Non-resident deposits

6.59 Information on aggregate outstanding balances and net inflows/outflows for various non-resident deposit accounts are available till March 2004. The trends of accumulation in different non-resident accounts and the pattern of month-wise inflows/outflows under various deposit schemes are given in Table 6.13 (Panels A and B).

6.60 In terms of outstanding balances for various schemes, there has been a steady increase in the outstanding stocks held in NR (E)RA accounts. Fresh inflows under this scheme have also been much higher than those for the other two schemes. The main reason behind the higher stocks and flows in the NR(E)RA account is the progressive crediting of maturity proceeds from the NR (NR)RD scheme, which has been discontinued from April 1, 2002.

6.61 Despite constituting an important source of external finance, non-resident deposits are liabilities for the banking system. There are fiscal costs involved in terms of the interest outgo on these deposits, which tend to increase along with the increase in the volume of the deposits. Since 1990s therefore, the policy towards non-resident deposits has aimed to achieve the twin objectives of retaining the attraction of the schemes, while simultaneously reducing their effective costs.

TABLE 6.13- PANEL A: NRI DEPOSITS – OUTSTANDING@

(in US $ million)

2003-04 (P) (end month)

SCHEME	APR.	MAY	JUN.	JUL.	AUG.	SEP.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.
1	2	3	4	5	6	7	8	9	10	11	12	13
1 FCNR(B)	10,099	9,994	10,080	9,880	9,924	9,952	10,547	10,668	10,845	10,928	11,002	10,979
2. NR (E) RA	15,933	16,673	17,745	18,451	18,765	19,023	19,983	19,772	20,233	20,261	20,495	20,496
3. NR (NR) RD	3,274	3,063	2,965	2,796	2,646	2,496	2,397	2,209	2,111	2,027	1,912	1,773
TOTAL	**29,306**	**29,730**	**30,790**	**31,127**	**31,335**	**31,471**	**32,927**	**32,649**	**33,189**	**33,216**	**33,409**	**33,248**

TABLE 6.13-PANEL B : INFLOWS (+)/ OUTFLOWS (-) UNDER VARIOUS NRI DEPOSIT SCHEMES

(in US $ million)

2003-04 (P) (end month)

SCHEME	APR.	MAY	JUN.	JUL.	AUG.	SEP.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.-MAR.
1	2	3	4	5	6	7	8	9	10	11	12	13	**14**
1. FCNR (B)	-100	-105	86	-200	44	28	595	121	177	82	74	-22	**780**
	(126)	(90)	(102)	(171)	(-42)	(66)	(68)	(-40)	(44)	(2)	(-21)	(-40)	**(526)**
2. NR (E)RA@@	901	627	876	580	193	287	699	60	304	-67	191	-17	**4634**
	(592)	(377)	(466)	(607)	(484)	(501)	(767)	(474)	(435)	(498)	(521)	(473)	**(6195)**
3. NR (NR) RD	-158	-233	-133	-189	-168	-146	-133	-158	-116	-94	-119	-141	**-1788**
	(-191)	(-361)	(-336)	(-390)	(-402)	(-367)	(-383)	(-243)	(-245)	(-285)	(-296)	(-246)	**(-3745)**
TOTAL	**643**	**289**	**829**	**191**	**69**	**169**	**1,161**	**23**	**365**	**-79**	**146**	**-180**	**3626**
	(527)	**(106)**	**(232)**	**(388)**	**(40)**	**(200)**	**(452)**	**(191)**	**(234)**	**(215)**	**(204)**	**(187)**	**(2976)**

P : Provisional
@ : All figures are inclusive of accrued interest
@@ : The inflows into NR(E)RA deposits during the years 2002-03 & 2003-04 may partly be due to crediting of maturity proceeds of the NR(NR)RD deposits which were discontinued with effect from April 1, 2002.

Notes:

1. **FCNR(B): Foreign Currency Non-Resident(Banks)**
2. **NR(E) RA: Non-Resident (External) Rupee Accounts**
3. **NR(NR)RD: Non-Resident (Non-Repatriable) Rupee Deposits**
4. **Figures in the bracket represent inflows (+) /outflows (-) during the corresponding month/period of the previous year. Inflows/outflows have been calculated by taking the monthly variation in rupee denominated deposits and converting those by monthly average exchange rate. All figures are inclusive of interest and valuation changes arising on account of fluctuation in non-dollar currencies against US Dollar.**

6.62 The policy focus with regard to non-resident deposits in the recent past has been on rationalisation of interest rates on these deposits. Traditionally, the interest rates on FCNR(B) deposits have been linked to the LIBOR rates since October 1997 with the spread kept at 25 basis points. Beginning from July 2003, interest rates on fresh NR(E)RA deposits for one to three years have also been linked to the US Dollar LIBOR/SWAP rates. The spread on these deposits was reduced from 250 basis points (July 16, 2003) to 100 basis points (September 19, 2003), further to 25 basis points (October 30, 2003), and were finally brought on par with LIBOR/SWAP rates for US Dollar of corresponding maturity with effect from April 17, 2004. Moreover, the interest rate on NR (E) savings deposits have been fixed so as to not exceed the LIBOR/ SWAP rates of six months maturity on US Dollar deposits and are to be fixed quarterly on the basis of the LIBOR/SWAP rate of US dollar on the last working day of the preceding quarter.

6.63 The rationalisation of interest rates on the various non-resident deposit schemes through thinning of spreads and eventual linkage with LIBOR/SWAP rates has led to a perceptible reduction in fresh NR(E)RA inflows, as can be seen from the sharp drop in the volume of inflows during the later half of 2003-04.