

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2801
ANSWERED ON:13.03.2015
SBI HOME GROWN INDEX
Charitra Shri Ram

Will the Minister of FINANCE be pleased to state:

- (a) whether the State Bank of India (SBI) has launched home grown index to track economic trends;
- (b) if so, the details thereof;
- (c) whether the SBI index has been developed on the basis of the bank's internal loan portfolio; and
- (d) if so, the details thereof?

Answer

The Minister of State in the Ministry of Finance (SHRI JAYANT SINHA)

(a)& (b): State Bank of India (SBI) Composite Index is a forward-looking indicator both for internal use and also for public consumption. The index tracks manufacturing activities in the country. A large set of data is included to cover all economic activities. Economic series that is available in the public domain and not undergoes major revisions are preferred in the construction of the index. A group of 70 different variables are selected for the analysis at the initial stage.

The SBI index have used multiple statistical methods, including simple regression based models (Linear regression models, logistic models, factor models) and Value at Risk (VAR) based models suggested by Stock and Watson. After choosing the best possible models on statistical parameters, SBI tested the models on in-sample and out-sample forecasts.

(c) & (d): The SBI loan book data is not considered in the final index preparation. The index has used the credit data of all the banks available on public domain (RBI data base) along with many indicators used in construction of index.

However, though the SBI loan book data is not included in the construction of the index, it has been only used in the final validation and back testing of the model to make the model results robust.

A group of 70 different variables are selected for the analysis at the initial stage.