 2014. Its main features are: (a) assured access to liquidity of 1 per cent of NDTL (excluding export credit refinance) through bank-wise overnight fixed rate repos of 0.25 per

Table 3.2 : Sources of Change in Reserve Money (M_0) (in per cent)

	Financial year		
	2013-14	3 January 2014 over 31 March 2013	2 January 2015 over 31 March 2014
Reserve money	14.4	5.1	0.9
Select components			
Currency in circulation	9.2	5.7	5.9
Bankers' deposits with RBI	34.0	3.3	-15.7
Select sources of reserve money			
Net foreign exchange assets of RBI	15.7	15.1	10.9
Government's currency liabilities to the public	13.0	15.1	8.1
Net non-monetary liabilities of RBI	21.8	26.6	0.6

Source **: RBI**

Table 3.3 : Sources of Change in Money Stock (M_3) (in per cent)

	2013-14	31 March 2013 to 27 December 2013	31 March 2014 to 26 December 2014
Broad money (M_3)	13.2	9.9	7.9
Currency with the public	9.4	6.4	6.2
Demand deposits with banks	6.8	2.7	7.7
Time deposits with banks	14.6	11.4	8.2
"Other" deposits with RBI	-39.3	-23.2	314.2
Sources of change in money stock (M_3)			
Net bank credit to government, of which,	12.2	9.3	1.5
Other banks' credit to government	10.5	10.2	10.1
Bank credit to commercial sector, of which,	13.7	9.1	5.7
Other banks' credit to commercial sector	13.6	9.1	5.8
Net foreign exchange assets of banking sector	17.6	16.0	9.5
Government's currency liabilities to the public	13.0	9.9	7.3
Banking sector's net non- monetary liabilities	17.4	12.3	-8.2
Memo items			
Money multiplier	5.5		
Velocity of money	1.2		
Net domestic assets	12.1	8.5	7.5
Net domestic credit	13.2	9.2	4.3

Source: RBI.

cent of NDTL and variable rate fourteen-day term repos; (b) more frequent auction of term repos (four times) during a fortnight, allowing flexibility to banks to alter their liquidity assessment; and (c) higher frequency of access to RBI's overnight liquidity, with the introduction of variable rate overnight repos/reverse repo auctions. Term repo auctions are projected to grow as the main instrument of frictional liquidity management.

Table 3.4 : End-quarter growth rate of NDAs and NFAs (per cent)

	NDAs	NFAs
3/31/2013	9.1	5.8
6/28/2013	19.5	4.0
9/27/2013	24.9	10.6
12/27/2013	13.8	13.1
3/31/2014	18.3	15.7
6/27/2014	-2.1	12.7
9/26/2014	-21.5	13.7
12/26/2014	-19.0	11.5

Source : RBI

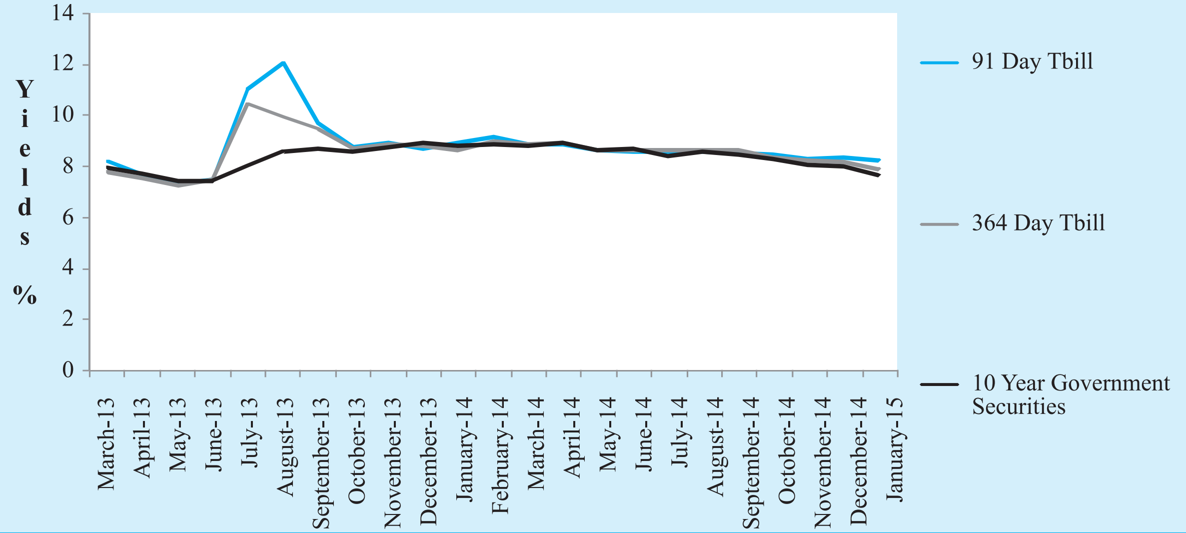
Liquidity conditions

3.6 Liquidity conditions have remained broadly balanced during 2014-15 so far, except temporary tight conditions due to delayed government expenditure. Tight liquidity conditions were witnessed in March 2014 but improved from Q1 2014-15 due to decline in government cash balances. Slower paced growth in credit off-take in comparison to deposit mobilization and draw-down of government cash surplus helped ease liquidity pressures from August. The narrowing gap between credit and deposit growth (which turned negative in August 2014), also helped reduce the pressure on liquidity during this period. The revised liquidity management framework helped the weighted average cut-off rates in fourteen-day term repo auctions as well as in overnight variable rate repo auctions remain close to the repo rate. The volatility of the weighted average call rate went down. Moderation in the weighted average call rates and long-term yields for government and high-quality corporate issuances since end-August 2014 suggest that there has been some easing of monetary conditions.

Developments in Government Securities Market

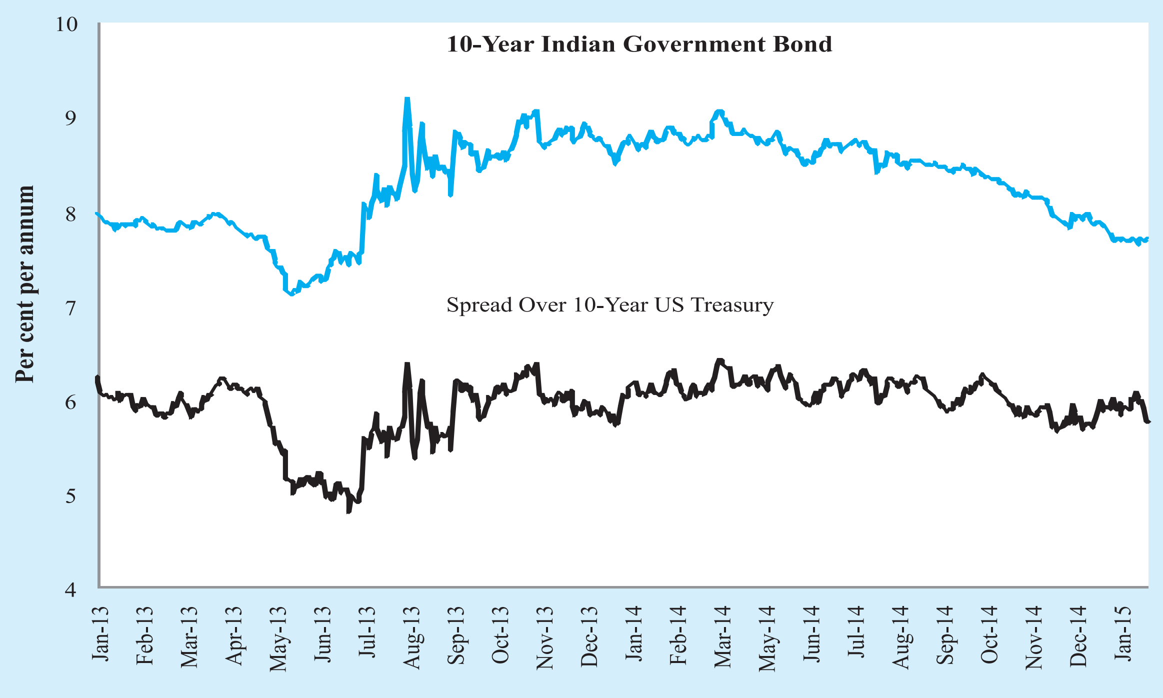
3.7 The ten-year government bond reflects the long end of the yield curve. The ten-year rates are also proxy credit risk of the sovereign. The primary factors responsible for easing in yields (Figures 3.2 and 3.3) include positive

Figure 3.2: Yield Curve



Source **: RBI and Centre for Monitoring Indian Economy (CMIE).**

Figure 3.3: Ten-Year Government Bond Yield (India and USA)



Source**: Bloomberg.**

market sentiment on account of expectations from the new stable government at the centre, three-year low retail inflation readings in December 2014, significant correction in commodity prices and firm commitment shown by the government on the fiscal front, and up gradation of outlook by sovereign credit rating agency S &P.

Table 3.5 : Growth Rates of Select Banking Aggregates

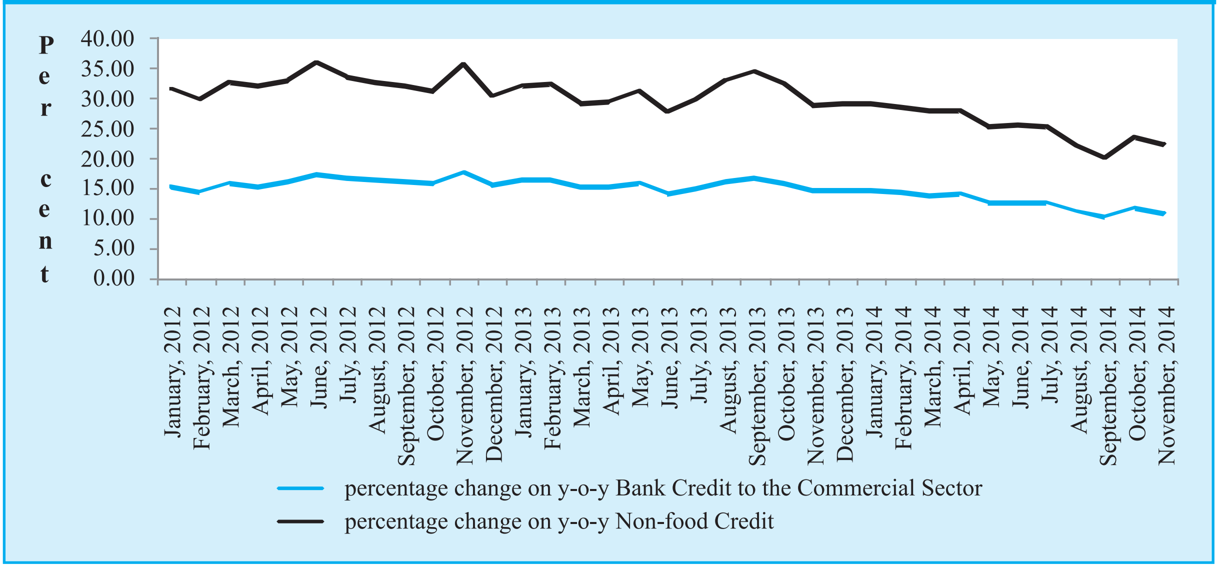
	% change			
	2012-13	2013-14	2013-14 (as on 13 December 2013)	2014-15 (as on 12 December 2014)
1. **Bank credit**	14.1	13.9	14.6	10.9
(a) Food credit	18.6	2.1	-1.1	-2.1
(b) Non food credit	14.0	14.2	14.9	11.1
2. **Aggregate deposits**	14.2	14.1	16.6	10.6
(a) Demand Deposits	5.9	7.8	12.3	7.6
(b) Time Deposits	15.2	14.8	17.0	10.9
3. **Investment**	15.4	10.3	14.0	10.4
(a) Govt securities	15.5	10.4	14.0	10.5
(b) Other approved securities	-11.5	-33.6	-5.8	-8.3

***Source* : RBI.** **Data for 2014-15 is provisional.**

Bank Credit

3.8 The growth of aggregate deposits of scheduled commercial banks (SCB) decelerated during 2014-15 till December (Table 3.5), mainly due to base effect, i.e. high accretion to NRI deposits, last year during September-November and due to lower deposit mobilization during this year. The growth in non-food credit also decelerated (see also Figure 3.4).

Figure 3.4: Year on Year growth of Bank Credit to Commercial Sector and Non-Food credit



***Source*: RBI.**

Interest Rates of SCBs (excluding Regional Rural Banks)

3.9 The transmission of changes in policy rate to deposit and lending rates of banks remained muted in 2014-15 so far, reflecting the presence of structural rigidities in the credit market, weak pricing power of banks, and asset quality concerns.During 2014-15 till December, the median-term deposit rates of banks across all maturities declined modestly (Table 3.6), reflecting comfortable liquidity conditions as well as subdued credit demand. The weighted average lending rate (WALR) declined marginally, reflecting weak pricing power of banks, offset partly by asset quality concerns prompting banks to charge higher risk premiums.

3.10 During 2007 to 2013, real policy interest rates were consistently negative (Figure 3.5). This situation had been reversed by the end of 2013, when real interest rates started climbing into positive territory, and they now stand above 2 per cent (on a three-month forward- looking basis).

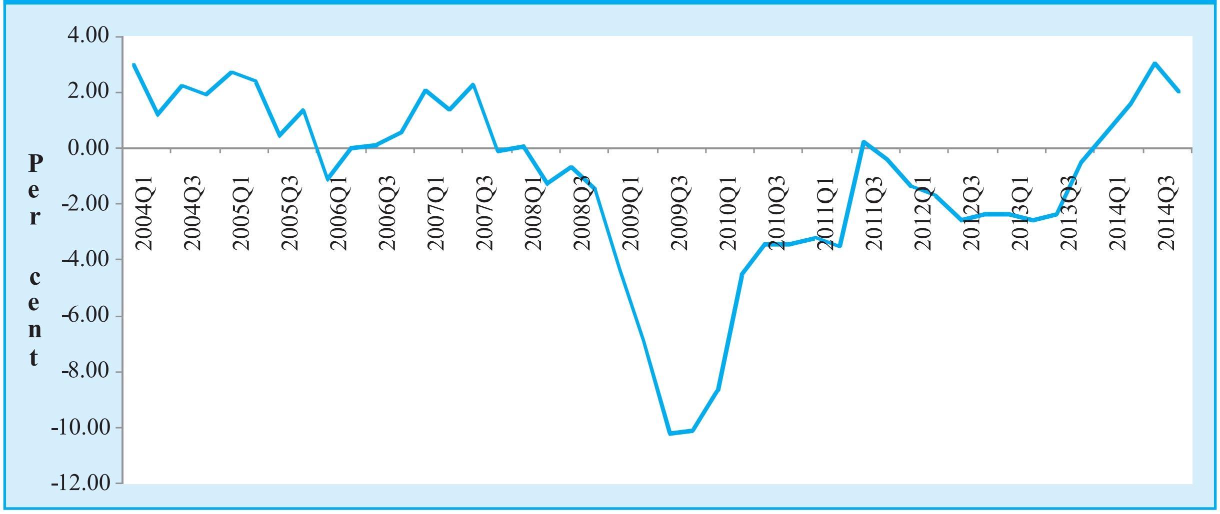
Table 3.6 : Deposit and Lending Rates of SCBs (excluding RRBs)

Items	Average interest rates (%)				Variations (percentage points) (December over March)
	Mar.14	Jun.14	Sep-14	15 Dec. 2014	
Domestic term deposit rates of SCBs- All Maturities	7.69	7.65	7.62	7.54	-0.15
Public-sector banks	7.85	7.81	7.76	7.57	-0.28
Private-sector banks	7.67	7.57	7.56	7.50	-0.17
Foreign Banks	7.56	7.58	7.54	7.53	-0.03
				Nov 2014	Nov over March
WALR (outstanding rupee loans) SCBs	12.19	12.20	12.11	12.14	-0.05
WALR (fresh rupee loans) SCBs	11.64	11.68	11.59	11.60	-0.04

Source: RBI.

Notes: **SCB is scheduled commercial bank. RRB is regional rural bank. WALR is weighted average lending rate. Data on WALR isprovisional.**

Figure 3.5: Real Policy Rate (on a three month forward looking basis)



Source: **RBI.**

Performance of SCBs

3.11 The capital to risk weighted assets ratio (CRAR) at system level was 13.02 per cent as at end March 2014 (Basel-III). It moved to 12.75 per cent in September 2014. The regulatory requirement for CRAR is 9 per cent for FY 2015. The decline in capital positions at aggregate level, however, was on account of deterioration in capital positions of PSBs. While the CRAR of the scheduled commercial banks (SCB) at 12.75 per cent as of September 2014 is satisfactory, going forward the banking sector, particularly PSBs will require substantial capital to meet regulatory requirements with respect to additional capital buffers.

3.12 Asset quality of PSBs has come under stress in recent times. As per the RBI's Financial Stability Report (December 2014),the gross non-performing advances (GNPA) of scheduled commercial banks as a percentage of the total gross advances increased to 4.5 per cent in September 2014 from 4.1 per cent in March 2014. Stressed advances increased to 10.7 per cent of the total advances from 10.0 per cent between March and September 2014. Five sub-sectors, viz.infrastructure, iron & steel, textiles, mining (including coal), and aviation, hold 54 per cent of total stressed advances of PSBs as on June 2014. Among bank groups, exposure of PSBs to infrastructure stood at 17.5 per cent of their gross advances as of September 2014. This was significantly higher than that of private-sector banks (9.6 per cent) and foreign banks (12.1 per cent). The stress tests suggest that the asset quality of banks may improve in the near future under expected positive developments in the macro-economic environment and banks may be able to meet expected losses with their existing level of provisions. The PSBs continue to be under stress on account of their past lending. Taking GNPA and restructured advances together, the stress on PSBs is 12.57 per cent of total advances as on September 2014.

3.13 The RBI has taken a number of steps to resolve the NPA issue. In January 2014, it came out with guidelines on "Early Recognition of Financial Distress, Prompt steps for Resolution and Fair Recovery for Lenders: Framework for Revitalizing Distressed Assets in the Economy", whereby banks have to start acting as soon as a sign of stress is noticed in a borrower's actions and not wait for it to become an NPA. The RBI has also issued guidelines to bring flexibility in project loans to infrastructure and core industry projects, both existing and new.Towards strengthening recovery from non-cooperative borrowers, the RBI has tightened the norms for asset reconstruction companies (ARC) in August 2014, whereby the minimum investment in security receipts should be 15 per cent, as against the earlier norm of 5 per cent.

Financial Inclusion

3.14 Financial inclusion is an important priority of the government. The objective is to ensure the excluded sections, i.e. weaker sections and low-income groups, access to various financial services such as a basic savings bank account, need-based credit, remittance facility, insurance and pension.

3.15 **Pradhan Mantri Jan-DhanYojana:** To achieve the objective of financial inclusion by extending financial services to the large hitherto unserved population of the country and to unlock its growth potential, the Pradhan Mantri Jan-DhanYojana (PMJDY) was launched on 28 August 2014. The Yojana envisages universal access to banking facilities with at least one basic banking account for every household, financial literacy, access to credit and insurance. The beneficiaries will receive a RuPay Debit Card having inbuilt accident insurance cover of Rs1 lakh. In addition, there is a life insurance cover of ₹ 30,000 to those who opened their bank accounts for the first time between 15 August 2014 and 26 January 2015 and meet other eligibility conditions of the Yojana. The Yojana has entered the Guinness World Records for opening most bank accounts during the week starting 23August 2014 as part of the financial campaign. As on 28 January 2015, 12.31 crore bank accounts have been opened, of which 7.36 crore are in rural areas and 4.95 crore in urban areas. Under the PMJDY, 67.5 per cent of the accounts as on 28 January 2015 are with zero balance.

The major initiatives taken in the banking sector are given in the box 3.1

Non-Banking Financial Companies

3.16 Non-banking financial companies (NBFCs) have evolved as important financial intermediaries particularly for the small-scale and retail sectors. NBFCs as a whole accounted for 13.1 per cent of bank assets and 0.2 per cent of bank deposits as on 31 March 2014. There are two broad categories of NBFCs based on whether they accept public deposits, viz., deposit-taking NBFCs (NBFC-D) and non-deposit-taking NBFCs (NBFC-ND). With the emergence of large sized NBFCs, the regulatory focus has gradually increased on systemically important NBFCs (NBFCs-ND-SI), i.e. with asset size ₹ 500 crore and above. The total number of NBFCs registered with the RBI declined from 12,158 (as on 30 September 2013) to 11,932 (as on 30 September 2014). The number of NBFCs-D declined from 253 to 226, while the number of NBFC-ND with asset size ₹ 100 crore and above increased from 437 to 465 during the same period. The number of NBFCs-ND-SI stood at 200 as on 30 September 2014. Loans and advances by NBFCs witnessed a growth of 13.1 percent during 2013-14. From the perspective of deployment of funds, loans and advances accounted for more than two-thirds of their total deployment of funds.

3.17 The RBI has issued a revised regulatory framework for NBFCs in November 2014, as they are increasingly exposed to risks arising out of counterparty failures, funding and asset concentration, and interest rate movement and risks pertaining to liquidity and solvency.

Developments in Capital markets

Primary Market

3.18 During April-December 2014, resource mobilization through the primary market exhibited mixed patterns with equity and debt issues declining and private placements of corporate bonds increasing, on year-on-year basis. As private placements of corporate bonds account for the lion's share, total mobilization increased during the period. The number and value of private

Box 3.1 : Major Initiatives in the Banking Sector

a) The RBI issued guidelines for licensing of new banks in the private sector on 22 February 2013, and in April 2014 two applicants have been granted'in principle' approval to setup new banks in the private sector within a period of eighteen months.

b) Pursuant to the Budget 2014-2015 announcement for setting up of differentiated banks serving niche interests such as local area banks and payment banks,the RBI has formulated and released guidelines in November 2014 for licensing of payments banks and small finance banks in the private sector. Subsequently the RBI has invited applications for setting up of small banks and payments banks.

c) Payment and Settlement Systems (Amendment) Bill 2014:The Payment and Settlement Systems Act 2007 (PSS Act) was enacted with a view to providing sound legal basis for the regulation and supervision of payment systems in India by the RBI. For establishing a legal framework for regulation of trade repositories and legal entity identifier issuer, amendments have been considered necessary to make the PSS Act more effective. The proposed amendments will provide finality to the determination of the payment obligations and settlement instructions between a central counter party (the system provider) and system participants in the event of insolvency, dissolution, or winding up of a central counter party. The Bill has been passed by the LokSabha in the winter Session of 2014 and is currently pending in the Rajya Sabha.

d) Capital requirement of PSBs: The Union Cabinet, on 10 December 2014 has approved aproposal allowing PSBs to raise capital from public markets through FPO (follow on public offer) or QIP (qualified institutional placement) by diluting Government of India holding upto 52 per cent in a phased manner based on their capital requirement, stock performance, liquidity, market appetite and subject to certain conditions.

Table 3.7 : Resource Mobilization in the Primary Market (₹ crore)

	2012-13	2013-14	2013-14#	2014-15#
Debt	16982	42383	17436	7348
Equity	15473	13269	8124	4292
of which IPOs	6528	1236	1166	1480
Pvt. Placement of corporate bonds	361462	276054	201838	269245
Total	**393917**	**331706**	**227398**	**280885**

Source: SEBI.

Notes: The equity issues considered are only equity public issues;
: # indicates as on 31 December of respective year.

placements increased both in the National Stock Exchange (NSE) and Bombay Stock Exchange (BSE) during the period (Table 3.7).

Secondary Market

3.19 The benchmark indices, BSE Sensex and Nifty showed a general upward trend in the current year so far, closing at 27,499 and 8283 respectively as on 31 December 2014 with corresponding growth rates of 29.9 and 31.4 per cent, year on year (Figure 3.6). The Indian indices are among the better performing in the world (Table 3.8).

Figure 3.6: Movement of Indices of Nifty and Sensex

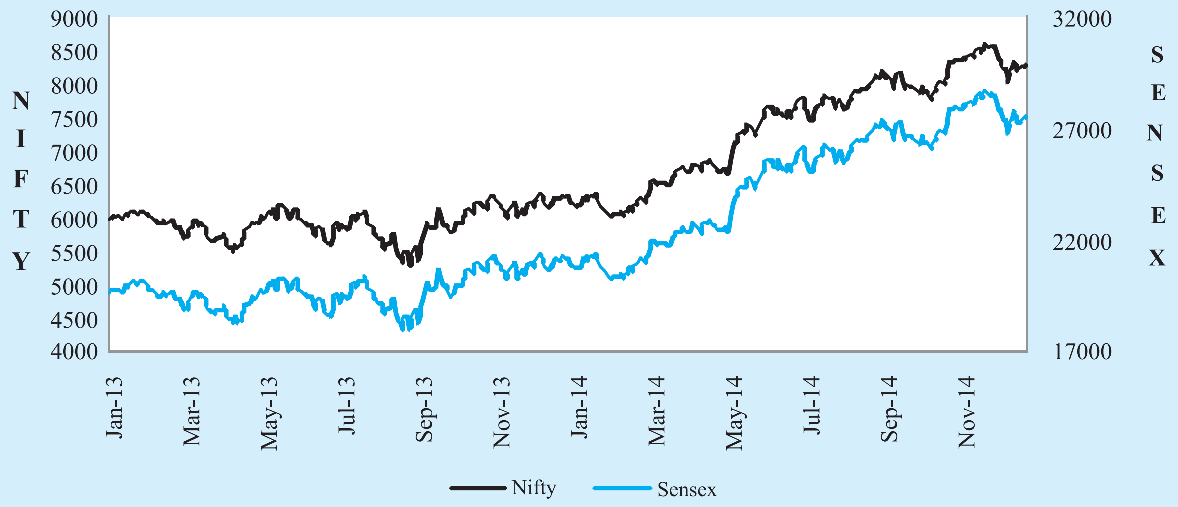


Table 3.8 : Performance of Major Stock Markets in the World

Index	Country	Index value 2014#	Percentage change in 2014 over 2013 (based on local currency)	Percentage change in 2014 over 2013 (based US$)
Sensex	India	27499	29.9	27.1
Nifty	India	8283	31.4	28.5
SPX	USA	2059	11.4	11.4
DAX	Germany	9806	2.7	-9.6
UKX	England	6566	-2.7	-8.5
NKY	Japan	17451	7.1	-5.8
HSI	Hong Kong	23605	1.3	1.3
IBOV	Brazil	50007	-2.9	-13.4
KOSPI	Korea	1916	-4.8	-8.4
FSSTI	Singapore	3365	6.2	1.2
SHCOMP	China	3235	52.9	49.1
CAC	France	4273	-0.5	-12.7

Source : Bloomberg

Note : # indicates as on 31 December of respective year.

Table 3.9 : Currency and Interest Rate Derivatives (₹ crore)

Exchange	Trading value in currency derivatives		Trading value in interest rate derivatives	
	2013-14#	2014-15#	2013-14#	2014-15#
NSE	3454979	2101567	30173	266607
MCX-SX	2166528	534329	7191	20346
USE	185385	52185		
BSE	17552	1073916	2580	1440

Source **: NSE, MCX-SX, BSE and USE.**

Note**: # indicates as on December 31 of respective year.**

3.20 **Currency and Interest Rate Derivatives :** Most exchanges saw a decline in trading volumes in the currency derivatives segment (**Table 3.9**). Trading in cash-settled interest rate futures contracts on ten-year Government of India securities commenced in January 2014.

3.21 **Foreign Portfolio Investment:** With the commencement of the foreign portfolio investment (FPI) regime from 1 June 2014, the erstwhile foreign institutional investors (FIIs), Sub Accounts and qualified foreign investors (QFIs) have been merged into a new investor class termed foreign portfolio investors. The total net FPI inflows during April-December 2014 stood at US $ 32,943 million compared to an outflow of US $ 539 million in the corresponding period of 2013-14.

SEBI has undertaken a number of policy initiatives for the development of both primary and secondary markets during the year. The major policy developments are given in Box 3.2

Insurance Sector

3.22 In India, insurance penetration has grown from 2.3 per cent (life 1.8 per cent and non-life 0.7 per cent) in 2000 to 3.9 per cent (life 3.1 per cent and non-life 0.8 per cent) in 2013. The life insurance penetration level compares well with the emerging market economies. During 2013-14, the life insurance industry recorded a premium income of ₹ 3,14,283 crore as against ₹ 2,87,202 crore in the previous financial year, registering a growth of 9.4 per cent. While private-sector insurers posted 1.4 per cent decline in their premium income, Life Insurance Corporation of India (LIC) recorded 13.5 per cent growth during the period. On the basis of total premium income, the market share of LIC increased from 72.7 per cent in 2012-13 to 75.4 per cent in 2013-14.

3.23 With a view to removing archaic and redundant provisions in the insurance laws, empowering the Insurance Regulatory and Development Authority (IRDA) to enable more effective regulation, and enhancing the foreign equity investment cap in an Indian insurance company from 26 to 49 per cent with the safeguard of Indian ownership and control, the government has promulgated the Insurance Laws (Amendment) Ordinance 2014 on 26 December 2014. The ordinance amends the Insurance Act 1938, the General Insurance Business (Nationalization) Act 1972, and the IRDA Act 1999.

Pension Sector

3.24 The National Pension System (NPS) which was initially introduced for the new recruits who had joined central government service (except armed forces at first stage) with effect from 1 January 2004, has been subsequently extended to autonomous bodies, state governments, and the unorganized sector. Barring two States, all the States have since come under the ambit of the NPS. From 1 May 2009, the NPS was opened up for all citizens in India to join on a voluntary basis. Till 31 December 2014, a total of 79.71 lakh members have been enrolled under the NPS with a corpus of ₹ 73, 097 crore. Assets under management

Box 3.2 : Policy Developments (April-December 2014)

Securities Laws (Amendment) Act 2014: Vide the Act passed in August 2014, enhanced powers were conferred upon SEBI, including explicit power to disgorge ill-gotten gains, power to conduct search and seizure, explicit powers for settlement, attachment and recovery, increase in penalties, and constitution of special courts.

Primary Market

- In order to strengthen the corporate governance norms, SEBI amended Clause 49 of the equity listing agreement with provisions such as exclusion of nominee director from the definition of independent director and compulsory whistle blower mechanism.
- The Securities Contracts (Regulation) Rules 1957 were amended to require a minimum public shareholding of 25 per cent of the total number of issued shares of public-sector units within three years.

Secondary Market

- The framework for stock exchanges to launch cash-settled interest-rate futures on ten-year government securities was prescribed.
- FPIs were allowed to trade in currency derivatives subject to terms and conditions.
- SEBI enabled a single consolidated view of all the investments of an investor in mutual funds and securities held in demat form with the depositories.
- SEBI permitted single registration for stock brokers/clearing members. The policy of granting single registration for operating with both the depositories was approved.
- SEBI amended SEBI {KYC Registration Agency} (KRA) Regulations 2011 to provide for sharing of KYC (know your customer) information with other regulators.

Foreign Portfolio Investors

- The SEBI (Foreign Portfolio Investors) Regulations 2014 came into effect from 1 June 2014. Operational Guidelines for Designated Depository Participants (DDPs) were issued.
- From April 2014, investment conditions for FII/QFI investments in government debt securities were changed whereby their investments in T-Bills were allowed to taper off on maturity/sale.
- FPIs were permitted to invest on repatriation basis, in non-convertible/redeemable preference shares or debentures issued by an Indian company and listed on recognized Indian stock exchanges.

Mutual Funds, Corporate bonds, AIFs

- SEBI (Real Estate Investment Trusts) Regulations 2014 were notified in September 26, 2014.
- SEBI notified the Infrastructure Investment Trust Regulations in September 2014 which provide a framework for registration and regulation of InvITs in India.
- SEBI (Research Analysis) Regulations, 2014 were notified on September 01, 2014.

under the NPS have witnessed an increase from ₹ 48,136 crore as on 31 March 2014 to ₹ 72,000 crore as on 31 December 2014, registering an increase of 49.6 per cent. The Swavalamban Scheme, a co-contributory pension scheme launched in 2010 for persons in the unorganized sector, is now open to those citizens of India who are not part of any pension/ provident fund scheme. A total of 6.29 lakh subscribers have already been enrolled under the scheme till 31 December 2014 during FY 2014-15.

3.25 The Pension Fund Regulatory and Development Authority (PFRDA) Act 2013 has been made effective from 1 February 2014, after it was passed by Parliament in September 2013. The PFRDA Act seeks to vest the PFRDA with statutory status in order to allow it to perform its regulatory and developmental roles effectively.