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5.78 The recent global financial crises have raised certain issues relating to governance of financial intermediaries and awareness of investors. As investors' awareness is a precondition for their protection, attempts are being made to address this issue through the financial literacy campaign. A simultaneous and coordinated effort on both fronts is needed to enable investors, especially the small investors, to take informed decisions and ensure orderly conditions in the market. The ongoing efforts need to be scaled up in a coordinated way for spearheading financial literacy and promoting investors' protection.

5.79 The enactment of the Banking Laws (Amendment) Act 2012 is expected to make the regulatory and supervisory powers of the RBI more effective and facilitate banks in raising funds from the capital market required for expansion of banking business. It will also facilitate finalization of guidelines by the RBI for providing licences for new banks, which is essential for achieving the objective of financial inclusion in the current perspective. This needs to be expedited accordingly.

5.80 Pension reforms in India have generated widespread interest internationally. They will not only facilitate the flow of long-term savings for development but also help establish a credible and sustainable social security system in the country.

Lower levels of financial literacy, particularly among workers in the unorganized sector, non-availability of even moderate surplus, and lukewarm response so far from most of the state / UT governments to a co-contributory Swavalamban Scheme are the major challenges to universal inclusion of poorer sections of Indian society into the pension network. On the supply side, the lack of awareness about the NPS and of access points for people to open their accounts individually have been major inhibiting factors which should be addressed by the pension regulator immediately. As far as the insurance products are concerned, limited choice and high cost of providing covers and assessing claims are some of the issues that need to be suitably addressed to make insurance funds an effective means of channelling savings to investments.

5.81 In the global context, the performance of the financial sector in India will be influenced by both short-term and long-term factors. In the long run, a strong growth in global output will be essential for sustaining investment activities across the globe, including India. In the short run, factors like expectation of higher relative returns, risk perception of investors, and global liquidity will decide the level of flow of funds to the domestic equity market. According to the World Bank's Global Economic Prospects (GEP), January 2013, conditions in the global financial markets have eased significantly since July 2012 reflecting substantial progress in improving fiscal sustainability and the mutual support mechanism in the European Union. The decline in financial market tensions is reflected in terms of international capital flows to developing countries reaching a new high, decline in developing country bond spreads (EMBIG), and rise in developing country stock index. Overall the global economic environment remains fragile and prone to further disappointment, although the balance of risk is now less skewed to the downside than it has been in recent years.