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Economy's financial parameters improved in April-June: Survey

By PTI | Updated: Aug 07, 2016, 02.33 PM IST

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NEW DELHI: Banks and financial institutions witnessed improvement in financial parameters such as cost of funds, liquidity position and external financial linkages in April-June quarter, according to a survey.

The CII-IBA Financial Conditions Index stood at 61.1 for April-June period compared to 47.8 in the previous quarter.

An analysis revealed significant improvement in the cost of funds index (70.7), funding liquidity index (67.2) and the external financial linkages index (54.6).

The economic activity index stood at 51.8 compared to 64.6 in the previous quarter.

The Financial Conditions Index is based on a survey of major banks and financial institutions on their expectations of key financial and economic conditions.

A total of 41 major banks and financial institutions with combined total assets of more than Rs 72 lakh crore (as of March 2016) participated in the survey.

The reading of the financial index for the first quarter of 2016-17 at 61.1 was significantly above the 50 mark, implying a strong majority of the respondent banks and financial institutions reporting improvement or no change in the overall financial conditions as against deterioration vis-a-vis the previous quarter.

Chandrajit Banerjee, Director General, CII said, "The directional change in the performance of the Financial Conditions Index augurs well for the Indian financial sector as well as for the real sectors of the economy. We are certain that traversing the external headwinds, the government and the RBI would continue to focus on the twin objectives of maintaining financial stability and enhancing economic growth."

Ashwani Kumar, Chairman, IBA and Chairman and Managing Director, Dena Bank said, "Sustainable improvement in the financial conditions is a key imperative for strengthening the health of the Indian financial sector. With the gradual improvement in the overall macro-economic situation, financial conditions index is quite likely to witness upturn in coming quarters."

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