

improve transparency, to restore confidence in the primary market and to provide efficient financial intermediation, further reforms, including better disclosure rules and on-line trading facilities, are required.

Besides the existing nationalized public-sector banks, private banks, including the new foreign banks, have been expanding their deposit base in India. In 1991, state-owned banks still held more than 90% of the total banking assets in the country. However, while the average loan growth in 1994-95 for 31 Indian banks was just under 40%, the big nationalized banks turned in a mediocre growth of about 18%. The new private banks are beginning to offer one-stop total consumer services, including portfolio-management services and on-line access to accounts in India from as many as 35 countries.¹²

Foreign portfolio investment. The Indian diaspora, an estimated 15 million and cumulatively worth some C\$55 billion in financial assets, has largely consisted of the professional classes.¹³ Following the reforms, foreign portfolio investment in India boomed and India could build-up sizable foreign-exchange reserves, some C\$33 billion of which are now locked away in the vaults and could cover about six-month worth of imports. However, this source has dried up in 1995. India has a lot more to do in order to attract more foreign investment.

Foreign direct investment. The Indian government has recognized that trade and investment are interrelated and has eased the restrictions imposed on Indian companies wishing to invest abroad, although some capital controls remain in place. India's FDI in Canada in 1992 rose to C\$11 million from C\$8 million in 1991 and had declined to C\$7 million by 1994.

There is automatic clearance of foreign investment in India below the equity ceiling of 51%. India's industry minister has recently proposed that the equity ceiling be raised to 74%. Canadian direct investment in India increased to C\$98 million in 1992 from C\$84 million in 1991 and had reached C\$126

¹²Source: A study by Jardine Fleming India Broking Private Ltd, September 1995, cited in *India Today*, December 15, 1995, p. 113.

¹³The Chinese diaspora, in contrast, was of entrepreneurs many of whom had migrated, in particular, from Shanghai and Canton to Hong Kong and Taiwan.